

NS&I Pensioners
Guaranteed Income Bonds



Changing Bonds

The options open to you



From 23 February 2008, NS&I Pensioners Guaranteed Income Bonds will no longer be on sale.

But don't worry, you can keep any Bonds you already hold. They will carry on earning interest until they mature.

Read this leaflet to find out your options when your Bond matures.

With NS&I you can be sure that all of your capital is 100% secure. We can give you this guarantee because National Savings and Investments is backed by HM Treasury. As part of our commitment to good service, we subscribe to the Banking Code.

Making things simpler

As some of our investments are very similar to each other, we have decided to streamline our range – so we are taking NS&I Pensioners Guaranteed Income Bonds off sale. This will make things simpler and more straightforward for our customers.

Even though Pensioners Bonds will no longer be on sale, you will be able to keep your Bonds until they mature.

The choice is yours

As your Bond approaches its maturity date, you should start thinking about what you want to do with your investment. You have three options:

- **reinvest your money into an NS&I Guaranteed Income Bond**
- **reinvest into an NS&I Income Bond**
- **cash in your Bond**

It's your money, so you will need to choose the best option for you.

No need to worry

Even though we are taking Pensioners Bonds off sale, any money you've invested will stay 100% secure.

However, unlike before, once your Bond matures it will not automatically be reinvested for a new term. When it matures, your Bond will stop earning interest and you will no longer receive your monthly income. So, to get the most out of your money, you will need to decide what you want to do with your Bond when it matures.

Our guarantee

- ✓ your original investment is 100% secure
- ✓ your Bond will continue to earn interest until it matures
- ✓ once your Bond matures, your capital remains secure and you'll be able to get it back at any time

Your Bond will continue earning interest as normal until it matures. See your letter from NS&I to find out the maturity date.

Reinvesting your money – the options

When your Pensioners Bond matures, you have the option of reinvesting your money with NS&I or cashing in your Bond. It's up to you.

If you do want to reinvest, and would like to continue earning a monthly income, there are two NS&I investments that could be right for you: NS&I Guaranteed Income Bonds and NS&I Income Bonds.

Guaranteed Income Bonds

Guaranteed Income Bonds offer monthly income at guaranteed rates, so you know exactly what return you'll get on your money. And there is a choice of investment terms – 1-year, 3-year and 5-year – so you can decide which one suits you best.

The main features of Guaranteed Income Bonds are:

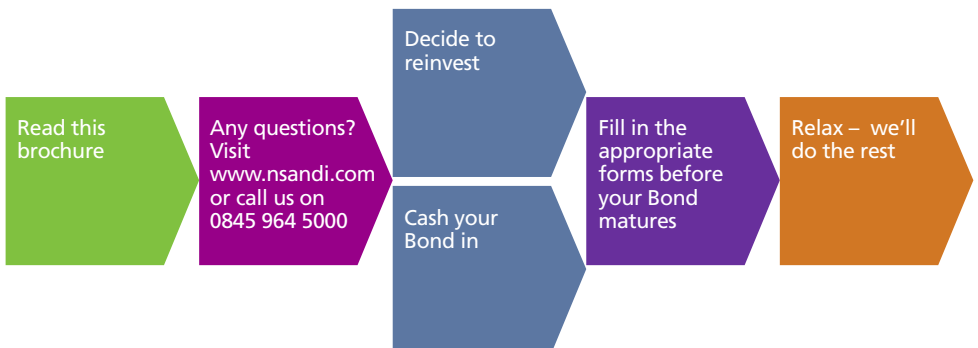
- monthly income at guaranteed rates
- choice of investment terms
- interest taxable, paid net
- penalty for early access

Income Bonds

With NS&I Income Bonds, you will receive a monthly income at an attractive variable rate, along with easy access to your capital. If you need to get hold of your money at short notice, you can cash in your Bonds with no penalty.

The main features of Income Bonds are:

- monthly income at attractive variable rates
- interest taxable, paid gross
- easy access without penalty



Comparing our income investments

This table helps you compare the features of Guaranteed Income Bonds and Income Bonds, so you can choose which one suits you best. It also helps you understand how they differ from Pensioners Bonds.

