



Deposit Plans vs Investments Plans

<p>Overview</p>	<ul style="list-style-type: none"> • Linked to an equity index (usually the FTSE 100) and designed as a higher risk alternative to traditional cash products. • These products sacrifice the guaranteed interest rates of Fixed Term Deposits, in order to pay a higher interest rate that is conditional on the performance of the underlying index. 	<ul style="list-style-type: none"> • Linked to an equity index (usually the FTSE 100) and designed as a lower risk alternative to traditional equity investments such as funds. • These products sacrifice uncapped return potential for more likely defined returns that can be paid in rising, flat or (in the case of “defensive” Investment Plans) falling markets. • Capital is at risk if the Index falls by a certain amount (usually 40%) over the term.
<p>Delivery Mechanism</p>	<ul style="list-style-type: none"> • Equity-linked deposit 	<ul style="list-style-type: none"> • Equity-linked corporate bond
<p>Term</p>	<ul style="list-style-type: none"> • 3 – 6 years • Fixed term, Callable and “Kick-out” products available 	<ul style="list-style-type: none"> • 4 – 10 years • Fixed term and “Kick-out” products available
<p>Capital Protection</p>	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Partial
<p>FSCS Eligible</p>	<ul style="list-style-type: none"> • Yes (subject to £85k limit and client’s eligibility) 	<ul style="list-style-type: none"> • No
<p>Taxation</p>	<ul style="list-style-type: none"> • Growth and Income are subject to income tax 	<ul style="list-style-type: none"> • Income is subject to income tax • Growth is subject to Capital Gains Tax
<p>Benefits</p>	<ul style="list-style-type: none"> • Higher potential interest rate than would be available from a Fixed Term Deposit • Defensive products can pay interest even if the Index falls • Exposure to the stock market from a capital protected deposit 	<ul style="list-style-type: none"> • Defined returns if the Index rises by any amount • Defensive products can pay returns even if the Index falls • Protection from the first 40% fall in the Index
<p>Risks</p>	<ul style="list-style-type: none"> • Depending on the performance of the Index, the product may pay no interest at all and only return the initial deposit at maturity. • For deposits above the FSCS limit, clients are exposed to the credit risk of the Deposit Taker. 	<ul style="list-style-type: none"> • Capital is at risk if the product runs for the full term and the Index has fallen by more than 40% from its starting level. • A fund may outperform in rising markets. • Clients are exposed to the credit risk of the Issuer.
<p>Ways to invest</p>	<ul style="list-style-type: none"> • Direct investment • ISA and ISA Transfer • SIPP/SASS • Charities, Corporates, Trusts and Nominees • Offshore bonds • WRAPs/Platforms 	<ul style="list-style-type: none"> • Direct investment • ISA and ISA Transfer • SIPP/SASS • Charities, Corporates, Trusts and Nominees • WRAPs/Platforms

Source: IDAD 2020