

**keyfacts**<sup>®</sup>

# Key Features of the HSBC Onshore Investment Bond – IFDL

Important information you need to read

For use only through the Investment Funds Direct Limited  
(IFDL) platform

HSBC 

The Financial Conduct Authority is a financial services regulator. It requires us, HSBC Life (UK) Limited, to give you this important information to help you decide whether our Onshore Investment Bond – IFDL 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.

### **Aims of the Onshore Investment Bond – IFDL**

- ▶ To invest a lump sum for capital growth over the medium to long-term.
- ▶ To allow you to select and manage your own investment portfolio through access to market wide funds traded on the IFDL platform.
- ▶ To allow you to make tax efficient occasional or regular withdrawals which can be used to generate income. Please refer to the product brochure for details.

### **Your commitment**

- ▶ To invest a lump sum of at least £5,000.
- ▶ To view the investment as medium to long-term (at least five years). If you cash your bond in early you may not get back as much as you originally invested.
- ▶ To keep at least 1% of the value of your bond in cash at all times.
- ▶ To keep us informed about any changes to your personal details.

### **Risk factors**

- ▶ Investment performance is not guaranteed. The value of your bond, will rise and fall according to the value of the underlying funds in your investment portfolio. You may not get back the amount you originally invested.
- ▶ The charges may fluctuate and turn out to be higher than expected, reducing the value of your bond.
- ▶ Funds invested in newer markets, smaller companies and less frequently traded assets may involve a higher degree of risk and/or delays in realising your investment. Please refer to your adviser for guidance.
- ▶ Some funds may invest using currencies other than sterling and therefore carry the extra risk of exchange rate fluctuations.
- ▶ In exceptional circumstances, there may be a delay in carrying out your instructions if any of the funds in your portfolio have applied trading restrictions (see Clause 16 of the Terms and Conditions).
- ▶ If you make withdrawals which exceed your bond's growth, the value of your investment will be reduced.
- ▶ If you switch your investment between funds you may be uninvested whilst the trades are being settled (see 'Can I move my investment between funds?' on page 4).
- ▶ Tax rules and rates may change in the future affecting the tax liability on your bond.
- ▶ There may be tax implications if adviser and/or discretionary management charges are taken from your bond (see 'What about tax?' on page 5).

# Questions and answers

## What is the Onshore Investment Bond – IFDL?

- ▶ It is a lump sum investment which provides a cost-effective way to build your own portfolio from a wide selection of funds, whilst benefiting from the flexibility and tax planning opportunities offered by using an insurance bond wrapper.
- ▶ Through access to the IFDL platform, funds can be viewed, valued and traded online by your adviser, making it easy to monitor and manage your portfolio. For more details please refer to the product brochure.
- ▶ Each fund is a collective investment which holds a spread of assets according to its investment objective(s) and whose fund price will rise or fall according to the value of the assets it holds.

## Who is it suitable for?

- ▶ Whilst your adviser will guide you, you can find some general guidance in the product brochure.

## Who can apply for the Bond?

- ▶ You will need to be a registered client of the IFDL platform service before you can apply for this Bond.
- ▶ You can apply either alone or jointly with up to nine other applicants. All of the applicants must be UK resident and aged 18 or over. You must notify us of any subsequent change in residency.
- ▶ Your bond will be set up on the life/lives of the people named in your application. Up to ten lives insured can be covered. The minimum age for a life insured is three months. There is no maximum age limit.
- ▶ Trustees can also take out the bond as a trust investment.

## How can I open an Onshore Investment Bond – IFDL?

- ▶ Applications can be submitted by your adviser:
  - online – via the HSBC extranet
  - by post – paper applications can be downloaded from the HSBC extranet, or,
  - by phone – by contacting our Administration Office.
- ▶ The minimum initial investment is £5,000 which is payable by cheque drawn on a UK bank account or by electronic transfer from a UK bank account. The bank account must be held in the name of one of the applicants for the bond.
- ▶ In some cases we may need to ask for additional documentation from you, to meet regulatory requirements, before we can accept your application.

