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# **FundZone**

# **Mutual Funds**

## **Guide to commission and charges**



# Providing for your business needs, now and in the future

We have designed our commission and charging options to allow you to take full advantage of the flexibility and choice offered. This guide explains the commission and charges options in full detail.

## **Providing for your business needs, now and in the future**

Our innovative commission options give you greater choice and flexibility over the combination of payment options open to you, allowing you to match your remuneration needs to the needs of your business.

For example, you can choose from the following:

- Full standard Initial Commission on the funds chosen.
- Funded Initial Commission, or a combination of Initial Commission and Funded Initial Commission up to 6%.
- Renewal Commission of between 0% to 1.50% p.a. with the option to receive it monthly, quarterly, half-yearly or yearly.
- Nil Initial Commission.
- Allow your client to have all their money invested at the outset.
- Rebate Renewal Commission to improve the terms your client receives.

## **How it works**

### **Initial Commission**

You can take your full entitlement to Initial Commission (IC) or rebate part or all of it to reduce your client's Initial Charge.

#### **Initial Commission highlights:**

- A one-off commission payment deducted from the Initial Charge on single investments and on regular investments into a fund.
- If you only take Initial Commission, you can select up to a maximum of 3% as standard, but some funds may allow you to take more.
- Different amounts of Initial Commission, up the maximum standard amount that applies, can be selected for each investment fund, i.e different levels of Initial Commission can be applied to each specific fund selected in one investment. This option is only available when you transact online.

## Guide to commission and charges

- Any Initial Commission give-up reduces the Initial Charge on a 1:1 basis.
- Initial Commission is always calculated and paid at fund level.
- Initial Commission can be taken on fund switches, up to the standard amount we pay on the fund.
- Initial Commission can be taken on cash transfers, up to the standard amount we pay on the fund.

### Funded Initial Commission

One of the great benefits of FundZone is the ability to take Funded Initial Commission (FIC). FIC gives you the flexibility to decide how to take up-front commission.

**With FIC, you can still take Initial Commission, or you can combine it with Funded Initial Charge (see page 6). This enables your client to have 100% of their money invested at outset, and still allow you to take up-front commission.**

### Funded Initial Commission highlights:

- A one-off commission payment funded by an additional charge to your client over six years.
- If you only take FIC, you can take a maximum of 3%. You can take a combination of Initial Commission and FIC up to 6%. For paper applications, when Initial Commission and FIC are taken together the maximum for each is 3%, within an overall combination of 6%. For online applications, there are no additional individual maximums for Initial Commission and FIC but the combined maximum remains 6%.
- Different amounts of FIC can be selected for each investment.
- For each 1% of FIC selected, a 0.2% charge will apply.
- It is taken on all funds in an investment.
- For the first six years, a charge is applied on encashment to reclaim any outstanding additional charges on FIC (see page 7 for further information on recovery of outstanding additional charges).

### Types of business FIC can be taken on:

- FIC can only be taken on lump sum investments (not regular investments), including additional lump sum investments, at outset.
- The maximum age for the investor is 69. For joint investments, only one of the investors must be 69 or under.

### FIC minimum amounts:

- £10,000 OEIC/UT investment.
- £10,000 for an ISA.
- £10,000 for an ISA transfer.

**Renewal Commission**

One of the most flexible aspects of FundZone is how we treat Renewal Commission.

**For the first time, you have the flexibility to reduce or increase the amount of Renewal Commission you take.**

You can take standard Renewal Commission, or rebate this entirely to improve the terms your client.

Alternatively, if you take your own level of Renewal Commission, you can take less or more than the standard amount available.

<p><b>Standard Renewal Commission</b></p>	<ul style="list-style-type: none"> <li>• An ongoing payment of commission to you, based on the size of your client’s funds under management.</li> <li>• Payable either monthly, quarterly, half-yearly or yearly.</li> <li>• Can be paid on transfers and re-registrations.</li> <li>• The maximum amount that can be taken is the standard Renewal Commission payable on each fund. This is equal to the retail renewal commission of the fund set by the manager.</li> </ul>
<p><b>Your own level of Renewal Commission</b></p>	<ul style="list-style-type: none"> <li>• An on-going payment of commission to you, based on the size of your client’s funds under management.</li> <li>• Provides scope to take more or less than the Standard Renewal Commission.</li> <li>• You can select an amount between 0% and 1.50%, rising in steps of 0.05%.</li> <li>• Payable either monthly, quarterly, half-yearly or yearly.</li> <li>• Where the amount paid is greater than the Standard Renewal Commission, it is paid from the client’s Supermarket Cash Account. If there is insufficient cash in the Supermarket Cash Account, we will sell units on a last in, first out basis.</li> <li>• Where the amount paid is less than the Standard Renewal Commission, it is paid through cash into the client’s Supermarket Cash Account.</li> </ul>
<p><b>Rebating Renewal Commission for your client</b></p>	<ul style="list-style-type: none"> <li>• You can rebate your Renewal Commission to improve the terms your client receives</li> <li>• It is applied through cash paid into the client’s Supermarket Cash Account.</li> <li>• Allocated to client either monthly, quarterly, half-yearly or yearly.</li> <li>• The maximum amount that you can rebate is the Standard Renewal Commission payable on each fund.</li> </ul>

**Charges**

The charges on FundZone have been designed to support a choice of advice options and accommodate you and your clients’ needs more effectively.

