

JAMES HAY SIPP

Total control of your pension investments



James Hay

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SIPP

Why SIPP?

Providing for your retirement is vitally important, as the State pension benefits only provide the basics – so you will need to set aside money as regularly as possible and use it to build a fund for your retirement.

The attractive tax privileges available will usually make a registered pension scheme the logical choice for this purpose, and millions of people now top-up their State pension provision very simply by contributing to a stakeholder pension scheme – or to a personal pension plan if they would like a wider choice of investment funds.

However, the generous limits on pension contributions that qualify for tax relief mean that, for the same pension investors, the amounts involved could be very substantial. For this reason, and others covered later in this booklet, many judicious investors do not want to be tied down to standard investment options, and would prefer a more bespoke approach to managing their pension savings.

A Self-Invested Personal Pension, generally known as a SIPP, allows you to make your own investment decisions and control the way in which your pension fund is invested as well as obviously benefiting from the attractive tax advantages.

Mastermind your own strategies

SIPP gives you the freedom to decide your investment objectives, then formulate and implement the most appropriate investment strategies to meet them.

Retirement choices

You don't have to retire to enjoy the benefits of your SIPP – and, if you wish, you can phase your retirement in stages. You can take part of your retirement benefit as tax free cash, and draw an income directly from your investments, or buy an annuity, whatever best meets your needs.

Flexibility for life

You can change your investments and strategies as your needs and objectives evolve, both before and during retirement. For example, if you decide to draw an income from your fund, you will be able to invest in the most appropriate assets to provide the liquidity you will need.

Make your own rules

Your investment policy can reflect your personal concerns and principles, such as ethical or environmental considerations, or your confidence in the long term prospects of specific technologies and industries.

Manage investment risk

Wide investment scope and total control allow you to ensure that the level of investment risk in your SIPP stays within the limits you have set.

The degree of involvement you choose

You don't have to be an investment expert to choose a SIPP, as you can decide how 'hands on' you want to be. Most clients prefer to invest with the help of their Financial Adviser, but experienced investors who wish to manage their pension fund alone can do so with the James Hay Private Client SIPP or eSIPP. And, if you don't want to hand-pick individual shares and collective investments for your portfolio, you can simply outsource the task to professionals by investing in risk-rated or multi-manager funds. If you wish, you can even appoint an Investment Manager to run your SIPP for you.

A tax-privileged pension fund

As with any registered pension scheme, you will benefit from tax relief on contributions at your highest marginal rate of tax. And, the investment income and capital growth within your fund will be free of all UK taxes except irrecoverable tax deducted at source from UK share dividends. Furthermore, benefits on death will normally be paid free of Inheritance Tax.

Own commercial property through your pension fund

Your SIPP portfolio can include commercial property and land. This could provide you – and your business partners or fellow directors if appropriate – with the valuable opportunity to own your firm's business premises through your pension fund.

James Hay – your SIPP partner for life

Very few of the choices we make are really forever, but a SIPP, when you think about it, needs to be one of them. The investment demands that you will need to make of your SIPP are likely to change, possibly many times, both before and during your retirement, so the SIPP you choose should be a partner for life that can meet all of them.

However, the growing demand for more flexible pension savings has spawned many different versions of SIPP, making the right one even more difficult to pick. So why do so many Financial Advisers and Pension Consultants recommend James Hay?

We are specialists

James Hay is the UK's leading specialist in self-managed solutions for clients who wish to control their investment and pension portfolios. Historically, we have played a major role in the development of SIPP and are one of the largest providers, administering over £9 billion of funds for more than 32,000 SIPP clients.*

* As at 30 November 2009

We are impartial and 'whole of market'

We are not an insurance company or fund provider, and you will be able to choose permitted pension investments from the whole of the market, whenever you wish. In a very crowded field, we remain committed to serving the needs of those who want the assurance of knowing that they can enjoy all the investment freedom they may require, with a SIPP provider who has no vested interest in the choices they make.

