

Flexible Mortgage Plan

Important information

You recently contacted us about cashing in all or part of your Clerical Medical Flexible Mortgage Plan

This leaflet gives you information to help you decide whether cashing in all or part of your plan is the right thing to do at this time.

Making decisions about your plan

It's important to think about why you originally invested in your Flexible Mortgage Plan. It is designed to repay part or all of a mortgage loan and, as such, it's likely to be worth keeping until the end of its term. As well as the option to switch funds, you may be eligible for the Career Break Option which allows you to reduce your premiums for a 12-month period (you'll find more information about this option in the policy provisions). This means that the plan can adapt as your financial needs change. Your plan is also eligible for more favourable tax treatment if you keep it for the agreed term and pay all the premiums due.

It can be tempting during periods of uncertainty, or when stock markets are underperforming, to cash in your current investment. One of the most important aspects of investing for a specific term, however, is resisting the temptation to cancel your investment as a reaction to short-term market changes. This might stop any further losses but you might be missing the potential for further growth over the term.

If your personal circumstances and goals are unaltered you could consider staying in your investment. Moving out of an investment during a downturn may mean missing any recovery and therefore upturns in the market. If you don't need the money, you may be better leaving it invested. Of course, this may not be the case if the markets continue to fall.

The value of your Flexible Mortgage Plan depends on investment performance (and currency exchange rates where a fund invests overseas) which can go down as well as up, and is not guaranteed to cover the selected mortgage amount.

Important things to consider

If you want to change where your money is invested, you can do this within your plan without having to pay extra tax

There is a wide range of funds available within your plan and we allow switching between the funds, currently free of charge. If you switch out of the With Profits Fund, you must switch out the whole investment in that fund.

Adventurous	Corporate Bond	SWIS International Growth 2 Life ^{***}	UK Equity Tracker 4 Life ⁺⁺⁺⁺
Balanced	Gilt & Fixed Interest	SWIS International Growth 3 Life ^{****}	UK Gilt
Cash	International Growth	SWIS International Growth 4 Life ^{*****}	UK Index-Linked Gilt
Cautious	Managed Income (Acc)	SWIS International Growth 5 Life ⁺	UK Property
CM Vanguard ESG Developed World All Cap Equity Index Life [*]	Managed Income (Inc)	SWIS UK Equity Tracker Life ⁺⁺	
CM Vanguard ESG Developed World All Cap Equity Index 2 Life ^{**}	Non-Equity	SWIS UK Equity Tracker 2 Life ⁺⁺⁺	

* Prior to 24/06/2024 this fund was the Ethical Fund

** Prior to 24/06/2024 this fund was the Evergreen Fund

*** Prior to 21/10/2024 this fund was the European Fund

**** Prior to 21/10/2024 this fund was the Far Eastern Fund

***** Prior to 21/10/2024 this fund was the Japanese Fund

+ Prior to 21/10/2024 this fund was the North American Fund

++ Prior to 18/11/2024 this fund was the UK Equity Income Fund

+++ Prior to 18/11/2024 this fund was the UK Growth Fund

++++ Prior to 24/06/2024 this fund was the Smaller Companies Fund

For further information about these funds see the funds pages on our website at www.clericalmedical.co.uk or speak to your financial adviser.



Some of the funds in this booklet may not be available for new investment and funds could be closed to investment at any time.

We'll let you know if your chosen funds are unavailable.

We may apply a reduction if you cash in units from, or switch out of, the With Profits Fund

If you cash in units from, or switch out of, the With Profits Fund, there may be some occasions when we need to apply a reduction called a market value reduction (MVR) and pay out less than the face value of your units. Please see the enclosed MVR leaflet for more details. MVRs do not apply on a death or critical illness claim.

By cashing in all or part of your plan, you could be losing some valuable benefits and options

Your plan has some valuable benefits and options. If the life assured dies, we will pay out the greater of the sum assured or the value of your fund (calculated on the day after we receive written notification of death) and the plan will end. You also have the option of selecting additional life cover or adding critical illness cover. Your plan is also eligible for more favourable tax treatment, providing you keep it for the agreed term and pay all premiums. Additionally, we may offer loyalty units once all premiums due in your 'Interim Period' have been paid. Other types of investment may not have such benefits and options.

Tax

As this is a very complex area we strongly recommend you speak with your financial adviser or contact HM Revenue & Customs (HMRC) direct.

The following information is based on our current understanding of legislation and HMRC practice, which can change. Your tax treatment will also depend on your personal circumstances which may change in the future.

This plan is classed as a qualifying plan for tax purposes. This means that the proceeds are normally free of any income tax or capital gains tax provided the premiums and original term have been maintained. Tax may be payable if this qualifying status is lost and the plan becomes non-qualifying. This could be because you stopped paying premiums or have made certain alterations. The qualifying status is also lost if you cash in your plan before it has run for 10 years or 3/4 of the expected term (whichever is shorter) from either the start of the policy or, if there has been a variation that increased the premiums payable, the date of the variation. If the plan loses its qualifying status you could be liable to a marginal rate tax charge at the difference between the basic rate and the higher rates on any gain.

- You could be liable to marginal rate tax if:
 - you are a higher or additional rate taxpayer at the time; or
 - the chargeable event gain, when added to your other income, takes you into the higher or additional rate tax band.
- The chargeable event gain, when added to your other income, may affect any entitlement to personal allowances and income-related benefits.

Getting advice

If you're unsure about your options or whether cashing in your Flexible Mortgage Plan is the right thing to do we recommend you speak to your financial adviser. They can guide you through your options taking into account your financial, tax and personal circumstances.

If you don't have a financial adviser, there are a number of factors to consider when choosing one, for example whether they provide independent advice, how they charge for advice, their level of experience and qualifications. To find an adviser, visit **www.unbiased.co.uk** where you can search by postcode and specialist field.

Next steps

No changes – If you would like to remain invested in your Flexible Mortgage Plan, with no changes, you do not need to take any further action.

Changing funds – If you'd like to change funds please contact us on **0345 788 3333** for a 'Fund switch form'.

Cashing in – If you would like to cash in some or all of your Flexible Mortgage Plan, please complete the enclosed 'Encashment/withdrawal form' and return it to us in the envelope provided. Please note that we will only make payment to the legal owner of the plan. On receipt of all requirements we will make payment within five working days.

Speak to an adviser – If you would like to review your options and circumstances you can speak to your financial adviser. If you don't have a financial adviser, see the details above on how to find one. You will usually be charged for financial advice.

www.clericalmedical.co.uk

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