Your guide to

The Prudential ISA

Purpose of this guide

This guide contains two parts:

- **Part A** – high level information on Individual Savings Accounts (ISAs) and why they might be a good idea for your investment needs, and
- **Part B** – high level information on The Prudential ISA product

It's important to understand **The Prudential ISA is an advised product, meaning it can only be set up through a financial adviser**, so you can't apply for it directly yourself.

Have you spoken to a financial adviser?

If you haven't, and after reading this guide you think the Prudential ISA might be something you're interested in, please speak to your financial adviser for further information.

If you have and they've suggested the Prudential ISA might suit your needs, they should also provide you with more detailed information about the product, investment options and charges based on your particular circumstances. If you have any questions after reading this guide, you should discuss this with your financial adviser.

You'll notice throughout this guide certain terms and text that may be shown in bold. This is to either highlight a term we've provided more information on in the 'Some terms explained' section at the end of the guide, or where you are reading this guide online, the text relates to another important document or webpage and contains a link you can click on to access the document or webpage.

The information in this brochure is based on our understanding of taxation, legislation and HM Revenue & Customs (HMRC) practice, all of which are liable to change without notice. The impact of taxation and any tax reliefs depends on individual circumstances. Any tax reliefs referred to are those currently available and may be subject to change.

The details in this guide relate to the options and information for the Prudential ISA which are relevant to eligible individuals, namely individuals who are aged 18 or over and who are resident in the UK for tax purposes, or they are a Crown employee working overseas, their spouse, or registered civil partner.

Part A – Individual Savings Accounts (ISAs)

Why ISAs could be a good idea

Whether you're thinking about investing, or looking for a tax efficient way to save, ISAs – Individual Savings Accounts – continue to be a popular savings and investment product, mostly due to their simplicity and flexibility, but also because they offer a tax efficient way to save for your future.

With ISAs, all your savings and any growth or income you receive from them, are completely tax efficient. And paying less tax provides the potential for higher returns, so they're a great way to save for the future, particularly over the medium to long term (5-10 years or more).

1. Tax efficient

ISAs are one of the most tax efficient ways to save – as there's no tax to pay on any interest or income you get from an ISA, and there's no tax payable on any capital gains arising.

2. Flexible

You can save in cash or invest in a wide range of stock market-related investments and in most cases access your money at any time. You can also consolidate current or previous tax years into a single ISA or provider.

3. Annual ISA allowance

You've an opportunity to save up to £20,000 in an ISA in the current tax year – and if you don't use it, you'll lose it. You can't carry over any unused ISA allowance into the next tax year.

4. Simple

Not having to pay tax on your ISA means you don't need to include it on your end of year tax return.

5. Inheritance

If an ISA holder dies, the surviving spouse or civil partner is entitled to an extra ISA allowance – known as the Additional Permitted Subscription (APS) – equal to the value of the ISA(s) held by your partner. This is in addition to – and independent of – your own annual ISA allowance. You should also be aware that on death, ISA investments will form part of your estate for Inheritance Tax purposes.

