

The Advantage Investment Plan

Suitability Wording



For professional adviser use only

The following paragraphs are designed to provide generic information about Alico Wealth Management's Advantage Investment Plan and may be of use to Independent Financial Advisers (IFAs) when drafting suitability letters.

No liability or responsibility is accepted by Alico Wealth Management for the use, or otherwise, of the statements in this fact sheet in any individual situation regarding the giving of advice by the IFA.

The IFA remains solely responsible for ensuring that the content of the suitability letter is appropriate and that it meets all legal and regulatory requirements.

Aims

The Advantage Investment Plan is part of the Select Portfolio from Alico Wealth Management and is an HM Revenue & Customs (HMRC) certified UK qualifying life policy (Schedule 15 ICTA 1988). It is a savings plan for investors between the ages of 18 and 65, which allows a cash sum to be invested every year for ten years into a wide range of investments offering different levels and types of risk and return.

The main purpose of the Advantage Investment Plan is to enable clients to invest annual amounts for ten years with the aim of increasing the value of their investment in a tax-efficient way, and to provide a tax-efficient Death Benefit to be paid on the death of the Life (or Lives) Assured. It may be particularly useful for higher or top rate taxpayers who are saving for retirement and are looking for an alternative to a personal pension.

Features/Benefits of the Advantage Investment Plan

You can choose to invest between £25,000 and £500,000 each year and must pay your chosen amount for the first six years, followed by four payments at half that level for the remaining four years.

As long as you hold your Plan for at least seven and a half years and make all of your specified annual investments for this period when they are due, the proceeds of your Plan will be free of any liability to personal tax above the basic rate.

The Plan provides Life Assurance, which provides insurance on your own life and/or the life of another named individual - such as your spouse, partner or civil partner - with whom you have a financial relationship. Those covered are referred to as the Life or Lives Assured.

In the event of the death of the Life (or Lives) Assured, a cash sum - called the Death Benefit - will be paid. This is free from personal income tax and capital gains tax.

Although Alico Wealth Management refer to a single Advantage Investment Plan, each one is made up of 1,000 identical policy segments to increase flexibility and tax efficiency if you make any withdrawals.

At the end of the 10-year investment term, you can choose to have the value of your Plan returned to you. Alternatively, you may transfer the value of your Plan into an Alico Wealth Management single premium investment bond (if a suitable vehicle is available at the time).

Death benefits

If the Life Assured (or, in the case of joint Lives Assured, both Lives Assured) dies before the maturity of the Plan, a Death Benefit will be paid. Payment of the Death Benefit will terminate the Plan.

The Death Benefit paid will be the greater of 101% of the value of the Plan at the date of notification of death and the Minimum Death Benefit in the table detailed in the Key Features Document. Please note that there are some exclusions. If the death of the Life Assured (or either of the Lives Assured) is caused directly or indirectly by any of the excluded events outlined in the Policy Schedule, the Death Benefit will be 100% of the value of the Plan at the date of notification of death. Please refer to the Key Features Document for details of the exclusions.

The Advantage Investment Plan

Suitability Wording



The Death Benefit is subject to a health check to confirm whether you are eligible for the life cover and, if so, how much Alico Wealth Management will need to charge for the Death Benefit. In certain circumstances this health check may include a confidential telephone interview which will be conducted by a qualified nurse from a specialist partner company MorganAsh. Please note that if you are not eligible for the life cover, you will not be able to invest in the Advantage Investment Plan.

Tax Benefits

Currently there is no personal liability to lower or basic rate income tax, or capital gains tax, for holders of the Advantage Investment Plan, as Alico Wealth Management will have accounted for tax liabilities on the underlying investments. Non-taxpayers cannot recover tax paid by Alico Wealth Management.

As the Advantage Investment Plan is designed to be a qualifying UK life assurance policy there will be no higher rate tax or top rate tax to pay provided that the Plan remains in force for seven and a half years and all investments are paid when due throughout this period.

