keyfacts®

Key features of the Nucleus Onshore Bond account - SFA

20 minute read

Closed to new business

Please note this information relates to the product at the time of account opening.

The Financial Conduct Authority is the financial services regulator. It requires us, Nucleus Financial Services Limited (Nucleus), to give you this important information to help you to decide whether the Nucleus Onshore Bond account is right for you. You should read this document carefully so that you understand what you are investing in and then keep it safe for future reference.

You should note that the terms and conditions of the Nucleus wrap and a signed application form constitute a legally binding contract between you, Scottish Friendly Assurance Society Limited ("Scottish Friendly") as the provider of the Nucleus Onshore Bond account, and Nucleus Financial Services Limited - the scheme administrator. This document should be read in conjunction with the key features of the Nucleus wrap.

Contents

How to use this guide

Things to consider

Key decisions and risks you should keep in mind. Sections in this format are designed to draw attention to important considerations, in addition to risks or costs you need to be aware of.

Most people want to know

Sections in this format answer some of the more frequently asked questions you are likely to have.

Discuss with your adviser

Information within this format draws attention to the decisions that we strongly suggest should be discussed with your adviser.

1. The aims

- To enable you to save in a tax-efficient way through single (one-off) contributions.
- To allow you and your IFA to make your own investments decisionson accordance with the rules of the Nucleus wrap.
- To allow you and your adviser to make your own investment decisions in accordance with the terms and conditions of the Nucleus Onshore Bond account.
- To provide a potentially tax-efficient method of investment.
- To provide a cash lump sum on the death of the relevant life assured.

2. Your commitment

- You commit to make at least one contribution of £10,000 or more.
- There is no commitment on your part to continue making contributions and there is no penalty for ceasing or reducing contributions.
- With most investments you should normally plan to hold them for the medium to long term (five to seven years).
- You must also abide by the terms and conditions of the Nucleus wrap and the plan conditions of the Nucleus Onshore Bond account and accept that you must hold at least 2 per cent of your account in cash at all times.

3. Risks

Please take time to consider the risks associated to your account

- The value of your Nucleus Onshore Bond account can fall as well as rise so you may not get back the amount you invest.
- There are certain important features and factors which may affect the performance of your Nucleus Onshore Bond account. You should always discuss these with your adviser before you make any decisions.
- There may be initial and ongoing charges associated with your Nucleus wrap and these will have an impact on the value of your investment. These charges may vary through time and you should be aware that any increase in charges would have an adverse impact on the value of your investment.

- Past investment performance is not a guide to the returns you may receive in future.

- Trading instructions may be aggregated which means that the price you pay for assets may rise or fall in the period between Nucleus receiving your instruction and the time the instruction is actioned. There may be situations where you are disadvantaged by aggregation.
- We will send you a contract note, which is a summary of any buy or sell transaction instructed on your account, and it is important that you check all contract notes. If you have any queries in relation to the contract note please discuss this with your adviser or contact Nucleus. It is important that you highlight any errors or discrepancies at the earliest opportunity and no more than 30 days after receipt. Please note that any liability in respect of errors or omissions may be limited to 30 days by Nucleus.
- If you invest in an income fund that charges some of its expenses to capital in order to boost the income level, your capital will be more at risk and your scope for growth will be correspondingly reduced.
- Where your Nucleus wrap holds assets that invest in non-sterling denominated assets, the value of your Nucleus wrap will be affected by movements in currency rates as well as movements in the value of the underlying assets.
- Where you want to sell an asset and this is not immediately possible, the delay in trading may result in lower proceeds than you might have expected.
- What you get back is not guaranteed. It may be worth less than reflected on your personal illustration:
  - if you cash in your Nucleus Onshore Bond account earlier than assumed in your illustration;
  - if you do not make the investment assumed in the illustration;
  - if the charges for your investment are higher than those assumed in the illustration;
  - if underlying investment performance is lower than the figures assumed in the illustration;
  - if you choose to take withdrawals which exceed the growth of your Nucleus Onshore Bond account, your capital will be eroded; or
  - if you invest in a fund which holds property, you should note this can be difficult to sell and we may have to delay acting on your instructions.