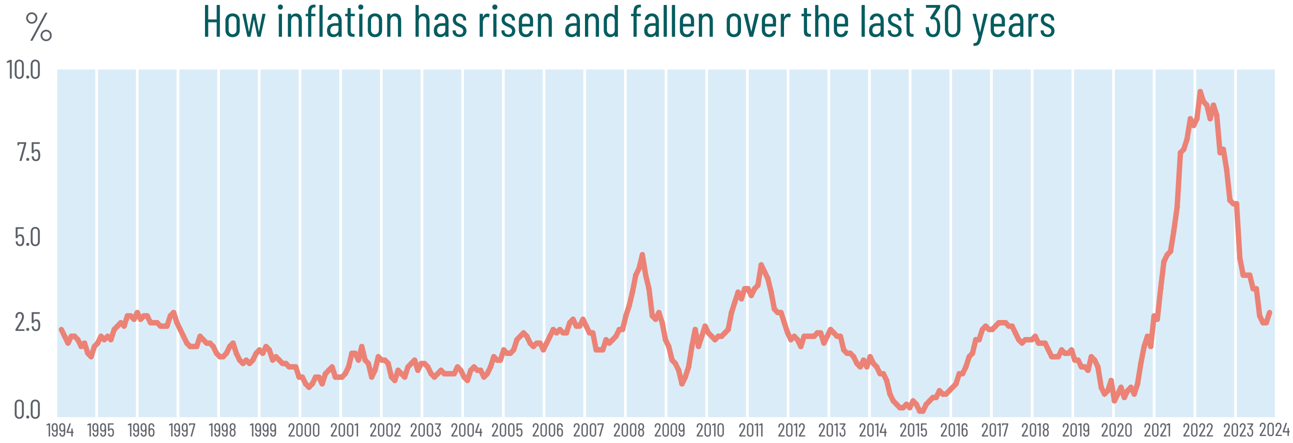
ISAs explained – an ISA allows you to save in cash or invest in financial markets, such as **stocks and shares** and life policies. As long as you're resident in the UK for tax purposes, or you're a Crown employee working overseas, their spouse or registered civil partner and aged 18 or over, you can apply for a 'stocks and shares' ISA, and invest up to £20,000 in the current tax year.

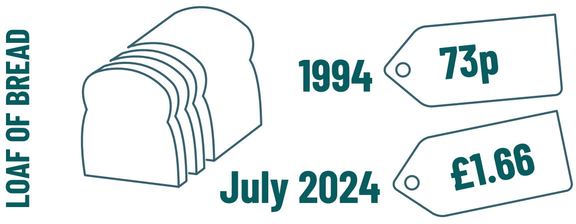
Making your savings work harder

If you're thinking of putting money into savings or investments, then you should consider how much inflation can impact the value of your savings, in the future.

In the UK, the main rate of inflation is represented by the Consumer Price Index (CPI) which, over time, measures the price of frequently bought items such as bread, milk, pints of beer and train tickets.

How inflation has risen and fallen over the last 30 years





This is due to inflation. So when it comes to savings, unless you find an interest rate that at least matches the rate of inflation, the purchasing power of your money will be reduced. If you find an account that pays an interest rate above the rate of inflation, then the real value of your money will grow.

3.1%* **Rate of inflation in July 2024**

This means you would need a return on your ISA of 3.1% after any relevant fees, just to keep up with the cost of inflation.

Source: ONS as at July 2024

** Consumer Prices Index (CPI) 12-month rate to July 2024*

Inflation explained – inflation is the increase in prices you pay for the same products over time, whether a tangible item like a loaf of bread, or a service, such as getting a haircut.

Cash ISAs & Stocks and Shares ISAs

ISAs are generally designed to be medium to long-term investments (5-10 years or more). The two most common types of ISAs are Cash ISAs and Stocks and Shares ISAs.

Cash ISA

Like a savings account except that all the interest on the money you save is free of income tax

A safe place to put your money as the amount you've saved will not go down in value and your capital is not at risk. However, the value may be eroded over time, if the interest received is less than the rate of inflation.

A valuable option – particularly if you're not prepared to take any risk with your money and want immediate or easy access to your savings.

Stocks and Shares ISA

With a Stocks and Shares ISA you can choose to invest your money in **funds** or assets, such as **corporate** and **government bonds**, shares, **property** and life policies.

Unlike a Cash ISA, the value of a Stocks and Shares ISA can go down as well as up and you may not get back the amount you put in.

A Stocks and Shares ISA is a way of sheltering your investment from tax. It's a tax-efficient investment in which you hold a range of investments, including funds which can invest in equities (shares), property, bonds and even cash. These are called **multi-asset funds**.

You can access your money whenever you wish but you should check if there are any penalties when taking money out of your ISA. And of course, any money you take from your ISA will reduce the value of your investment. Your ISA will also form part of your estate – for Inheritance Tax purposes – on death.

Prudential does not offer a Cash ISA.

Risk v Reward – what to think about

Stocks and Shares ISAs have the potential to generate higher returns than cash savings accounts. However, all investments carry some degree of risk and the funds you choose to invest in with a Stocks and Shares ISA are no exception.