The various charges are described below, in particular when they apply and how they are calculated.

<p><b>Initial Charge</b></p>	<ul style="list-style-type: none"> <li>• This is a charge applied to single investments and regular investments into a fund. It may also be applied to cash transfers.</li> <li>• The fund manager sets the maximum level for the Initial Charge.</li> <li>• Initial Commission give-up reduces the Initial Charge on a 1:1 basis.</li> <li>• An Initial Charge can still apply when an adviser takes Funded Initial Commission.</li> <li>• The Initial Charge is not applied to re-registrations.</li> </ul>
<p><b>Annual Management Charge (AMC)</b></p>	<ul style="list-style-type: none"> <li>• This is an ongoing charge levied by each individual fund manager.</li> <li>• It is set by each fund manager.</li> <li>• It is specific to each fund.</li> <li>• The impact of the AMC can be offset if you rebate some or all of your Renewal Commission entitlement.</li> </ul>
<p><b>Additional Charge for Funded Initial Commission (FIC)</b></p>	<ul style="list-style-type: none"> <li>• This is to pay for Funded Initial Commission.</li> <li>• It is applied for six years.</li> <li>• For each 1% of FIC taken, a 0.2% charge will apply per annum for the first six years of the investment.</li> <li>• The charge is applied on a monthly basis in arrears, on the investment date.</li> <li>• Deducted from the client’s Supermarket Cash Account. If there is insufficient cash in the Supermarket Cash Account, we will sell units on a last in, first out basis.</li> <li>• The FIC charge is based on the higher of the Current Fund Value and the initial investment amount, e.g. if £100k invested grows to £120k, the charge is based on £120k. Or, if £100k invested falls to £90k, charge is based on £100k.</li> <li>• The adviser will receive FIC on the total amount invested, e.g. if £100k invested with 2% Initial Charge (paying an equal amount of Initial Commission) and 3% FIC, then the adviser will receive £2k Initial Commission and £3k FIC. However, the client will receive an ‘adjusted’ charge for FIC based on the following: <math>(FIC / (100\% - IC\%)) \times \text{rate}</math>. In this example = <math>(3\% / 98\%) \times 0.2\% = 0.612\%</math> on £98k. This percentage equates to the same percentage that would have applied if no Initial Charge had been applied.</li> </ul>

<p><b>Funded Initial Charge (FICh)</b></p>	<ul style="list-style-type: none"> <li>• Where full commission give-up is insufficient to eliminate the Initial Charge, an investor can achieve this by accepting an additional charge over the first six years of the contract. This works on the same principles as FIC, i.e. it allows investors to avoid paying an Initial Charge and to have 100% of their money invested when commission give-up does not reduce the Initial Charge to zero.</li> <li>• FICh is the value of the remaining Initial Charge, once all Initial Commission has been given up.</li> <li>• The maximum age for the investor is 69. For joint investments, only one of the investors must be 69 or under.</li> <li>• For each 1% FICh selected then a 0.2% charge will apply.</li> <li>• The charge is applied for six years.</li> <li>• FICh is only available for investment amounts of £10,000 or more for Investment Funds. The minimum amount for ISAs is £10,000.</li> <li>• FICh can be taken on cash transfers. For cash transfers, FICh is only available for investment amounts of £10,000 or more for Investment Funds. The minimum amount for ISA transfer is £10,000.</li> <li>• The charge is taken on a monthly basis in arrears on the investment date.</li> <li>• It is taken on all funds in an investment.</li> <li>• Deducted from the client's Supermarket Cash Account. If there is insufficient cash in the Supermarket Cash Account, we will sell units on a last in, first out basis.</li> <li>• The charge is calculated based on the individual charge for each fund in the investment.</li> <li>• The FICh is based on the higher of the Current Fund Value and the Initial Investment amount, e.g. if £100k invested grows to £120k, the charge is based on £120k. Or, if £100k invested falls to £90k, charge is based on £100k.</li> <li>• All standard Initial Commission must be rebated for FICh to be taken.</li> </ul>
<p><b>Charge for Additional Renewal Commission</b></p>	<ul style="list-style-type: none"> <li>• This is a regular charge against the client's Supermarket Cash Account to pay for Additional Renewal Commission.</li> <li>• It is equal to the amount of Additional Renewal Commission. We only recover the same amount paid to you, e.g. every 0.05% of additional Renewal Commission results in 0.05% of ongoing charges.</li> <li>• The charge is calculated depending on the frequency of the payment of Renewal Commission.</li> <li>• The maximum amount is 1.50%.</li> <li>• Deducted from the client's Supermarket Cash Account. If there is insufficient cash in the Supermarket Cash Account, we will sell units on a last in, first out basis.</li> </ul>
<p><b>Switch Charge</b></p>	<ul style="list-style-type: none"> <li>• This is levied if an investor switches their money from one fund to another fund in FundZone.</li> <li>• Switch charge is 0.25% of monies being switched. In certain instances, this charge may alter for a particular fund.</li> <li>• Initial Commission is payable on switches up to a maximum of 3%.</li> <li>• Any Initial Commission taken on fund switches will be applied through an Initial Charge on a 1:1 basis.</li> </ul>

