

Key Features
Discounted Gift Bond



Helping you minimise inheritance tax

This is an important document. Please read it alongside your personal illustration and keep it safe for future reference.

In this Key Features document

- | | | |
|---|--------------------------|----------|
| 1 | Aims, Commitments, Risks | page 3-4 |
| 2 | Your questions answered | page 5-9 |
| 3 | Other information | page 10 |
| 4 | Contact details | page 12 |

Key Features

Discounted Gift Bond

1

The Financial Services Authority is the independent financial services regulator. It requires us, Lincoln Assurance Limited, to give you this important information to help you decide whether our Discounted Gift Bond is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Choosing a financial product is an important decision, so you should always seek professional advice from a financial adviser. Before selecting the Discounted Gift Bond, you also need to know what the plan is, how it works, what the risks are, and what it can do for you. That's where this document comes in, providing the information to help you and your financial adviser make an informed choice. You should also read our Discounted Gift Trust guides, which provide more detail on Trusts and inheritance tax.

Its aims

Discounted Gift Bond aims to provide:

- capital growth over the medium to long term
- mitigation of inheritance tax liability, by placing the Bond into Trust – any assets remaining in the Trust at the time of your death pass directly to the Trust beneficiaries
- fixed income payments to you on a regular basis at an amount determined by you at outset.

Your commitment

- To make a minimum lump sum investment of £25,000 into a Discounted Gift Bond. There is no maximum limit.
- To relinquish ownership of your investment by placing the Bond, immediately upon issue, into either a Lincoln Absolute or Lincoln Discretionary Gift Trust. By placing the Bond into Trust you appoint the Trustees as its legal owners.

Risk factors

- The value of the Bond will depend upon investment performance. Investment values can fall or rise and are not guaranteed. When the Bond is cashed-in the Trustees could get back less than you invested.
- Different investment funds come with different levels of risks. Fund Factsheets containing details of all our funds, including their risks, are available on request or from your financial adviser. You should read the Fund Factsheets carefully.
- Your illustration provides details of potential growth. However, there is no guarantee that this level of growth will be achieved.
- If the level of withdrawals exceed the growth of your Bond, your investment will reduce in value and could be totally eroded.
- The income you request at outset cannot be changed. It cannot be increased, reduced (unless the fund is exhausted) or paid on different dates or at different frequencies.
- You cannot have the investment returned to you once placed in Trust as you will no longer be the owner of the Bond.
- The additional income from this investment could affect your entitlement to age related allowances, tax credits, pension credits, and social security benefits.
- You may incur a tax liability if your regular income payments and other withdrawals from the Bond exceed 5% per annum of your original investment (see 'What about tax' on page 8).
- Inheritance tax could be due:
 - when the Bond is placed into the Trust
 - when a distribution is made from the Trust
 - on each ten year anniversary of the Trust if using a Discretionary Trust.

This will depend on the type of Trust used and your own personal tax circumstances. You should refer to the Trust Guides and seek professional financial advice to assess your tax liability. HM Revenue & Customs (HMRC) rules may change without notice.
- The value of the discount used to determine the value of the gift for inheritance tax purposes can only be estimated by us. The final level of the discount is calculated by HMRC once the gift has been made to the Trust beneficiaries, or on your death.
- The Bond is designed as a medium to long term investment. Charges will therefore be applied to ad hoc withdrawals and early encashment in the first five years of your plan (see 'Can money be withdrawn?' on page 6).

Your questions answered

2

What is the Discounted Gift Bond?

- The Discounted Gift Bond is a life assurance plan written on selected lives assured. Up to four lives assured can be selected.
- Placed into Trust, the Bond operates as a long term, tax-efficient, investment vehicle.

How does the Discounted Gift Bond work?

- The capital invested can be placed in up to six of Lincoln's wide range of investment funds.
- The Bond can provide you with a fixed regular income of up to 5% per annum of the initial sum invested. The value and dates of payments are chosen by you at outset and cannot be changed.
- Once placed into a Trust there is potential for mitigation of inheritance tax (discount) on the capital value 'gifted' by the Trust to the beneficiaries.
- All Discounted Gift Bond applicants are required to complete a medical questionnaire and allow Lincoln access to the GP's; as the information provided is necessary to estimate the value of the discounted gift.
- The Discounted Gift Trust guides provide more details on Trusts and inheritance tax.

Who can invest in the Discounted Gift Bond?

- Anyone aged between ages 18 and 89, and residing or domiciled in the UK.
- We only accept joint applications that are owned in equal shares (50:50) between the two applicants.