Not sure if an ISA is right for you? You should ask yourself:

What do you want to achieve?

1.

ISAs are tax-efficient whether you're looking to grow your money or take an income from it now, or in the future.

How much are you looking to save?

2.

Do you want to save or invest regularly or have a lump sum of money that you want to make work a little harder?

How long are you looking to save or invest your money?

3.

You may not have a set timeframe in mind and are just looking to save or invest to make the most of the tax benefits ISAs bring. Generally speaking, investing should be seen as medium to long term (5-10 years or more) and you need to be prepared to take some risk for potentially better returns.
If you need to access your money, you should choose an ISA that allows you to withdraw without penalty.

How much of your money are you willing and able to risk?

4.

This will determine your 'attitude to risk'. The higher risk you take with your money, the higher the potential reward, but also the increased risk that you may not get back some or all of your money.

How much risk can you afford to take?

5.

You may be drawn to potentially higher returns but can you afford to lose money? The stock market may have produced higher returns than cash over the last five years but past performance is not a guide to what could happen in the future.

Spreading the risk

Creating a balanced investment portfolio, covering a range of assets, sectors, and geographies, means that if one particular part of your portfolio experiences a degree of volatility, it may be balanced out by the performance of other assets.

A balanced portfolio may help reduce the risks associated with investing.

Ways to achieve a balanced portfolio are:

- investing in different asset classes (ie bonds, properties and shares);
- investing in different geographies and sectors; and
- selecting different fund management styles, such as active, passive and smoothed funds.

Passive Funds

Passive funds typically invest in funds from a particular index, with the aim of closely tracking the performance of that index. They don't have a fund manager or investment team making decisions on where they are invested, so passive funds can be a very cost-effective way of investing.

Active funds

Active funds benefit from a fund manager's active involvement in selecting which company or area to invest in or avoid, and offer potential for growth as well as spreading the risk across a wider range of assets

Smoothed funds

Typically, smoothed funds are for those worried about the volatility associated with the stockmarket and are designed to provide a smoothed investment experience.

Volatility can't be avoided, but it can be managed for your benefit. Fund managers will predict the volatility of different sorts of investments when selecting stocks and building their portfolios to target certain levels of risk. Which is why choosing the right fund manager for your savings and investments is so important.

Volatility explained – how much the returns of an investment move away, or deviate, from their average return, determines how volatile that particular fund is. The more volatile investments move further and more frequently from their average.

Fund Manager explained –An individual who is employed by a company to manage money. It is a fund manager's aim to buy shares or other assets, such as property or bonds, that they believe will increase in value or provide a level of income.

Part B – The Prudential ISA

What is the Prudential ISA?

The Prudential ISA is an online Stocks and Shares ISA. It combines tax-efficient investment with access to a range of investment solutions that aim to match your investment objectives and attitude to risk.

It also gives you access to a unique and established range of smoothed investment solutions.

The Prudential ISA is available to anyone age 18 or over and you must be resident in the UK for tax purposes, unless you're a Crown employee, their spouse or registered civil partner.

The Prudential ISA	
Life Insurance Policy Investment in a life insurance policy which allows you to access Prudential's PruFund range of funds. The Life Insurance Policy pays out 100.1% of the value of the PruFund funds held, if you die.	**OEIC funds** Investment in the WS Prudential Risk Managed range of OEIC funds.

You can choose to invest in one, or both, of these elements of the Prudential ISA.

Who manages the Prudential ISA?

Waystone Financial Investments Limited are the ISA Plan Manager of the Prudential ISA and are responsible for all legal and regulatory aspects of the ISA and for providing customer service. If you take out a Prudential ISA, you'll be taking out a contract with them.

Who manages the WS Prudential Risk Managed OEIC fund range?

Waystone Management (UK) Limited are the Authorised Corporate Director (ACD) of these funds and are responsible for all legal and regulatory aspects of the provision, and running, of these funds.

