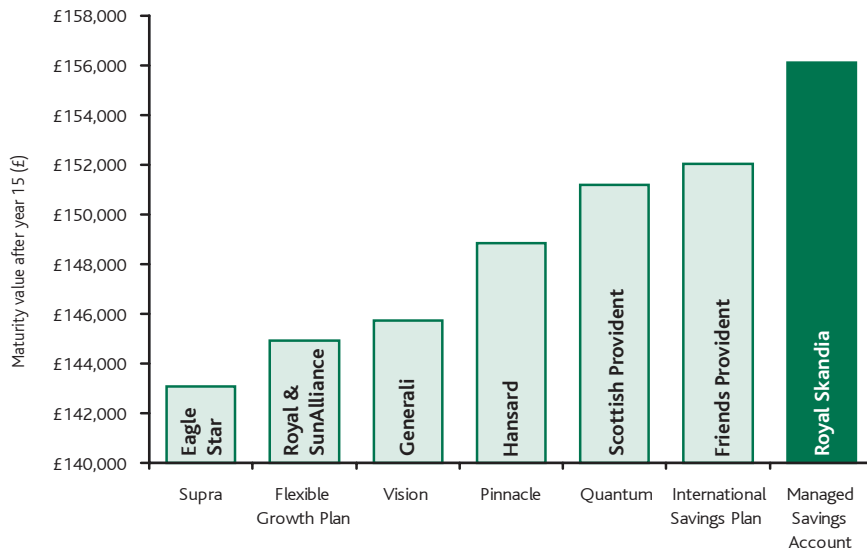


The myth of capital units

Why use the Managed Savings Account?

Assuming your client pays £500 per month for 15 years at a growth rate of 9%, maturity values with Royal Skandia are projected to perform better than many companies offering capital unit plans.



Source: Lifebase Ltd - LifeBase Offshore. Values include all policy charges, including loyalty bonuses where applicable, except external fund management charges and are used for illustration purposes only.

How does a Managed Savings Account differ to a capital unit plan?

Capital unit plan	Managed Savings Account
<p>All contributions paid during the initial allocation period are allocated to initial units. The initial units incur an additional charge known as an initial unit charge. Typically, an initial allocation period would run for no less than 12 months.</p> <p>The initial unit charge does not just apply during the initial allocation period - it applies to the initial units throughout the entire lifetime of the plan. There may also be a bid-offer spread.</p>	<p>From day one, clients buy accumulation units, which carry no up-front charges other than the bid offer spread. Therefore, more of their investment is available to grow from day one.</p>
<p>The initial unit charge can be instrumental in reducing the potential returns clients will received on maturity.</p>	<p>The projections show that the head-start clients get with Royal Skandia can make a real difference to the growth of their investments.</p>
<p>After the initial period, clients can vary or suspend contributions as their circumstances change because they are paying for this facility anyway. The policy fee might also increase in these circumstances.</p>	<p>After 13 monthly premiums, clients can stop or reduce regular contributions in any policy year as their circumstances change. A contribution servicing charge will apply in these circumstances.</p>

	Example Capital Unit Plan	Managed Savings Account
Annual Management Charge	1% pa	1% pa
Bid offer spread	7%	7%
Policy fee	£4	£4*
Initial unit charge	5% pa	None
If your clients vary or suspend contributions	An increase in policy fee may apply	A contribution servicing charge will apply**

* Royal Skandia reserves the right to increase this charge in the future.

** A contribution servicing charge is applied only in the event of a reduced or missed regular contribution and is calculated according to individual account circumstances.

The charges in the capital unit plan column are assumed charges for a typical capital unit plan. They do not represent a specific company. The examples used in this document to represent a typical capital unit plan are based on the assumed charges in the above table taking into account an 18 month initial unit period. Some capital unit plans may apply a loyalty bonus. A loyalty bonus has not been used in the examples, unless stated otherwise.

Stopping contributions

When comparing these two different plan structures, there is often the perception that, with a capital unit plan, clients have the added flexibility to vary or suspend contributions whenever they wish. There is often no visible charge. But take a closer look - this option is not necessarily as cheap as they may think.

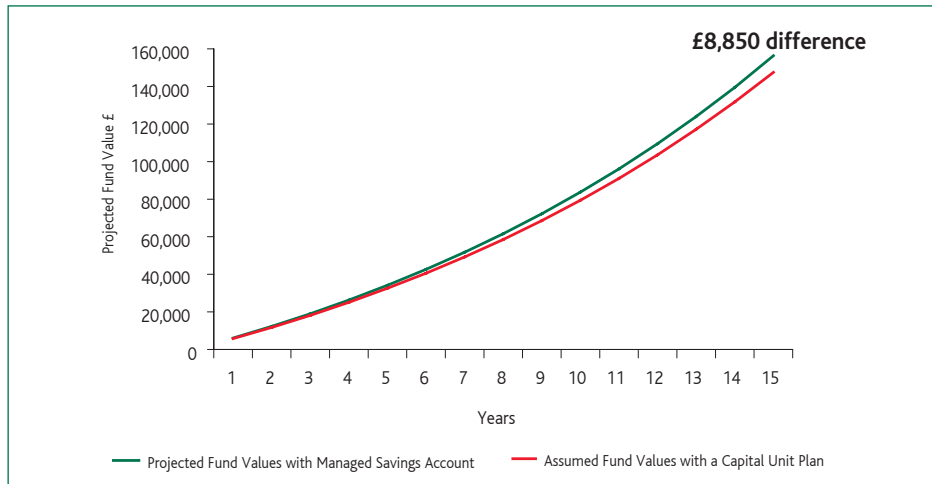
The following table shows the amount of initial unit charge clients might pay with a typical capital unit plan throughout the term of the contract. **This is charged regardless of whether they stop paying contributions or not.**

With Royal Skandia, your clients pay a contribution servicing charge **only** if they stop paying contributions.