## How flexible is it?

- ▶ Your bond has no fixed investment period so it will continue until death of the last surviving life insured or until it is surrendered in full.
- ▶ You can make an additional investment (top-up) at any time. The minimum additional amount is £500.
- ▶ For maximum flexibility your bond will be divided into a number of separate and identical policies. You choose the number of policies you wish to hold, subject to a maximum of 1,200, and to a minimum investment of £1,000 in each.

## How is my payment invested?

- ▶ Your payment will be credited to the cash account and used to purchase holdings in the funds you have selected. Cash and fund holdings are divided equally across the policies in your bond.
- ▶ Your adviser will access the IFDL platform to purchase fund holdings from your cash account in accordance with your instructions. There is no maximum to the number of funds you can hold in your portfolio at any one time. However, each fund will apply a minimum investment limit (please refer to your adviser for guidance).
- ▶ The number of shares or units purchased for any fund will depend on how much you invest and the buying price of those shares or units on the date of purchase. Transaction periods for processing trades vary between funds and a fund holding will not be available on your portfolio until the trade is settled; please refer to your adviser for guidance.
- ▶ The value of your bond will depend on the value of the shares or units which make up your fund holdings, and the value of the cash account, in your portfolio.

## How does the cash account operate?

- ▶ You are required to maintain a cash balance, apportioned equally across the policies in your bond, of 1% of your bond value. This is held in a cash account which is used to manage transactions, including income receipts, tax payments, regular withdrawals and charge deductions, as well as fund sales and purchases for your portfolio.
- ▶ Interest is calculated daily based on the balance in your cash account. For details of current interest rates please speak to your adviser.
- ▶ If your cash account falls below the minimum value we will instruct IFDL to sell fund holding(s), equally across all policies, to cover expected charges for the following three months. Please refer to Clause 8 of the Terms and Conditions for details.

### Can I move my investment between funds?

- ▶ Yes. Using the IFDL platform service your adviser can action trades between funds in accordance with your instructions.
- ▶ Each instruction will be treated as separate 'sell' and 'buy' transactions, undertaken through your cash account. This means that you may be uninvested for a time if the 'sell' instruction needs to be processed and the proceeds credited to your cash account before the 'buy' instruction can be made.

### Can I access my money at any time?

- ▶ Yes. You can surrender part or all of your bond at any time. Part surrenders are subject to any minimum limits applicable to your fund holdings.
- ▶ Unless we receive instructions to the contrary, we will take part surrenders from all policies, in equal proportion, by utilising your unused 5% allowances (please refer to the 'What about tax?' section on page 5). Your remaining bond must have an investment value of at least £2,000 for you to make a part surrender.
- ▶ For full surrenders you will receive the cash in value of all your fund holdings, less any tax deductions and charges, plus the balance of your cash account. A further payment will be made after 11 weeks for any residual income received.
- ▶ Fund sales, sufficient to meet your instructions will be actioned by your adviser and the proceeds credited to your cash account on the settlement date(s) for payment to you. Payments are made by cheque or direct credit to the policy owner(s).
- ▶ In exceptional circumstances, some funds may defer surrender or withdrawal payments. Where this affects a surrender instruction, the sale of any unaffected holdings will be treated as a part surrender whilst waiting for the proceeds from any funds subject to trading restrictions. Please refer to Clause 16 of the Terms and Conditions for details.

### Can I take regular withdrawals from my bond?

- ▶ Yes. You can take withdrawals (minimum £100, maximum 10% yearly of your initial investment) on a monthly, bi-monthly (every other month), quarterly, termly, (every four months) half-yearly or yearly basis from your cash account to provide a regular income. Your adviser will action fund sales as required to cover these payments.
- ▶ Unless we receive instructions to the contrary, a proportionate part of each withdrawal payment will be taken from each policy you hold.

- ▶ You can commence regular withdrawals from your bond from outset or from a later date, and you can stop the payments at any time. Payments will be made in arrears from the income start date to your nominated account, on the 15th day (or next business day) of each month in which payment is due.
- ▶ If you make withdrawals which exceed your bond's growth, the value of your investment will be reduced.