- If you exercise your right to cancel your Nucleus Onshore Bond account you may find that the value of your investment falls between the date of your investment and the date of cancellation and that you may receive back less than you initially invested.

- The various assets in which you can choose to invest have different levels of risk attached to them.
- The Value of your Nucleus Onshore Bond account will fluctuate in line with movements in the value of the underlying assets.
- The tax treatment for the Nucleus Onshore Bond account (generically a non-qualifying life assurance bond) depends on the individual circumstances of each client and may be subject to change in the future. Please consult your adviser for how the tax regulation affects you.
- You should ensure that you have an insurable interest in the life assured under the Nucleus Onshore Bond account, otherwise there may be difficulties in paying out benefits in the event of the death of the life assured.
- Your tax circumstances may mean that you do not achieve the anticipated benefits from investing in an onshore bond.
- If you are considering investing for less than five years, and are uncomfortable with the thought of your investment fluctuating in value or require a certain amount of cash at a specific date in the future, the Nucleus Onshore Bond account may not be right for you.

3. Frequently asked questions

This section seeks to answer all of the questions you may have regarding the establishment and the maintenance of your Nucleus Onshore Bond account. Further information is available from your adviser and the Nucleus terms and conditions.

What is the Nucleus Onshore Bond account?

The Nucleus Onshore Bond account (your "account") is a non-qualifying life bond, which allows you to accumulate and benefit from a cash sum which gives arise to no basic rate tax liability. Investments within this account have UK Corporation tax deducted from any overall taxable gains which may be made. This means that for a basic rate taxpayer there is no further tax liability when the account is cashed in. Higher rate taxpayers will pay the difference between the higher and basic rate of tax.

In addition, you can make withdrawals of up to 5% of your initial investment for each year, for up to 20 years, without incurring an immediate tax liability no matter what your tax status. The payment of any advice fees, or discretionary asset manager fees from your Nucleus account will be treated as a capital withdrawal for tax purposes and will count towards the 5% tax deferred allowance. If the 5% allowance, or part of it, is unused in any given policy year, then it is carried forward on a cumulative basis.

All references to taxation within this document are based on Nucleus' and Scottish Friendly's understanding of tax law and practice which may change in the future.

The Nucleus Onshore Bond account allows you to invest in the wide range of funds available within the account.

The Account is split into 100 identical individual clusters which allows you to cash in individual clusters rather than withdraw capital across the entire account.

How is tax deducted?

Your investments in each fund will grow before the deduction of any taxation (other than UK Corporation tax on dividends which are deducted at source). Scottish Friendly will calculate (normally daily) the tax which is due on any gains made after allowing for dividends which have already paid tax and any available indexation relief.

This tax due will accrue as a "Final Tax-Charge", which will be deducted from your account when you cash in your Onshore Bond account. However if the value of your Final Tax-Charge becomes more than 10 per cent of the assets within your Onshore Bond account then you will be required to reduce your Final Tax-Charge to 5 per cent. This will normally be achieved by selling cash assets. To allow for the fact that you are deferring your tax payments, your Final Tax-Charge will be increased by a rate of interest as decided by Scottish Friendly. The rate of interest will apply whether your Final Tax-charge is showing a final tax-deduction or a tax-rebate.

What about tax loses?

Whenever any of the funds you invest in makes a capital loss (that is a loss after allowing for any growth due to dividends and the effects of indexation) you will receive a tax-credit for this loss against your Final Tax-Charge.

It is possible, depending on your investments and the growth of your account, that by the time you cash in your Nucleus Onshore Bond account your Final Tax-Charge has a positive value, that is your tax-credits outweigh your tax charges. In these circumstances your Final Tax-Charge will be used to enhance your final cash in value.