The following examples are based on a 9% growth rate, assuming your client pays £500 per month for a plan term of 15 years. The example assumes your client does not vary or suspend contributions at any time during the term of a Royal Skandia Managed Savings Account and an example capital unit plan.

	Example Capital Units Plan	Managed Savings Account
Year	Initial Unit Charge (£)	Contribution Servicing Charge (£)
1	131	0
2	358	0
3	425	0
4	472	0
5	524	0
6	580	0
7	641	0
8	708	0
9	780	0
10	859	0
11	944	0
12	1,037	0
13	1,138	0
14	1,247	0
15	1,366	0
Total	11,208	0

The graph below shows the effect a typical capital unit charge (including policy charges) can have on the fund value of a capital unit plan compared to a Royal Skandia Managed Savings Account where contributions do not cease at any time during the plan term. The example excludes any external fund management charges. The initial unit charge with a capital unit plan can be instrumental in reducing the potential returns a client will receive on maturity.



The table below shows how much the contribution servicing charge would be with Royal Skandia if contributions were stopped after 5 years and after 10 years. It compares the Royal Skandia contribution servicing charge to the total initial unit charge clients are likely to pay with a typical capital unit plan. The examples assume both plans continue to maturity.

Each of the following examples are based on a 9% growth rate, assuming your client pays £500 per month for a plan term of 15 years.

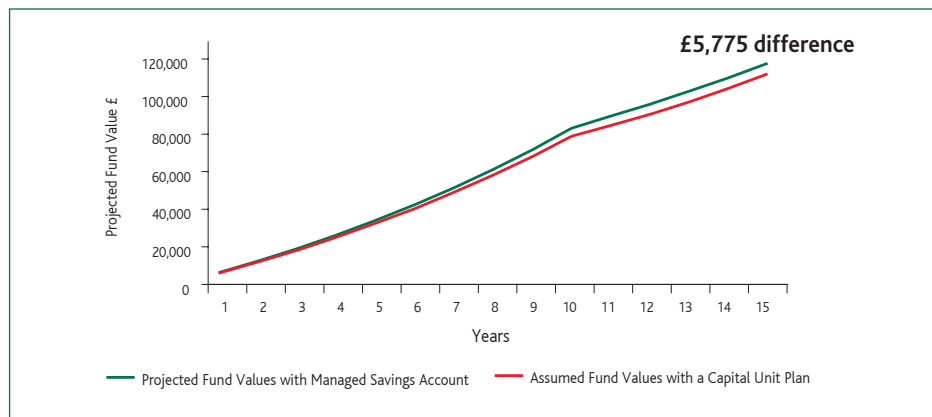
	Example Capital Units Plan		Managed Savings Account	
	Initial Unit Charge (£)	Contribution Servicing Charge (£)		
Year	Stop premiums after 5 or 10 years	Stop premiums after 5 years	Stop premiums after 10 years	
1	131	0	0	
2	358	0	0	
3	425	0	0	
4	472	0	0	
5	524	0	0	
6	580	0	0	
7	641	648	0	
8	708	670	0	
9	780	692	0	
10	859	716	0	
11	944	741	0	
12	1,037	768	690	
13	1,138	796	726	
14	1,247	825	765	
15	1,366	857	805	
Total	11,208	6,713	2,986	

Based on these examples:

- if clients stopped paying contributions after 5 years, the total initial unit charges they would pay with a typical capital unit plan would outweigh the amount of contribution servicing charges they would pay with a Managed Savings Account
- if clients stopped paying contributions after year 10, the contribution servicing charge would be even less
- if they only stopped paying contributions for a short time and started paying again, the contribution servicing charge would be considerably less.

The following graph shows the effect the charges overleaf (including policy charges) would have on the projected fund values of a Managed Savings Account and a typical capital unit plan where clients stop paying premiums for the last 5 years of their plan. The example excludes external fund management charges.

Even when the contribution servicing charge does apply, the fund value with Royal Skandia is projected to outperform a typical capital unit plan.



Royal Skandia is part of Skandia Insurance Company Limited, which is the largest unit linked provider in the world according to Actuarial consultants Tillinghast - March 2001. With Skandia's corporate strength and experience you know your clients' money is in safe hands. Add to this Skandia's experience as the leader in multimanager investment. Through Royal Skandia, your clients have access to the world's leading fund management companies providing them with excellent investment opportunities with our wide investment choice and flexibility.

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Full details of the Managed Savings Account can be found in the Product Brochure and Technical Guide, which are available from Royal Skandia's Head Office in the Isle of Man. Investors should be aware that the value of unit-linked contracts is not guaranteed as the price of units may fall as well as rise.

The value of funds, which hold assets designated in a different currency to the fund, may rise and fall purely as a result of exchange rate fluctuations. Royal Skandia can give no guarantee that tax relief and the tax treatment of funds will remain the same in the future. The value of any reliefs will depend on individuals' financial circumstances.