### What are the charges?

- ▶ The following charges apply to your bond but the impact on your investment will vary depending on a number of factors including the amount you invest, the terms you have agreed with your adviser and the funds you select. Further details about the effects of charges will be shown in your personal illustration.
- ▶ **Adviser charges.** Adviser charges may be paid from your bond, if you have agreed this with your adviser. Where you have consented to charges being taken from your bond, we will deduct initial and/or regular charges from your cash account. Please note that there may be tax implications for deduction of charges from your bond (please refer to 'What about tax?' on page 5).
- ▶ **Annual management charge.** To cover our administration costs, there is an annual management charge which is calculated daily based on cash, shares and units held, and deducted from your cash account on a monthly basis. The level of this charge depends upon your initial investment amount as follows:

Initial investment	Annual management charge
Up to £149,999	0.35% yearly of bond value
£150,000 - £249,999	0.30%
£250,000 and above	0.25%

For top-up investments the level of the charge will take into account the previous amounts you have invested.

For example, if you originally invested £100,000 and are now adding a further £75,000 to your bond, an annual management charge of 0.30% would apply to the top-up investment, irrespective of any withdrawals or part surrenders you had already taken from your bond. The level of charge being applied to your original investment would not change.

- ▶ **Fund charges.** Each fund has its own charges, which are deducted within that fund or, where a fund has different buying and selling prices, are reflected in the fund prices for purchase and sale (please refer to your adviser for guidance).
- ▶ **Platform charges.** Please refer to your platform application pack for details of the dealing and other charges which apply for your use of the IFDL platform service. If applicable, discretionary fund management charges (inclusive of any VAT) will also be deducted by IFDL to pay for any discretionary investment services you have agreed with your adviser (please note that there may be tax implications for deduction of discretionary fund management charges - see 'What about tax?').
- ▶ Any of these charges may vary in the future (please refer to Clause 12 of the Terms and Conditions).

### What about tax?

- ▶ HSBC Life (UK) Limited deducts corporation tax on the investment income and capital gains from your bond. Tax rates vary by fund but we calculate the tax amount on a daily basis and make a monthly deduction from your cash account. This process effectively takes care of your basic rate tax liability but cannot be reclaimed if you are a non-taxpayer or a taxpayer with savings income taxed at the starting rate for savings. For a more detailed explanation of the tax treatment please refer to the product brochure.
  - ▶ You may have to pay additional tax on the gain (the profit made on your bond) if you are a higher-rate or additional rate taxpayer, or if the gain causes some of your income to be taxed at a higher rate or additional rate at the time you cash in, or assign, some or all of your bond. However, each policy year, you can make part surrenders or regular withdrawals of up to 5% of the amount you invested (up to 20 years from investment) without any immediate liability to tax. Any unused 5% allowances can be carried forward.
  - ▶ To utilise your unused 5% allowances we will take:
    - for regular withdrawals, a proportionate part of each withdrawal payment from each policy you hold, and
    - for part surrenders, a proportionate part of the payment from each policy you hold, plus the surrender of individual policies for any balance of the payment which exceeds your unused 5% allowances.
  - ▶ The amount of any adviser and/or discretionary management charges deducted from your bond will count towards your yearly 5% allowance.
- ▶ Personal allowances could be reduced by any taxable gain you make. Personal allowances may be affected if you have income exceeding £100,000 or if the chargeable event gain takes your income above £100,000.
  - ▶ It may be possible to offset chargeable event gains (up to £500 for the 2016/17 tax year) against your Personal Savings Allowance if you are a higher rate taxpayer at the time the taxable event occurs.
  - ▶ If you die, your bond value may form part of your estate for inheritance tax purposes. However, you can set up your bond in trust to assist with inheritance tax planning.
  - ▶ If a bond is owned by trustees, gains may be subject to UK income tax.
  - ▶ The value of any tax benefits described depends on your individual circumstances. Tax rules and rates may change in the future.