What rate of tax will apply?

The rate of tax that will apply only on any gains over and above growth due to dividends and allowing for indexation will be based on the UK Corporation tax rate currently 20 per cent.

Can I access my capital?

You can make a partial or full withdrawal from your Nucleus Onshore Bond account at any time. If you make a full withdrawal, this is a surrender of your Nucleus Onshore Bond account. You should consider the potential tax implications (see 'What tax will I pay when I withdraw capital?') before you request any withdrawal payment. You may take money out in the following ways:

- You can choose to take regular, fixed amount withdrawals from your Nucleus Onshore Bond account, but there may be tax implications if the total of any withdrawal and any advice/DFM fees exceed 5%. Please note we use the processed date, not the payment date for chargeable event calculations. The processed date is typically nine working days prior to the payment date to allow for the sell down of assets to cash. It may be earlier if your payment date falls on a bank holiday or weekend. If the payment date chosen is on, or close to, the policy anniversary date this may lead to a chargeable event gain as you may receive 13 withdrawals in a single policy year.
- If you request a single withdrawal from your Nucleus Onshore Bond account, we will take this in equal proportions from all policies that comprise your account unless you request for whole policies to be encashed.
- There is no maximum amount you may withdraw from your account, but there may be tax implications if any withdrawal exceeds 5% per annum. You should discuss the tax implications of withdrawals with your adviser.
- If your bond holds any suspended assets a surrender of individual segments is not possible.

What tax will I pay when I withdraw capital?

If you are a basic rate taxpayer when you cash in your bond you will have no further tax liability. At the point at which all funds are withdrawn, all withdrawals are added to the total proceeds and the liability to income tax assessed on thetotal gain (in relation to either an individual cluster or the whole account).

If you are a higher or additional rate taxpayer, or become a higher or additional rate taxpayer when you receive money from your Nucleus Onshore Bond account, there may be an income tax charge in the following circumstances:

- If the total of regular withdrawals and any advice/DFM fees exceed 5% of the premium invested (please note the 5% for each year of the first 20 years is cumulative and any unused part can be carried forward for future years);
- On encashment of one or any number of the individual policies that make up your Nucleus Onshore Bond account; or
- If the cumulative total of regular withdrawals and partial encashments of some or all of the policies exceeds 100% of the amount invested in those policies.

If you are a basic rate taxpayer when you cash in your bond you will have no further tax liability. At the point at which all funds are withdrawn, all withdrawals are added to the total proceeds and the liability to income tax assessed on thetotal gain (in relation to either an individual cluster or the whole account).

Can I make extra contributions?

You can make additional contributions whenever you like. Additional contributions are not subject to minimum investment limits.

Where will my money be invested?

You and your adviser should determine how your money should be invested across the funds available within the account.

You will be able to invest in a range of Scottish Friendly life funds set up specifically for clients in the account. These funds will be directly linked to the range of funds available through the Nucleus wrap.

The Scottish Friendly life funds will normally mirror the underlying funds, in terms of pricing, risks, rewards and dealing times. You will be able to examine these underlying funds in detail by reading their own brochures and key features documents. Any differences between the Scottish Friendly life assurance fund and the underlying fund will be noted in a separate Scottish Friendly life assurance fund key features supplement (if required) which you should read carefully alongside the underlying fund factsheet.

To meet the running costs and charges associated with your account you must hold at least 2 per cent of the assets of your account in cash. In the event of you failing to maintain this minimum cash balance we will contact you and your adviser and ask you to pay an additional contribution or to encash assets to bring your cash balance back into line with this minimum. Should we be unable to contact you or your adviser, and subject to no other instructions from you or your adviser, Nucleus will encash assets to restore the cash balance to 2 per plus the value of any anticipated fees and withdrawals over the next six months on a 'last bought, first sold' basis.