A SIPP for all seasons

Our range of SIPP options and tariffs is designed to meet your requirements in the most cost effective way at every stage, from building up your fund from scratch to providing your retirement income. You can choose à la carte or all-inclusive services to suit your needs and change them when you wish.

We help your Financial Adviser to give you more

The advanced investment tools and intermediary support that we provide will enable your Financial Adviser to give you a superior quality of service and advice. The technical expertise and dedication of the James Hay team are confirmed by the many service awards we have received from the intermediary industry on behalf of its clients.

A world of investment for your SIPP

If you wish, your James Hay SIPP can allow you to invest in an almost unlimited range of assets, with the whole of the investment market to choose from, including commercial property. And if you wish to choose collective investments then over one thousand are available on very favourable terms through our 'fund supermarket', the James Hay Investment Centre.

Whole of market investments

Stocks and shares

A SIPP allows you to invest directly in stock exchange securities that are offered on any recognised stock exchange anywhere in the world.

Your SIPP can hold most transferable securities, including:

- Equities, permanent interest bearing shares (PIBs) and convertible stocks
- Debentures and other loan stock
- Gilts and overseas government securities
- Investment trusts and venture capital trusts (VCTs)
- UK real estate investment trusts (REITs)
- Warrants for equities
- Exchange traded funds (ETFs) and depositary interests.

Collective and other investments

Your SIPP may also hold a wide range of collective investments, derivatives and other financial instruments, which may include:

Collectives

- Insurance company managed funds and unit linked funds
- Unit trusts – including tax-exempt unauthorised unit trusts
- Open ended investment companies (OEICs)
- Undertakings for collective investment in transferable securities (UCITS).

Others

- Futures and options, certificates of differences
- Traded endowment policies
- Structured investments
- Commercial Property
- Cash.

How do I make my investments?

Stockmarket Securities

It is easy to invest on the London Stock Exchange, and major overseas exchanges, by using the Abbey Stockbrokers' sharedealing service. This is an execution only service that comes with your James Hay SIPP. Alternatively, you can appoint a stockbroker of your own if you require specialist advice or a wider choice of markets and investments.

You also have the option of appointing a Discretionary Investment Manager to manage your portfolio on your behalf.

Commercial property

Our Private Client SIPP and Select SIPP option will allow you to purchase commercial property through your SIPP. To help you take advantage of this facility, the regulations allow your SIPP to borrow, within limits described on page 13, in order to fund the purchase.

This option will be particularly attractive if you are in business and wish to own your firm's premises through your pension fund, either alone or together with your partners or fellow directors. The great advantage of doing so is that the rent you pay will directly increase the value of your retirement provision. If you don't have sufficient funds to purchase a property, but would still like to invest in the property market, you may wish to consider a number of alternative routes, such as buying property company shares, property unit trusts or real estate investment trusts.

Collective investments at a discount through the James Hay Investment Centre

A wide selection of collective investments offered by leading Investment Managers and specialist providers is available for your SIPP through the James Hay Investment Centre.

You will benefit from:

- Competitive discounts on over 1,800 funds
- Access to many funds not normally available to private investors
- Choice of UK and overseas funds
- Fast and safe online dealing
- Same day execution of orders if trading online
- Next day switching between funds to keep your money fully invested.

What kinds of collective investments are available?

The funds available to you through the James Hay Investment Centre include unit trusts, OEICs, pooled pension funds and institutional funds.

Unit trusts

Unit trusts will need no introduction, but the range available is wide, including property unit trusts, risk rated funds and multi-manager funds.

OEICs

Open ended investment companies, known as OEICs combine some features of an investment trust with those of a unit trust. OEICs issue shares and use their capital to invest in other companies, but are open-ended, so that the manager simply issues more shares when demand rises, and cancels shares when it falls. As with a unit trust, the price of an OEIC share is based on the value of the fund's underlying assets, but with normally just one price for both buying and selling.

Risk rated funds

To help investors pick investments that meet their risk requirements, a number of managers now offer funds which seek to maximise returns from a portfolio in which investment risk is kept to a defined level, such as 'cautious', 'adventurous', etc. 'Multi manager' funds are frequently risk rated.