### Is there a death benefit?

- ▶ We will pay 100.1% of the value of your bond following death (for joint life policies on death of the last surviving life insured). Payment will be based on the cash value of your portfolio following sale of your fund holdings.
- ▶ In the event of accidental death (as defined in the Terms and Conditions) before age 80, this death benefit will be increased to 120% of bond value, subject to a maximum increase in payout of £500,000 across all bonds, and any other policies, held with us.
- ▶ Before we can pay out, we will need to see the original death certificate, policy schedule and, where applicable, proof of title from your legal personal representatives.

### How am I kept informed?

- ▶ Through access to the IFDL platform, your portfolio can be viewed and valued online by your adviser at any time.
- ▶ In addition, we will send you a full statement twice a year.
- ▶ For personal investors, if any of your transactions give rise to a potential tax liability, we will send you a Chargeable Event Certificate within three months of the event.

### Can my bond be set up under a trust?

- ▶ Yes. A range of trust options is available. Please refer to your adviser for guidance.

# Other information

## Cancellation rights

After you make an investment we will send you your bond documents. You will then have 30 days in which you can change your mind by writing or by email to our Administration Office (see 'Contact us').

If you cancel within this period your investment (less any adviser charges already paid to your adviser) will be returned to you. However, if market conditions have moved against you in the meantime, you may get back less than the original value of your investment.

If you choose not to exercise your right to cancel and later surrender your bond, the surrender value will be subject to fluctuating investment performance and charges as detailed in this document.

## Customer service

If you are not entirely satisfied with the products and the service you receive from us please let us know. You can ask for our leaflet 'Listening to Your Comments' to help you in presenting any concerns to us.

## How to complain

If you ever need to complain, please contact your adviser in the first instance or write to us (see 'Contact us'). A copy of our complaints procedure is available on request.

HSBC Life (UK) Limited is covered by the Financial Ombudsman Service, so if you are not satisfied with our response, you can contact:

**Financial Ombudsman Service**  
**Exchange Tower**  
**London**  
**E14 9SR**

**Telephone: 0800 0234 567**  
**Email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)**

Further details are available on their website:  
[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Complaining to the Ombudsman will not affect your legal rights.

## Financial Services Compensation Scheme

HSBC Life (UK) Limited is covered by the Financial Services Compensation Scheme. If HSBC Life (UK) Limited is unable to meet its obligations, you may be able to claim compensation. This is limited to transferring your policy to another insurer providing a new policy. If this is not possible then the FSCS will provide cover for 100% of the claim with no upper limit.

Further details are available on request or from the FSCS at:

**Financial Services Compensation Scheme**  
**10th floor**  
**Beaufort House**  
**15 St Botolph Street**  
**London**  
**EC3A 7QU**

**Telephone: 0800 678 1100**

**Email: [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk)**

Further information about compensation scheme arrangements is available from the FSCS: [www.fscs.org.uk](http://www.fscs.org.uk)

## Terms and Conditions

These Key Features only give a summary of the Onshore Investment Bond – IFDL. Full details of the Terms and Conditions can be found in the Policy Document which will be issued with your bond documents when you apply. Please ask your adviser for a copy.

We may make changes to the Terms and Conditions (please see Clause 4). If so, we will notify you in advance and we will also send you a copy of anything that is changing.

## Law and Language

This Bond is governed by the laws of England and Wales and the Terms and Conditions will be issued to you in English. We will always communicate with you in English.

## Important note

The HSBC Onshore Investment Bond – IFDL is provided by HSBC Life (UK) Limited whose main business is writing life policies.

# Contact us

**HSBC Life (UK) Limited**  
**Administration Office**  
**PO Box 1053**  
**St Albans**  
**AL1 9QG**

**Email: [servicing@bond.hsbc.co.uk](mailto:servicing@bond.hsbc.co.uk)**

**Telephone: 0345 603 9164**

Lines are open 9am to 5.30pm Monday to Friday (excluding public holidays). To help us continually improve our service and in the interests of security, we may monitor and/or record your communications with us.

Please contact your adviser or us for alternative formats of this document.

## **HSBC Life (UK) Limited**

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