Open Ended Investment Companies (OEICS) explained – OEIC stands for Open Ended Investment Company. They are professionally managed collective investment schemes that pool your money with other investors, giving the fund manager more buying power to make larger and more diverse investments that you could make on your own. This reduces risk by spreading the money across a number of different investments.

Who might the Prudential ISA be suitable for?

As with all providers and manufacturers who provide ISA products, the Prudential ISA has been designed to meet the needs and characteristics of customers within a defined target market. Your financial adviser is aware of who the Prudential ISA is and isn't suitable for, and should therefore only be recommending the product to you if your particular needs and characteristics are within the target market we define for the Prudential ISA product.

The Prudential ISA might be right for you if you're;

- looking to, and able to, make payments into a Prudential ISA to build a tax efficient savings pot and you have sufficient ISA allowance to do so
- looking to transfer existing ISA funds to a Prudential ISA
- looking to invest for the medium to long term (5-10 years or more)
- looking for potential investment returns in excess of those available from cash, suited to your risk profile, in a tax-efficient manner
- looking to invest in PruFund funds for smoothed returns which provide some protection from the short term ups and downs of direct stock market investments. And understand that although you won't suffer from the full effects of any downfalls in the market, you won't benefit from the full upside of any market rises either
- looking to invest in a range of actively or passively managed Open Ended Investment Company (OEIC) funds that are suited to your risk profile
- able, and willing, to interact with your Prudential ISA digitally. You'll need to register for online access, and access your documents electronically. You'll also have to provide your email address so that the ISA Manager can notify you about important information on your Prudential ISA

The value of your investment can go down as well as up and you might not get back the amount you put in.

A digital ISA for the digital age

The Prudential ISA has been designed to provide you and your adviser with a safe, secure and accessible online solution 24/7, and offers access to:

- the current value and breakdown of your investments
- how much can still be paid into your ISA in the current tax year
- a history of how your investments have performed
- all transactions, such as payments in, withdrawals out and charges taken (with filters to make it easy for you to identify specific types of transactions)
- all your documents in your online documents store, which you can review online, download to your device and/or print
- a mobile app, available through the Apple Store or Play Store for Android users, which allows you to keep track of your Prudential ISA on the move. You'll need to register for the online service before being able to use the mobile app.

All this is set out in a similar format to what your adviser has access to, making it easier for you and your adviser to discuss any of the information provided.

Benefits of investing in The Prudential ISA

Like most ISAs, the Prudential ISA offers:

- **Tax efficiency** – any capital growth will be free of Income tax and Capital Gains tax and you don't pay tax on withdrawals.
- **Access to your money** – you can make regular or one-off withdrawals depending on your needs.
- **Flexible payment options** – you can invest from £50 a month per fund, or initial lump sums from £500 per fund (with additional lump sum investments of £250 per fund, or more).
- **A range of OEIC funds** – Risk Managed Active and Risk Managed Passive funds – provided by Waystone Management (UK) Limited – are designed to meet different investment objectives and attitudes to risk
- **Freedom to transfer** – you can transfer your existing Cash ISA or Stocks and Shares ISA to the Prudential ISA free of charge, but you'll need to check with your existing ISA provider if there's a cost for transferring out of your current plan. You should also be aware that during the time it takes to transfer, your money won't be invested. So you may miss out on any increase in its value, but you also won't lose if it decreases.

But unlike other Stocks and Shares ISAs, the Prudential ISA offers:

Access to the PruFund range of funds

Invests in the Prudential With-Profits Fund – the largest with-profits funds in the UK, with funds under management of £151 billion*

PruFund smoothing process

Smoothing which could help protect you from some of the short-term ups and downs of direct stock market investments

* Source: M&G's Treasury & Investment Office (T&IO) as at 30 June 2024

You can find more information about the funds available in the Prudential ISA, in 'Your Fund options' on the next page.

Your fund options

Choosing where to invest your money is an important decision. Your adviser will work with you to select suitable funds based on your financial goals and the level of risk you're willing and able to take. They may recommend one fund or a collection of funds, depending on your needs and appetite for risk.