Can I be assured how much I will receive?

No. The return will depend upon the value of your account when you decide to cash it in; this depends partly upon how much you have invested in your account and how long it has had to grow. It also depends upon the investment growth achieved, how and when that growth was achieved and the charges and Final-Tax charge deducted.

How can I find out how much my account is worth?

Your adviser will have full online access to the value of your Nucleus Onshore Bond account. This will include the value of your Final-Tax Charge. In addition we will write to you twice a year with a full statement showing all the assets within your account.

What happens to my account if I die?

On the death of the relevant life assured the value of your account calculated as at the date of death will be multiplied by 100.1 per cent and paid as a lump sum to your estate. Your account can be assigned and therefore can be used as part of your inheritance tax planning. The relevant life assured will be specified in the application as the first or the last death of those individuals named as the Nucleus Onshore Bond account life (lives) assured.

What are the charges?

A breakdown of our charges are shown in the Nucleus terms and conditions.

The charges you will pay are set out in your personal illustration as provided by your adviser. Typically, your Nucleus wrap will be subject to three distinct types of charge: the Nucleus wrap charge, charges for the management of assets and fees for the provision of financial advice.

Your Nucleus Onshore Bond may be subject to initial and ongoing charges in respect of asset management. The amount you pay in asset management charges will depend entirely on your circumstances and what assets you choose to invest in. You should note that in some cases the funds you invest in may be available to Nucleus at a lower price than that assumed in the pricing of the fund whereupon you will be entitled to a partial annual management charge rebate. In such circumstances the rebate amount will be calculated and credited quarterly, as units or cash, to the relevant account in the proportion in which it arose.

The charge for financial advice will be determined according to the agreement you reach with your adviser and although Nucleus may facilitate advice payments for your convenience, Nucleus will only pay your adviser in accordance with your instructions. Should the relationship between you and your adviser terminate or your adviser ceases to have an agreed terms of business contract with Nucleus, Nucleus reserves the right to make additional charges to maintain your wrap. You should note that initial charges in relation to asset management and financial advice may be deducted when you make a new investment and all annual charges are accrued daily and deducted monthly.

What are the fund management charge rebates?

Where Nucleus has been able to negotiate special terms with the fund management group these terms are often effected through a rebate of part of their annual management charge. Where such a rebate exists Nucleus will collect these rebates and credit them in cash to your account.

How much will advice cost?

Nucleus does not give financial or investment advice. The cost and type of advice you receive is between you and your adviser. The cost of your advice may be settled directly with your adviser or by means of an initial or annual charge on your account. This will be explicitly stated in your personal illustration.

In addition you and your adviser may agree to the payment of fees based on certain events or transactions. You may settle such fees directly with your adviser or we can deduct these fees from your account upon your explicit written instruction supported by an invoice from your adviser.

You should note that if you agree a fee with your adviser the actual deduction from your account may be less than the fee agreed where Scottish Friendly can claim tax-relief on these fees.

4. Further information

For further information please contact your adviser or refer to the plan conditions for the Nucleus Onshore Bond account. Should you be unable to make contact with your adviser or you require further information please contact Nucleus by writing to Nucleus Client Relations, Nucleus HQ, 22 Thistle Street Lane North West, Edinburgh, EH2 1BY or by calling 0131 226 9535.

Your right to change your mind

You may change your mind about your account. When your account starts you will receive a cancellation notice. This gives you the right to cancel during the next 30 days.

If you cancel your account you will receive a full refund of all the assets within your account plus any charges already deducted. You should note that in the case of single premium (one-off) investments if the value of any underlying investment(s) fall(s) before we receive your cancellation notice, you may receive less than you invested.

About Scottish Friendly Assurance Society

Scottish Friendly Assurance Society Limited is the provider of the Nucleus Onshore Bond account and is authorised and regulated by the Financial Conduct Authority (FCA). The FCA register number is 110002. You can check this on the FCA register by visiting their website www.fca.gov.uk/register or by calling them on 0845 606 1234.