Funds of funds

One of two types of 'multi manager' approaches, a fund of funds spreads your investments more widely by investing exclusively in holdings of other funds – often those specialising in particular sectors of geographical regions and economies. The manager is also able to pick funds on the strength of their performance record, and sell them if it declines. There is therefore an element of additional charging built into a fund of funds which may be compensated by the depth of management.

Manager of managers funds

These are also multi manager funds which benefit from a double layer of management skills but, instead of investing in other funds, the multi manager contracts-out the management of different sectors in the portfolio to leading specialist fund managers, so that the fund's performance can benefit from their individual strengths and track records. Contracts are reviewable and managers who underperform in their sector are replaced. Many multi manager funds are also risk rated.

Pooled pension funds

Pooled pension funds are run by major insurance companies, mainly for the trustees of company pension funds that are too small or don't wish to manage their own investments. Because they usually aim for a reliable flow of income, as well as capital growth, gilts tend to feature strongly in their portfolios, and several hold property. Some pooled pension funds are available to individual pension investors but many are not.

Institutional funds

These are available to corporate investors and pension fund managers, and may be available as trustee investments. They are not available to individual investors.

The Collect and Select Funds

The funds available through the James Hay Investment Centre are grouped in two separate ranges.

Collect funds

The Collect range is available to all SIPP holders, and comprises over 1,800 funds, which are mainly retail unit trusts and OEICs offered by leading fund managers.

Select Funds

The Select funds are a collection of pooled pension funds and institutional funds, together with a number of specialist unit trusts and other collective investments.

Because they include investments that are more suited for professional use, and some funds not normally available to private individuals, the Select funds will only be available if you are managing your SIPP with the advice of a Financial Adviser.

The SIPP option to suit your needs

Choice all the way

Different investors can have very different priorities when choosing a SIPP, depending on their needs and circumstances at the time. So, as SIPP specialists, we offer a selection of SIPP options and tariffs to meet every requirement, from the most basic to the most demanding. And, because your needs could well change during your career or your retirement, you will be pleased to know that, as a James Hay customer, you will be able to switch between them as easily as changing deposit accounts at your bank.

eSIPP – self investment made simple

James Hay eSIPP is the original online SIPP that makes managing your pension investments quick, easy and totally secure. There is no minimum fund size or contribution level – and there is no annual charge, so you pay only for the actions that you take. The eSIPP allows you to invest in Investment Centre funds or stocks and shares through Abbey Sharedealing, so this could make it a particularly attractive option for building your SIPP fund from scratch.

eSIPP is also suitable for experienced investors who wish to manage their fund without the help of a Financial Adviser – although it is important to remember that you should only do so if you are sure of your competence and are prepared to take full responsibility for the performance of your pension fund and the level of your retirement income. If you are in any doubt at all you should consult a Financial Adviser before proceeding.

Select SIPP – business class at economy cost

The Select SIPP is designed for investors who have a minimum fund value of £50,000 and wish to follow a specific investment strategy with the help of a Financial Adviser and who prefer the simplicity of a single annual fee. This will be based purely on the value of your fund's investments with no charges for individual transactions, except for commercial property purchase where charges will apply.

Your strategy can be built around either or both of the following investment options:

Select Funds option

The Select Funds option allows you and your Financial Adviser to adopt a 'multi-manager' strategy of your own, by investing in the Select Funds range that is available through the James Hay Investment Centre.

Not only will you have access to a number of specialised and institutional pooled pension funds, but, because there are no dealing charges or transaction fees, the Select Funds Option allows you to manage your holdings as actively as you wish without incurring extra costs.

Self Investment option

Self investment through the Select SIPP will enable you to enjoy whole of market access to the full range of permitted investments, as described in our Select SIPP Permitted Investment List.

Private Client SIPP – the ultimate in investment freedom

Our Private Client SIPP allows your Financial Adviser to take a fully bespoke approach to the investment of your fund.