## When will we recover an Outstanding Additional Charge?

### Recovery of Outstanding Additional Charge for Funded Initial Charge (FICh)

Any Outstanding Additional Charge for FICh will be recovered if an investor makes an encashment, either partial or in full, that takes their residual investment value below the amount of FICh accepted at outset.

The sum of the Outstanding Additional Charge will be deducted from the remaining investment value.

The table below provides an example of how any Outstanding Additional Charge for FICh will be recovered. **This example assumes that the value of the investment, during each year, will remain the same as the value of the initial investment.**

Initial Investment	£10,000
FICh Taken	1% (£100)
FICh	0.2% (applied for six years)

A client cashes in their investment during year	Outstanding Additional Charge recovered
1	£120 ( $£10,000 \times 0.002 \times 6$ )
2	£100
3	£80
4	£60
5	£40
6	£20
7	£0

### Recovery of Outstanding Additional Charge for Funded Initial Commission (FIC)

Any Outstanding Additional Charge for FIC will be recovered if an investor makes an encashment, either partial or in full, that takes their residual investment value below the amount of FIC taken at outset.

The sum of the Outstanding Additional Charge will be deducted from the remaining investment value.

The table below provides an example of how any Outstanding Additional Charge for FIC will be recovered. **This example assumes that the value of the investment, during each year, will remain the same as the value of the initial investment.**

Initial Investment	£10,000
FIC Taken	3% (£300)
FIC	0.6% (applied for six years)

A client cashes in their investment during year	Outstanding Additional Charge recovered
1	£360 ( $£10,000 \times 0.006 \times 6$ )
2	£300
3	£240
4	£180
5	£120
6	£60
7	£0

There is no recovery of any of the other types of commission available if an investment is encashed.

## Commission

Each option shows how our commission and charges options can be applied.

Below each table is an example of how you would complete the application form.

### Option 1

This option shows how you can take the standard commission terms.

Initial Commission	Standard Terms
Renewal Commission	Standard Terms
FIC	0%
FIC <sub>h</sub>	0%

Please choose one of the two Initial Commission options from Step 1, then choose your Renewal Commission in Step 2.

#### Step 1: Initial Commission

Please select i, ii, or iii from Option 1. If any fund selected pays less than your chosen level of Initial Commission, then we will pay the maximum Initial Commission available for the fund.

**Option 1: Choose your Initial Commission across all funds**

i. **Full standard Initial Commission**  (Tick box)

**OR**

ii. **Nil Initial Commission**  (Tick box)

**OR**

iii. **Your own level of Standard Initial Commission\***  (Enter 0-3% in steps of 0.25%)

**AND/OR**

**Funded Initial Commission\***  (Enter 0-3% in steps of 0.25%)

\* Total Initial Commission and Funded Initial Commission cannot exceed 6%

## OR

**Option 2: Choose to invest 100% of your client's money at outset**

Please tick this box to confirm you want to rebate all standard Initial Commission and eliminate any remaining Initial Charge(s) by using the **Funded Initial Charge**  (Tick box)

**AND (Optional)**

Please select a level of Funded Initial Commission  (Enter 0-3% in steps of 0.25%)

You may also choose a level of Funded Initial Commission for this option.

## AND

### Step 2: Renewal Commission across all funds

Please select i, ii, or iii from Step 2.

i. **Full standard Renewal Commission**  (Tick box)

OR

ii. **Nil Renewal Commission**  (Tick box)

OR

iii. **Your own level of Renewal Commission**  (Enter 0-1.50% in steps of 0.05%)

How often do you want Renewal Commission to be paid?

monthly  quarterly  half-yearly  yearly

## Option 2

This option shows how you can mix the commission and charging options whilst working within our maximum limits.