How flexible is it?

- Once the Bond has been placed in Trust, it cannot be returned or recovered by you, except within the 30 day cancellation period (see 'Can I change my mind' on page 9).
- The Trustees can surrender the Bond in part or full at anytime however the Trustees are still required under the terms of the Trust to pay you the regular income stated in the Trust.

How much can I invest?

- You can invest anything from £25,000.
- Once you've invested, you and your Trustees cannot pay any more into the Bond. A new Bond may be taken out however, subject to the Terms and Conditions available at that time.

How much of my money will you invest?

- The amount Lincoln will invest in your Bond will depend on how much you invest, as shown in the table below:

Investment	Allocation %
£25,000 - £49,999.99	103.00%
£50,000 or more	103.75%

- You should note that these amounts are then subject to a 5% initial charge.
- You will find full details of all charges applicable to the Bond in your personal illustration.

What can the Trustees get back?

- The Trustees will receive a payment of 101% of the remaining cash value of the Bond, on the death of the last life assured.
- The Trustees can surrender the Bond at any time, however, charges may apply (see 'Can money be withdrawn?' below).

Can money be withdrawn?

- The Trustees can make ad hoc partial or full withdrawals from the Bond whenever they wish. These payments will be made directly to the Trustees.
- The payments of income made to you will be treated as withdrawals from the Bond. These withdrawals cannot be increased or reduced (unless the fund is exhausted). The Trustees can instruct us to pay the withdrawals directly to your own bank account.
- Early encashment charges apply in the first five years of the Bond when ad hoc or full withdrawals are made. No charge will apply to regular income payments. Details of these early encashment charges are set out in the table below:

Early encashment charge

	Period	Penalty deductions
During	First 12 months*	7.50%
	Months* 13 to 24	5.50%
	Months* 25 to 36	4.00%
	Months* 37 to 48	2.50%
	Months* 49 to 60	1.00%
	Months* 60+	0.00%

*From plan commencement date

- Regular income payments are restricted to a minimum of £50 per month, and a maximum of 5% of the original investment.
- There is no restriction on the amount of ad hoc partial withdrawals. However, a minimum balance of £250 must remain in each fund.

What investment fund choices are available?

- You can choose to invest in up to six of a wide range of funds only available from Lincoln.
- The minimum you can invest in each fund is £250.
- The funds included in the range have different levels of risk; details can be found in the relevant Fund Factsheet. This can be obtained on request from your financial adviser or from us.
- Currently, the Trustees will be able to switch investment between the funds without incurring administration charges. However, Lincoln reserves the right to impose charges for second and subsequent switches in any plan year.



How is my money invested?

- Your investment will be used to buy units in the investment funds chosen. These are notional units into which we divide each investment fund and which we use to work out the value of your plan. Each fund has a unit price which is calculated using the value of the fund's underlying assets. The value of your Bond is based on the number of units held in each fund multiplied by the relevant unit price. As unit prices fall or rise, so will the value of the investment.

What are the incentives?

- Extra units, equivalent to 0.3% a year, will be added to the investment monthly, from the start of year six onwards. These will have the effect of reducing the Annual Management Charge.
- A one-off loyalty bonus of 1% of the fund value will be allocated at the end of year ten.

What will you charge?

- Your personal illustration shows the specific charges which apply to your Bond.

How much will the financial advice cost?

- Your financial adviser will let you know about the cost of advice, if any.
- You can also find information about this in your illustration.

What happens on death?

- The Bond can continue, but the regular income payments paid will stop.
- If the Bond was purchased jointly with your spouse or civil partner, your income payments will be redirected to them whilst the Bond continues.
- On your death (or the second death where a Bond is purchased jointly), the Trustees can choose to surrender the Bond and distribute its value via the Trust, or leave it invested. Alternatively, the Bond can continue until the death of the last life assured.
- On the death of the last life assured a payment of 101% of the remaining cash value of the Bond will be made to the Trustees. You should therefore select the lives assured carefully to minimise the risk of the Bond coming to an end before you (and your partner, if purchased jointly) die.

What about tax?