- It can invest in the widest range of assets that we permit – including **commercial property** and land
- You will have access both to the whole of the market and the James Hay Investment Centre funds at all times
- The charges are on a transparent flat fee basis, regardless of the size of your SIPP fund.

A Private Client SIPP will give you the maximum freedom to control your fund's investment strategy at any stage of your career and retirement.

Your SIPP in detail

Setting up your SIPP and making contributions

If you are under 75 then you can open a SIPP and make contributions, whether or not you are resident in the UK or have any earnings there.

There is no minimum contribution.

Any other person may contribute to your SIPP on your behalf, including your employer if you have one.

Paying into your SIPP

You can make single contributions to your SIPP whenever you choose. Regular contributions may be paid annually, quarterly, half-yearly or monthly.

You don't have to pay contributions each year, but it is important to remember that, if you miss a year, you may not be able to make up for it in another year without exceeding your annual limit for tax-privileged contributions.

Contributions and tax relief

How much can I contribute?

Although there is no legal limit on your contributions, the amount that will be eligible for favourable tax treatment will depend on your residence status. Please see the SIPP Technical Product Guide for full details on this.

Transfers

Consolidating existing benefits in your SIPP

Any existing pension rights that you have accumulated in other arrangements will usually be transferable to your SIPP if you wish. With the agreement of the trustee/scheme administrator of the scheme concerned, we are able to accept transfers from:

- Registered pension schemes in the UK
- Qualifying recognised overseas pension schemes.

As well as giving you full investment control, consolidating your benefits in this way will make it easier to monitor the total value of your pension provision against your lifetime allowance. Please see our SIPP Technical Product Guide for full details on this.

You can open your SIPP with transfers from other schemes, even if you don't intend to make contributions. However, when considering a transfer, it is always wise to seek advice from the transferring pension scheme concerned, as some scheme rules will not allow transfers in all circumstances. This can be of special importance if benefits are already in payment (see below).

A transfer of benefits is not a contribution and will not affect your tax-relief position in any way. For details of how transfers are made please refer to our SIPP Technical Product Guide.

Easy to manage, easy to change

Online speed and simplicity

Depending on your investment requirements, your James Hay SIPP may be managed online, simply and quickly. You can manage your money with the help of your Financial Adviser, who will act as your authorised representative, or by yourself if you have a Private Client SIPP or an eSIPP. If you would prefer to have the minimum of involvement in the day to day running of your pension fund, you can appoint an Investment Manager to take full control of its assets on a discretionary basis.

Setting up your SIPP

When your SIPP application has been accepted, you can apply for online access. Once your online access has been accepted you will receive access codes and a password that will allow you to view and manage your account at our secure transactions website, www.jameshayonline.co.uk. You will be able to buy, sell and switch the collective investments that are available to you through the James Hay Investment Centre.

SIPP bank account

All the cash held by your SIPP at any time will earn a competitive rate of interest in a Santander* bank account which will be operated by the SIPP Trustee, James Hay Pension Trustees Limited.

Payments into the SIPP bank account will begin to earn interest as soon as they are cleared. The SIPP Trustee, James Hay Pension Trustees Limited, will make all payments out of the account, for investment or annuity purchases, income withdrawals, etc, as instructed by you, or your Financial Adviser as your authorised agent. All charges and dealing fees will be met from the SIPP bank account, and you will need to ensure that sufficient liquidity is maintained to cover them as they fall due.

SIPP monies cannot be held in any other bank account unless you have appointed an Investment Manager, who may open nominee accounts with other deposit takers. However, SIPP banking arrangements are reviewed from time to time, and could be subject to change should the Trustee consider it appropriate to do so.

*Santander UK plc.

Investing through the James Hay Investment Centre

Through the James Hay Investment Centre, you will have easy online access to collective investments offered by leading fund managers on favourable terms.

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- James Hay has negotiated competitive discounts on the initial management charges made by the managers in their fund prices, reducing the cost of each investment
 - Switches between funds are normally completed on the next trading day, allowing your money to remain as fully invested as possible at all times.