About Nucleus Financial Services

Nucleus Financial Services Limited is the provider of the Nucleus wrap and is authorised and regulated by the Financial Conduct Authority (FCA). The FCA register number is 456117. You can check this on the FCA register by visiting their website www.fca.gov.uk/register or by calling them on 0845 606 1234.Client categorisation

Your adviser is required to categorise all of their clients and this determines the level of detail and information you will receive. If your adviser categorises you as a retail client in respect of the services provided to you, this means that you will benefit from the highest level of client protection. For further information on categorisation or should you wish to request a different categorisation please contact your adviser.

Compensation

We are covered by the Financial Services Compensation Scheme (FSCS). You and any secondary account holders may be entitled to compensation from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Investments are normally covered for 100% of the first £85,000 per person per firm. Further information about compensation arrangements is available from the FSCS. Please go to www.fscs.org.uk.

Law

All correspondence will be and has been made in English. In legal disputes the Nucleus Onshore Bond account is subject to the law of Scotland, unless otherwise specified in your bond schedule. Full details of the legally binding contract between us are contained in the Terms and Conditions.

Regulation

The Nucleus wrap is provided by Nucleus Financial Services Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The FCA register number is 456117. The Nucleus Onshore Bond is provided by Scottish Friendly Assurance Society Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Their FCA register number is 110002. You can check this on the Financial Services register by visiting their website: www.fca.org.uk/register or by calling them on 0800 111 6768.

The Regulator requires Scottish Friendly to prepare a Solvency and Financial Condition Report in line with the Solvency II Regulations. This report outlines the nature of the business, how it is managed and its solvency position. A copy of the report can be found on their website: www.scottishfriendly.co.uk/financial-results-and-tax-strategy.

Nucleus has been appointed by Scottish Friendly to carry out the administration of the Nucleus Onshore Bond account. Nucleus acts as an insurance intermediary on behalf of Scottish Friendly in distributing the Nucleus Onshore Bond.

Complaints

We always aim to provide the best service possible, however if you are unhappy and you wish to complain, please let us know immediately so we can fairly and impartially resolve any issues for you as quickly as we can.

You can reach us by:

Phone 0131 226 9535

Email complaints@nucleusfinancial.com

Mail Nucleus, Suite 202 Warner House, 123 Castle Street, Salisbury SP1 3TB

We aim to resolve any complaint as soon as possible. Some complaints require a detailed investigation and/or a dialogue with third parties and may therefore take longer to resolve.

We will issue written acknowledgement of your complaint promptly by email or by letter. If a final response has not been issued within four weeks of receipt of your complaint, we will write to let you know and will indicate when we will make further contact. This further contact will be within eight weeks of receipt of the complaint.By the end of eight weeks, we must send you either a final response or a response which explains we are still investigating your complaint and the details of how you can refer your complaint to the Financial Ombudsman Service if you are dissatisfied with the outcome of your complaint and/or the length of time it has taken.

The Financial Ombudsman Service

If you remain unhappy with the outcome of your complaint you have the right to refer the complaint to the Financial Ombudsman Service (FOS) free of charge. Their contact details are: Financial Ombudsman Service, Exchange Tower, London E14 9SR. Phone: 0300 123 9123 or 0800 023 4567. Email: complaint.info@financial-ombudsman.org.uk. Website: www.financial-ombudsman.org.uk.

Please contact us if you'd like to receive a hard copy of the Ombudsman's consumer leaflet.

If your complaint concerns the administration of a personal pension plan, your complaint may be more appropriately referred to the Pensions Ombudsman. Where applicable, we will provide appropriate referral rights when sending our complaint response. Their contact details are: The Office of the Pensions Ombudsman, 10 South Colonnade, Canary Wharf, London E14 4PU.

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02-2025