- We have provided a brief overview of the tax implications of this Bond.
- The treatment of the Bond for inheritance tax purposes will depend on whether you place the Bond into an Absolute Trust or a Discretionary Trust. Further details of appropriate inheritance tax and income tax implications are contained in The Lincoln Discretionary and Lincoln Absolute Discounted Gift Trust Guides. These are available on request or from your financial adviser. Please see the back page of this document for our contact details.
- Any tax liability incurred by the underlying fund(s) into which you have chosen to invest your Bond will be met by the fund(s). The tax paid within the fund is not recoverable.
- Your 'regular income' established under the terms of the Trust will be funded through regular withdrawals from the Bond. The amount you can receive is restricted to 5% per year of your original capital investment so that there is no tax liability on this amount for up to 20 years.
- If the Trustees make any other withdrawals from the Bond either you or the beneficiaries under your Trust may be liable for tax at the difference (currently 20%) between the higher and basic rates of income tax.

- This document and the accompanying guides are not intended to be a comprehensive guide to the legal and tax implications of using a Discounted Gift Bond. All statements are based on Lincoln's understanding of current laws and HMRC practice.
- The legal and tax consequences of using a Discounted Gift Bond will depend on your individual circumstances and requirements. The laws and HMRC practice may change without advance warning.

Can I change my mind?

- Yes. You can cancel an investment within 30 days from the date you receive a cancellation notice ('your right to change your mind'), and the Terms and Conditions document.
- Refund of the investment on cancellation will be subject to deductions of any fall in the value of the investment when notice of cancellation is received by us.

How will you and the Trustees know how the Discounted Gift Bond is performing?

- We will send the nominated Trustee an annual statement.
- You can check the unit prices of your investment funds at www.lincolnuk.co.uk
- The Trustees can call us for an update. Please see our contact details on the back page.

How can I apply for the Discounted Gift Bond?

- Lincoln only accepts applications for this product through a financial adviser.



Other information

3

How to complain

If you ever need to complain about your plan, please contact us using the details shown in 'How to contact us'. If you are not satisfied with our response, you can complain to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Tel: 0845 080 1800
Email: enquiries@financial-ombudsman.org.uk
www.financial-ombudsman.org.uk

Complaining to the Ombudsman will not affect your legal rights.

Terms and conditions

This document only summarises the features of the Discounted Gift Bond. Please read it alongside your illustrations and the Terms and Conditions found in the plan document, available on request.

We have the right to change some of the Terms and Conditions at any time. We will write to inform the Trustees of any changes that affect your plan.

You can find the Terms and Conditions in your plan document.

Law

The Law of England applies to this plan.

Compensation

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation if we cannot meet our obligations. You should note that there are limits to the protection offered by the scheme. Currently, your life and pension products would be covered under the Scheme for 100% of the first £2,000 and 90% of the remaining claim if we were unable to meet our obligations.

If you are advised by a financial adviser or other authorised intermediary and have a claim against that adviser which they are unable to meet, you may be entitled to compensation. Currently your plan would be covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum compensation would be £48,000.

Further information on compensation arrangements is available from the Financial Services Compensation Scheme (FSCS) at:

7th Floor
Lloyds Chambers
Portsoken Street
London E1 8BN

Tel: 020 7892 7300
www.fscs.org.uk

Document availability

Please contact our Service team if you require this document in another format. We can provide it in:

- larger print
- braille
- compact disc (CD).

The Lincoln documents mentioned in this brochure are available from your financial adviser. Alternatively you may contact our Service team.

Important

Lincoln Assurance Limited does not provide advice on its life assurance and pension products, but aims to give customers helpful information to enable them to make informed decisions. We can also help customers who require advice, to find a financial adviser in their local area if required.

To find a financial adviser just call us or visit www.unbiased.co.uk

How to contact us

4

If you have any questions, please talk to your financial adviser first. If you require any information from us or wish to provide instructions regarding your Discounted Gift Bond, please contact Lincoln in the following ways:

Helpline



0845 0751 0200

Our lines are open from 8am to 6pm Monday to Friday. We may monitor or record calls to help us improve our service.

Email



ifasupport@lincolnuk.co.uk

Or write to us at



Service Team

Lincoln Financial Group

PO Box 2139

Barnwood

Gloucester

GL4 3WJ

Website



www.lincolnuk.co.uk



Issued by Lincoln Assurance Limited, incorporated in England registration number 830572, registered office Barnett Way, Barnwood, Gloucester GL4 3RZ. Telephone 01452 374 500, Fax 01452 634 300, www.lincolnuk.co.uk. Lincoln Assurance Limited is authorised and regulated by the Financial Services Authority and is a member of the Lincoln Financial Group. Member of the Association of British Insurers. Any information offered will relate to the life assurance, pension and unit trust products of the Lincoln Financial Group. No personal financial advice or recommendations will be given. Calls may be monitored and recorded for security and training purposes.