

LEGAL & GENERAL INFLATION PROTECTED DEPOSIT BOND

MAKE INFLATION WORK FOR YOU.

If you're concerned about the rising cost of living and its effect on your buying power, the Legal & General Inflation Protected Deposit Bond could be the answer. It aims to protect your investment from inflation.

INSURANCE. SAVINGS.
INVESTMENT MANAGEMENT.



Legal &
General

LEGAL & GENERAL INFLATION PROTECTED DEPOSIT BOND.

- Invest £500 or more over a fixed term of five years.
- Available as a Deposit Plan or tax efficient ISA.
- Aims to pay back your original investment at the end of five years, plus the greater of:
 - a fixed minimum return, or
 - **100%** of any growth in the Retail Prices Index (RPI). The exact dates depend on which plan you take out. Full details of the terms can be found in the Key Features brochure.

PROTECT YOUR BUYING POWER.

The Legal & General Inflation Protected Deposit Bond is an investment designed to provide a minimum return after five years. If the Retail Prices Index increases during a specified time, your return will match RPI so even if inflation rises dramatically, you won't be left out of pocket.



WHAT IS INFLATION?

Inflation is the rise in the general price of goods and services over a period of time. Like everybody, you probably notice how you pay more now than five years ago for the same things. That's inflation.

WHY IS INFLATION A THREAT TO YOUR SAVINGS?

Bank and building society accounts often mention that your savings are secure, but their growth is rarely linked to inflation.

If the national rate of inflation is higher than the interest rate on your cash savings, such as deposit accounts and cash ISAs, it means although on paper your money is growing, in reality its value is declining.

That's because you can buy fewer things with the same amount of cash. In other words, your money simply doesn't go as far.

INFLATION IN THE REAL WORLD.



AN EXAMPLE OF INFLATION

Let's look at an example of how rising prices affect the value of your savings. In January 2006, the average price of a loaf of sliced white bread in the UK was 75p. By the start of 2011, you could expect to pay £1.25.

If you had £100 saved in a deposit account that offered 2% interest, in January 2006 you would have been able to buy 133 loaves of sliced white bread with your money.

By 2011, although with interest your money would now be worth £110, you'd actually only be able to buy 88 loaves of sliced white bread, so the buying power of your money would have fallen by almost 35%, even before tax is taken into account.

Source: Office for National Statistics, June 2011.

That's because the price of bread increased faster than the value of your money.

BASED ON AN INVESTMENT OF £100 IN A DEPOSIT ACCOUNT WITH 2% INTEREST.

£100

£110

In 2006 you could buy 133 loaves.

In 2011 you could only buy 88 loaves.

JAN 2006

JAN 2011

THE AVERAGE PRICE OF A LOAF OF SLICED WHITE BREAD IN THE UK, 2006 TO 2011.

75p

84p

£1.00

£1.26

£1.23

£1.25

JAN 2006

JAN 2007

JAN 2008

JAN 2009

JAN 2010

JAN 2011

HOW IS UK INFLATION MEASURED?

The rate of UK inflation is quoted as a percentage by the Office for National Statistics using two measures: the Retail Prices Index and the Consumer Prices Index (CPI).

HOW ARE RPI AND CPI CALCULATED?

The RPI and CPI work out inflation by taking a cross-section of over 650 common consumer goods and services then averaging out their price across the UK.

Imagine it as a giant shopping basket containing items that most people buy regularly, like bread, milk, clothes, electricity, household goods, petrol, travel fares and other everyday purchases.

The headline RPI and CPI inflation figures are usually shown as the percentage change in value between the month the rate is calculated and the same month a year before.

For example, average prices for January 2011 were compared to the average prices in January 2010.

WHAT IS THE DIFFERENCE BETWEEN RPI AND CPI?

RPI and CPI use a very similar list of goods and services to calculate inflation, except RPI includes homeowner costs such as mortgage payments and Council Tax charges, which CPI does not.

HOW IS MY RETURN CALCULATED?

Unlike a normal RPI calculation, the Legal & General Inflation Protected Deposit Bond works out your return by measuring any increase in the level of RPI over a full five year term rather than the yearly change in prices.

Details of the dates that RPI will be measured and full terms of the product can be found in the Key Features brochure.

Each Inflation Protected Deposit Bond includes a fixed minimum return payable at the end of the fixed term, stated as a percentage.

If by the end of the date of your investment the RPI has risen by more than the fixed minimum return, the value of your investment will rise in line with the growth in inflation.

AN EXAMPLE RETURN

For example, if you invest £5,000 in a Legal & General Inflation Protected Deposit Bond ISA that has a fixed minimum return at the end of the fixed term of, for example 15%, and inflation rises over the fixed term by 20%, you will receive back your original investment plus a 20% return (£1,000), giving you back £6,000 in total.

If at the end of the fixed term the RPI has risen by less than the fixed minimum return, or has even fallen, you will receive back your original investment plus the fixed minimum return.

HOW DOES MY PLAN WORK?

We open a Plan for you with your money. As we are not a bank or building society, we cannot hold your investment on deposit. Therefore, we will pass your investment to a bank or building society who will hold it, as Deposit Taker, until the end of the five year term. The Deposit Taker will then pass your original investment plus any returns back to us. The money will then be made available to you. We will be your Plan Manager and your point of contact.

WHO HOLDS MY INVESTMENT?

Your investment is held on deposit by the Deposit Taker and will have the same security as any other bank or building society account.

The Deposit Taker is legally bound to pay your investment back to us at the end of the fixed term together with any returns due.

If the Deposit Taker cannot pay us what they owe, you may not receive all of your investment back. We are not responsible to you if the Deposit Taker does not pay your investment back together with any returns due.

The Deposit Taker will be a member of the Financial Services Compensation Scheme (FSCS) and so, if the Deposit Taker is unable to pay back your investment for any reason, for example they become insolvent, you may be able to claim compensation for any loss you have suffered. FSCS covers the first £85,000 you hold with each bank or building society.

WHY LEGAL & GENERAL INFLATION PROTECTED DEPOSIT BOND?

- Protects the value of your investment against increases in the cost of living.
- Provides a fixed minimum return after five years, plus your original capital, whatever happens to inflation.
- Provided by Legal & General – one of the UK's leading financial services companies. We had over seven million customers as at 30 June 2011. We have been in business for 175 years.

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SPEAK TO YOUR ADVISER

Your adviser can explain more about inflation and how the Legal & General Inflation Protected Deposit Bond could help protect your investment from its effects.



www.legalandgeneral.com

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