Initial Commission	2%
Renewal Commission	1%
FIC	0%
FIC <sub>h</sub>	0%

Please choose one of the two Initial Commission options from Step 1, then choose your Renewal Commission in Step 2.

### Step 1: Initial Commission

Please select i, ii, or iii from Option 1. If any fund selected pays less than your chosen level of Initial Commission, then we will pay the maximum Initial Commission available for the fund.

#### Option 1: Choose your Initial Commission across all funds

i. **Full standard Initial Commission**  (Tick box)

OR

ii. **Nil Initial Commission**  (Tick box)

OR

iii. **Your own level of Initial Commission\***  (Enter 0-3% in steps of 0.25%)

AND/OR

**Funded Initial Commission\***  (Enter 0-3% in steps of 0.25%)

\* Total Initial Commission and Funded Initial Commission cannot exceed 6%

## OR

#### Option 2: Choose to invest 100% of your client's money at outset

Please tick this box to confirm you want to rebate all standard Initial Commission and eliminate any remaining Initial Charge(s) by using the **Funded Initial Charge**  (Tick box)

AND (Optional)

Please select a level of Funded Initial Commission  (Enter 0-3% in steps of 0.25%)

You may also choose a level of Funded Initial Commission for this option. ▶

## AND

### Step 2: Renewal Commission across all funds

Please select i, ii, or iii from Step 2.

- i. Full standard Renewal Commission  (Tick box)
- OR
- ii. Nil Renewal Commission  (Tick box)
- OR
- iii. Your own level of Renewal Commission  (Enter 0-1.50% in steps of 0.05%)

How often do you want Renewal Commission to be paid? monthly  quarterly  half-yearly  yearly

### Option 3

This option shows how your client can avoid paying an Initial Charge and have 100% of their money invested when commission give-up does not reduce Initial Charge to zero.

Initial Commission	0%
Renewal Commission	Standard Terms
FIC	3%
FICh	Yes

Please choose one of the two Initial Commission options from Step 1, then choose your Renewal Commission in Step 2.

### Step 1: Initial Commission across all funds

Please select i, ii, or iii from Option 1. If any fund selected pays less than your chosen level of Initial Commission, then we will pay the maximum Initial Commission available for the fund.


- i. Full standard Initial Commission  (Tick box)
- OR
- ii. Nil Initial Commission  (Tick box)
- OR
- iii. Your own level of Standard Initial Commission\*  (Enter 0-3% in steps of 0.25%)

\* Total Initial Commission and Funded Initial Commission cannot exceed 6%

## OR

### Option 2: Choose to invest 100% of your client’s money at outset

Please tick this box to confirm you want to rebate all standard Initial Commission and eliminate any remaining Initial Charge(s) by using the **Funded Initial Charge**  (Tick box)

You may also choose a level of Funded Initial Commission for this option. 

- AND (Optional)
- Please select a level of Funded Initial Commission  (Enter 0-3% in steps of 0.25%)

## AND

### Step 2: Renewal Commission across all funds

Please select i, ii, or iii from Step 2.

- i. Full standard Renewal Commission  (Tick box)  
OR
- ii. Nil Renewal Commission  (Tick box)  
OR
- iii. Your own level of Renewal Commission  (Enter 0-1.50% in steps of 0.05%)
- How often do you want Renewal Commission to be paid? monthly  quarterly  half-yearly  yearly

## Supermarket Cash Account

When an investor receives rebates on their charges these will be paid into their Supermarket Cash Account. They can also choose to have income payments, such as distributions, paid into their Supermarket Cash Account. Monies held in the Supermarket Cash Account receive interest.

Where there are additional charges, such as for an increased level of Renewal Commission, these charges, where possible, will be taken from the client's Supermarket Cash Account. If there are insufficient monies in the Supermarket Cash Account, the charge will be applied by selling shares in the client's fund(s), on a last in, first out basis.

We disinvest a minimum of £20. For any charges over £20 we disinvest that amount, plus £2 to ensure there is a sufficient cash balance to meet the charge. So for example, if the charge was £54, auto disinvestment would disinvest £56. Any money remaining after any charges are deducted will be retained in the Supermarket Cash Account to pay for future charges.

### Important information on FundZone

We reserve the right to change the limits on commission and charges that we offer to individual financial advisers at any time.

Our charges are not guaranteed and they may be altered in the future to reflect changes in our costs.

The examples shown in this document are for illustration purposes only and are not intended to reflect actual cases. The information is correct as at 6 October 2009.

Please speak to your Standard Life Account Manager if you require further assistance.

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