Policies that are surrendered during the first seven and a half years will lose their qualifying status and there may be further tax to pay. In these cases the total of your annual investments is deducted from the surrender value, to establish the chargeable gain of the policy. Higher rate taxpayers will usually be liable to tax at a current rate of 20% on the whole of the chargeable gain. Top rate taxpayers will usually be liable to tax at a current rate of 30% on the whole of the chargeable gain.

Clients entitled to Age Allowance should be aware that the surrender of policies within seven and a half years may result in the reduction or loss of their allowance.

On death of the Life Assured (or the second of the Lives Assured for joint Lives Assured cases) there is no liability to income tax provided that all investments have been paid when due. If the proceeds are paid to your estate, they may be subject to Inheritance Tax.

There is no tax liability created when switching between investments within your Plan.

Charges

As part of Alico Wealth Management's commitment to treating customers fairly the charges relating to the Advantage Investment Plan are designed to be transparent and flexible. With this in mind, all of Alico Wealth Management's contracts give investors flexibility by removing all exit charges. In the case of Defined Return Investments early exit invalidates the defined return and could lead to loss of capital.

Asset Charge

When you invest in the Advantage Investment Plan, there is an annual Asset Charge on each of your investments. For Market Funds, the Asset Charge is typically 0.75% per annum.

Fund Manager Charge

The fund manager will charge an Annual Management Charge (AMC) which will be taken into account in the prices of the mutual fund units, and therefore reflected in the unit prices of the Alico Choice Funds. However the fund manager will normally refund some of this charge back to Alico Wealth Management. This is because Alico Wealth Management will have negotiated a reduced AMC on behalf of its clients. Any refunds Alico Wealth Management receives will be placed into the fund. The effect of the AMC through Alico Wealth Management will therefore be lower than that of a direct holding with the fund manager.

Death Benefit Charge

There is a charge for providing the Death Benefit.

The charge applies to the excess (if any) of the Minimum Death Benefit over the value of the Plan, and will depend on the number of Lives Assured, their age and sex, whether they smoke, and any health factors identified at the time of application.

The size of the excess depends on the value of the Plan and so the actual charge for the Death Benefit will vary on a daily basis.

Your personalised Illustration provides specific details of the Death Benefit Charge you will pay if you invest in the Advantage Investment Plan.

Investment options - Overview

When you invest in the Advantage Investment Plan, you have the opportunity to choose from a wide range of investments offering different levels and types of risk and return. There are two types of investments - Market Funds and Defined Return Investments. Collectively these investments are known as the Select Investment Range.

The investment options currently available include:

- Alico Choice Funds - a 'best of breed' panel of around 100 funds managed by some of the leading investment companies in the world, carefully selected by Alico Wealth Management's investment team with support from Morningstar Associates Europe Ltd ('Morningstar'), their investment research partner.
- Managed Portfolio Funds - a choice of portfolios with a number of different risk profiles, offering investors a simple way to invest into a well-diversified portfolio of Alico Choice Funds:
 - 5 portfolios constructed by Morningstar, and
 - 5 portfolios where the investment strategy is managed by Alico Wealth Management's own in-house research team.
- Adviser Choice Funds - access to a selection of leading funds that are popular with advisers, complementing Alico Wealth Management's Alico Choice Funds.
- Guaranteed and Structured Investments - providing defined returns and fixed investment periods at outset, enabling future capital and income needs to be planned for whilst hedging your clients' retirement savings against undue risk.

Investment options - Further detail

Combining investments

There are two types of investments available through the Advantage Investment Plan - Market Funds and Defined Return Investments - offering different levels and types of risk and return. Collectively these investments are known as the Select Investment Range.

You can choose up to 15 investments from both categories to hold within your Advantage Investment Plan. With the choice of investments available, you can tailor your investment to match the optimum balance of risk and return you desire.