	Guaranteed Income Bonds	Income Bonds	Pensioners Guaranteed Income Bonds
Monthly income	✓	✓	✓
Investment terms	1, 3 and 5-year	No set term	1, 2 and 5-year
Interest rate	Fixed	Variable	Fixed
Minimum and maximum investment	£500 £1 million	£500 £1 million	£500 £1 million
Tax status	Taxable – paid net	Taxable – paid gross	Taxable – paid gross
Bonus rate	✗	✓ For investments of £25,000+	✗
Penalty for early access	Yes – 90 days' interest	No	Yes – 90 days' interest or 60 days' notice with no interest
Interest payment date	Date you buy your Bond (see page 6)	5th of each month	19th of each month

No longer on sale

When your Bond matures, you can reinvest it in an NS&I Guaranteed Income Bond or an NS&I Income Bond. Or you can cash it in. The choice is yours.

Our full range of savings and investments

We also offer a wide range of other investments, designed to suit different people's needs. Whether you're looking for income, growth, guaranteed interest or variable interest, chances are you'll find an NS&I investment that's right for you.

Take a look at our full range of savings and investments at www.nsandi.com

Before you decide

Before you decide whether you'd like to reinvest, it's worth thinking about the following things.

Fixed or variable interest?

Fixed interest means that the rate at which your money will earn interest remains the same for a set period of time. Variable interest means that the interest rate could go up or down.

Both types of interest have advantages and disadvantages, depending on what you want from your investment. With variable interest, you might find that the rate goes up and you earn even more interest on your savings. On the other hand, the rate could go down, meaning you would earn less.

With fixed interest, you have the benefit of knowing exactly how much interest your investment will earn – so you can make firm plans for what to do with your money. However, if general interest rates go up, your investment's rate will not increase as it is fixed for the term you choose.

Bonus interest rate

Income Bonds offer an added incentive for larger investments – if you invest more than £25,000, you will receive a higher rate of interest.

When you receive your income

As you already know, the interest from your Pensioners Bonds is paid on the 19th of each month. But with Income Bonds, interest is paid on the 5th of every month; whereas with our new Guaranteed Income Bonds, interest is paid on the same date you buy your Bond – for example if you buy your Bond on 10 March, your interest payments will be on 10 April, 10 May and so on.

Because of the different payment dates, you may have to wait a little longer for your first monthly payment once you have reinvested your mature Pensioners Bond into a Guaranteed Income Bond or Income Bond.

Trust and joint accounts

As with Pensioners Guaranteed Income Bonds, you can invest in Income Bonds and Guaranteed Income Bonds jointly with one other person. They can also be bought by trustees for up to two people of any age.



After your Bond matures, it will not earn any further interest – so you'll need to decide whether to reinvest your money or cash in your Bond.

Paying tax

Our Guaranteed Income Bonds and our Income Bonds are both taxable, but the way the tax is paid is different.

With our Guaranteed Income Bonds the tax is deducted at source ('paid net') – this means that we take off the tax ourselves before we pay your interest. If you are a basic rate taxpayer, you won't have to do anything more. However, if you pay tax at the higher rate, you will need to declare the interest to HM Revenue & Customs and pay the extra tax when it is due. Non-taxpayers and starting rate taxpayers can claim the excess back from HM Revenue & Customs.

Please note that we don't currently accept R85 forms, so non-taxpayers can't receive the interest gross.

With our Income Bonds, however, the interest is automatically paid gross, which means no tax is taken off before you receive the interest. If you are a taxpayer, you will have to declare the interest to HM Revenue & Customs and pay the tax when it is due.

We can't advise you on how much tax you will need to pay. Visit www.hmrc.gov.uk to find out more.

What next?

Your Bond will continue to earn interest until it matures, so don't worry. However, it will stop earning interest after it matures – so it's important to let us know what you would like to do before the maturity date.

If you hold other Pensioners Bonds which mature at later dates, they will continue earning interest until then. We will write to you about them separately, nearer the time.

To reinvest or cash in your Bond, just fill in the appropriate form(s) and send it back to us in the envelope provided.

If you have any questions visit:
www.nsandi.com

Or call us on:
0845 964 5000

Our UK customer service team is available every day from 7am until midnight. Maximum call charge 4p per minute from a BT landline; charges from other providers may vary. Calls may be recorded.

Remember, your money is still 100% secure with us. Whatever your decision, we're here to help.

Having trouble reading this brochure?

This brochure is also available in Braille, audio tape and large print. Minicom (textphone) users can contact us on 0800 056 0585.