Your choices

The Prudential ISA gives you access to a range of 17 funds, which vary in terms of the stocks and shares they hold, the different geographies and sectors they invest in, with different fund management styles (ie. active, passive etc) and different risk ratings. This gives you the opportunity to choose the type of fund that best suits your needs.

		WS Prudential OEIC Funds	
Fund	**PruFund Funds**	**Active**	**Passive**
Cautious	✓	✗	✗
Growth	✓	✗	✗
Risk Managed*	✓	✓	✓

*There are five funds available in each of the Risk Managed fund ranges, numbered 1-5. The numbering indicates the increasing level of investment risk associated with that fund (with 1 low and 5 high) relative to the other funds in the Risk Managed fund range.

The PruFund funds – combine diversification, by investing in a wide range of different assets, with an established smoothing mechanism, which aims to protect you from some of the short-term ups and downs of direct stockmarket investments. We publish full details of the current asset mix for all **PruFund funds** on **pru.co.uk.** PruFund funds are available from Pru and you'll find more information on what PruFund offers you, in the next section.

The WS Prudential OEIC funds – are multi-asset funds which have full exposure to the ups and downs of the investment market, but the individual OEIC funds are managed to an agreed level of risk and measured by volatility. The WS Prudential OEIC funds are operated by Waystone Management (UK) Limited who are legally responsible for the funds, including all servicing and administration.

For more information on our PruFund and OEIC fund ranges, please see your financial adviser, or visit the **Prudential ISA** page on **pru.co.uk**.

Like all ISAs, the Prudential ISA has different charges involved with investing in a Stocks and Shares ISA. Details of the charges that apply to you will depend on the funds you choose to invest in. Your financial adviser will provide you with full details of the charges that apply to your specific circumstances, including providing you with the relevant Key Information Documents (KID) and Investment Option Documents (IOD) if you're investing in PruFund funds, and Key Investor Information Documents (KIID) relating to any WS Prudential OEIC funds you're investing in.

What PruFund can offer you

Investing in the PruFund range of funds can provide you with the potential for investment growth, with the possibility of smoother returns than would typically be experienced from direct investment. Although, please remember the value of your investment can fall as well as rise and you may not get back the amount you invested.

Diversified investments explained – a diversified portfolio of investments contains a mix of distinct asset types and investment vehicles with the aim of limiting exposure to any single asset or risk.

Investing is essentially about balancing the investment risk you're comfortable with, alongside the potential returns you want to achieve. Our PruFund range of funds offer the following benefits:

- Designed to suit different clients' attitudes to risk and return.
- The potential for growth, but with lower risk than buying equities in a single company.
- They aim to smooth some of the short-term highs and lows of investment performance.
- Access to a wide range of investments – including some which individual investors may not be able to access.
- A spread of diversified investments – this could help offset poor performance in one asset type with good performance in another.
- Economies of scale – investment costs are spread over many investors.
- Actively managed by skilled investment experts.

Expert fund management

The M&G Treasury and Investment Office (T&IO) is our team of in-house investment strategists and 'manager of managers' for Prudential in the UK. T&IO has great strength in depth with a team that includes investment professionals with expertise in capital market research, investment strategy design, liability management, derivatives and portfolio management. They're the team behind the largest and one of the financially strongest UK with-profits funds – and many other Prudential funds.

M&G Investment Management Ltd are the investment managers for the WS Prudential Risk Managed Active and Risk Managed Passive funds – in which the ISA can also invest. They make the relevant adjustments to the portfolios based on T&IO recommendations.

Financial strength

Pru offers a position of strength and resilience to help safeguard the financial well-being of our customers, with a focus on saving for, and providing security in, retirement.

Prudential Assurance Company Limited (PAC) was rated A+ (Stable) for financial strength by Standard & Poors, in February 2024. This is one of the highest ratings currently given to any UK life assurance company.

In today's challenging economic climate, it's even more important to consider the financial strength and stability of a company you're considering to look after your finances.

Charges and costs

The charges taken for investment management and administration of your Prudential ISA, depends on the investment(s) you select.