Market Funds - Alico Choice Funds

These are a panel of around 100 funds managed by some of the leading investment companies in the market, such as Invesco, Fidelity, Jupiter and Schroders. These are carefully selected by Alico Wealth Management's in-house investment research team with support from Morningstar. Alico Wealth Management's rigorous research process gives you the reassurance that the funds you are investing in have been identified by Alico Wealth Management's team of experts as having strong potential to outperform other similar funds.

Market Funds - Adviser Choice Funds

The Adviser Choice Funds are designed to complement the Alico Choice Fund panel by making available a selection of other leading funds that are popular with advisers. These funds either operate in the same way as the Alico Choice Funds, or are specially constructed by Alico Wealth Management in conjunction with advisers. They do not meet all of the criteria required for inclusion in the Alico Choice Fund panel, but are included due to their popularity in the marketplace.

Market Funds - Managed Portfolio Funds

The Managed Portfolio Funds invest in a selection of Alico Choice Funds. The Managed Portfolio Funds are carefully constructed and regularly reviewed to provide a well-diversified portfolio designed to meet your investment choices. There is a choice of ten Managed Portfolio Funds: five where the investment strategy is driven by Alico Wealth Management's in-house team and five that are constructed by Morningstar.

Market Funds - Select Deposit Fund

This is a fund that invests in short term bank deposits and other secure money market investments. It can be used as a 'cash' holding within a portfolio, although it should be noted that the assets within the fund are short term in nature so in the current interest rate environment it may not be efficient to hold large proportions of your portfolio in this fund for long periods of time.

Defined Return Investments - Guaranteed Investments

The Guaranteed Investments offer different levels of return over a choice of fixed investment periods - as well as full capital protection - providing they are held until the end of their term. Both the returns and the capital protection are guaranteed by Alico Wealth Management.

Defined Return Investments - Structured Investments

The Structured Investments offer a variety of different returns that depend on the performance of a financial index (usually the FTSE 100) over fixed investment periods.

To generate the defined returns offered by the Structured Investments, Alico invest in high quality assets, usually with an investment bank. Alico Wealth Management guarantees that it will pay the promised returns even if those assets default. This removes the counterparty risk that is normally associated with structured investments, where the investor bears the risk of the underlying assets defaulting.

The Advantage Investment Plan

Suitability Wording



About Alico

American Life Insurance Company (Alico) is a leading international life insurer with a unique heritage of serving customers across the globe for over 85 years. The company provides consumers and businesses with products and services for life insurance, accident and health insurance, retirement planning, and wealth management solutions. Through an extensive network of over 60,000 agents, brokers, financial institutions, and other points of distribution, and 12,500 employees across more than 50 countries, Alico services 20 million customers worldwide.

Alico has branch offices, subsidiaries and affiliates in emerging, developing and developed markets in Europe, Asia, the Middle East, Africa and Latin America. Alico is domiciled in Wilmington, Delaware and has regional headquarters in Tokyo, Paris, Athens, Dubai, and Santiago, Chile.

Alico's Financial Strength

As of 20 April 2010 Alico have been awarded an A+ rating by Standard & Poor's, A1 by Moody's Investor Service, A+ by Fitch Ratings and A by A.M. Best Company.

Risks

If you are invested in a Market Fund, Alico Wealth Management do not guarantee what you will get back and you may get back less than you invested into these funds.

Not all Structured Investments offer full capital protection, so in some circumstances you can lose money in these investments.

Tax rules may change and this may mean you have to pay more tax than you expected.

When you open an Advantage Investment Plan, you will have 30 days to change your mind. However, if you choose to cancel and the value of your chosen investments has fallen, you will get back less than you paid in.

If you do not make your annual investments within the required timescales, your Plan will lose its qualifying status. This means that the tax advantages of the Plan will be lost and the Death Benefit will reduce to 101% of the value of your Plan.

The real value of the money you invest will be affected by inflation.

If the Death Benefit is paid to your estate, it may be subject to Inheritance Tax.