PruFund funds

The ISA Manager will deduct an Annual Management Charge (AMC) from each of your PruFund holdings each month by cancelling units. The charge applied varies based on the total value of PruFund funds held in your Prudential ISA. The value of your PruFund funds is calculated each time a charge is due, and the charge applied is based on the following;

	AMC	
Total PruFund value	**PruFund Cautious fund**	**All other PruFund funds**
£0 to £99,999.99	1.03%	1.06%
£100,000 to £249,999.99	0.98%	1.01%
£250,000 to £499,999.99	0.93%	0.96%
£500,000 to £749,999.99	0.88%	0.91%
£750,000 to £999,999.99	0.855%	0.885%
£1,000,000+	0.83%	0.86%

For example;

If the total value of PruFund funds held in your Prudential ISA was £115,000, which was made up of £50,000 in the PruFund Cautious Fund and £65,000 in the PruFund Growth Fund, we would use the £100,000 to £249,999.99 band to determine the AMC.

So your yearly AMC would be 0.98% for the PruFund Cautious Fund and 1.01% for the PruFund Growth Fund.

WS Prudential Risk Managed funds

If you invest in WS Prudential Risk Managed funds within your Prudential ISA, you'll pay a charge for the investment and administration of these investments in your Prudential ISA.

The charge you pay varies depending on the fund you invest in. The fund manager normally applies this charge daily and it will be reflected in the daily price of the fund.

Please speak to your financial adviser for information on the WS Prudential Risk Managed funds and the charges applicable

Adviser charges

If you and your financial adviser agree for the cost of the advice and services they will provide to you to be paid from your Prudential ISA, and this can be facilitated through your Prudential ISA, the ISA Manager will deduct such costs from your Prudential ISA and pay them to your financial adviser. Your financial adviser will explain their costs and how these will be taken from your Prudential ISA as it depends on what options you agree with them.

Some terms explained

We've highlighted some technical terms throughout this document that we thought would be helpful to explain a little further.

Bonds

Lower to medium-risk loans to the government or companies that pay you a fixed rate of interest.

Capital growth

Any money you receive in addition to the capital you've invested when you cash in your investment.

Corporate bonds

A loan to a company that earns you income in the form of interest. (See also Bond).

Diversification

Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio.

A diversified portfolio contains a mix of distinct asset types and investment vehicles in an attempt at limiting exposure to any single asset or risk.

Funds

A 'fund' is another way to buy shares – but instead of you buying a slice of a company directly, you give your cash to a specialist manager who 'pools' it with money from other investors, like you, to go and buy a job lot of shares in the stock market (effectively investing in assets like stocks are shares, bonds and property) with the ultimate aim of delivering strong returns for its investors.

Fund Manager

An individual who is employed by a company to manage money. It is a fund manager's aim to buy shares or other assets, such as property or bonds, that they believe will increase in value or provide a level of income.

Government bonds

Sometimes referred to as 'Gilts'. (See Bonds)

ISA Manager

The ISA Manager is responsible for all legal and regulatory aspects of the running of the ISA.

Multi-asset funds

A combination of asset classes (such as cash, equity or bonds) used as an investment. A multi-asset class investment contains more than one asset class, thus creating a group or portfolio of assets.

Property

In the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

Sequence of returns risk (SORR)

Also known as pound cost ravaging, can be a significant issue if you're living off income taken from capital. If you experience capital volatility whilst also withdrawing income produced from that capital, your future income could decrease, and you may not have the opportunity to recover from the fall in your capital value – which means your money could run out quicker.

Smoothing process

Our established smoothing process aims to protect you from some of the short-term ups and downs (volatility) of direct stock market investments and helps reduce the sequence of returns risk when taking an income. You'll find more information about smoothing in our 'Step by step smoothing guide'.

Stocks/Shares

Both of these terms are used interchangeably to refer to financial equities, specifically, securities that denote ownership in a public company.

With-Profits funds

With-Profits funds invest in a combination of shares, bonds, property and money market investments where growth can come in the form of regular and final bonuses from the profits the fund might make. (Money market investments can be defined as cash and near cash, such as bank deposits, certificates of deposits, fixed interest securities with, where applicable, a maturity date of under a year).

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