We will normally update your website account with details of a transaction via the James Hay Investment Centre within one business day of receiving a correct contract note from the investment provider. A paper confirmation will then be posted within 5 business days, except for regular or automatic transactions, such as sales to fund regular income payments, which are not confirmed individually. These will be sent either to you or your Financial Adviser depending on the operating arrangements you have made for your SIPP.

If you would like more information about the options available through the Investment Centre, full Terms and Conditions for the Collect funds and Select funds are available on request, or from our website at www.jameshay.co.uk.

The Abbey Sharedealing service

The Abbey Sharedealing Service is an integrated online and telephone execution-only service provided for James Hay clients by Abbey Stockbrokers Limited. Using the service, you will be able to buy and sell any UK quoted securities, and stocks quoted on a number of major overseas stockmarkets.

Once your sharedealing account is open, you will receive a unique dealing reference, enabling you to place all trades directly with Abbey Stockbrokers. Please note that James Hay cannot accept sharedealing instructions for onward transmission under any circumstances.

Abbey Stockbrokers will confirm the completion of sharedealing transactions by forwarding a copy of the original contract note sent to James Hay for settlement.

Postal confirmations will be sent to either you or your Financial Adviser depending on the operating arrangements you have made for your SIPP.

Investing via your own stockbroker/investment manager

Subject to the agreement of the Trustee you will be able to invest more widely by using a UK stockbroker of your choice who is regulated by the Financial Services Authority. If you do so then you will be responsible for the stockbroking fees, which must be met from the SIPP bank account.

If you wish to appoint a Discretionary Investment Manager for your SIPP portfolio, you may choose from a list of managers already approved by James Hay or nominate your own choice of stockbroker for our approval. Once again, you will be responsible for agreeing the level of fees, which they will deduct from the SIPP bank account.

Investing in commercial property and/or land

You can purchase commercial property and/or land for a Private Client SIPP and Select SIPP, using James Hay's Property Investment Service, which will also manage the property on behalf of your fund.

To help with your purchase you will be able to borrow up to 50% of your fund's value, at a commercial rate of interest. Full details of property purchase and loans are given in our separate Property Investment Guide, which is available online or on request from James Hay.

How soon can I start investing?

You will be able to place investment instructions once your SIPP is open and your contributions and/or pension trustees have been received. Your Abbey Sharedealing account will need to have been fully activated. We will complete and forward the necessary paperwork to Abbey Stockbrokers within 3 working days of receiving your instruction and account application forms – they will advise you directly when your account is live.

The right SIPP for your needs as they evolve

If your SIPP priorities should change at any time, your Financial Adviser will be able to provide you with full details of the James Hay option most suited to your current requirements. You will only have to agree to the Term and Conditions of your new SIPP in order to make the change.

Charges

The current charges for all transactions in respect of your SIPP and the operation of any SIPP bank account are described in the Charges Schedule for the James Hay SIPP product selected.

Your benefits

Retirement benefits

When can I take my retirement benefits

The minimum age at which you will be able to take benefits from your SIPP is 55.

You do not need to retire or stop working to receive your benefits, which may be taken in their entirety, or 'phased-in' over a number of years, as you prefer. If you wish, you can defer taking all or part of your benefits until you reach 75.

How do I set about taking them?

Normally, you will discuss your retirement income needs with your Financial Adviser, who will make all the necessary arrangements with us.

What benefit options will I have?

A tax-free lump sum

Part of any benefits paid before you reach 75 may be taken as a pension commencement lump sum normally up to 25% of your fund's value, which will be tax-free under current legislation. However, this option will not be available from your 75th birthday.

An income of your choice

The remainder of your accumulated benefits, after payment of any lump sum, will be used to provide you with an income. Your pension may be provided by:

- Flexible income withdrawals from your SIPP fund, or
- A lifetime annuity, purchased on the open market from an insurance company of your choice.

Income withdrawals are paid as 'unsecured pension' until you reach 75 and as 'alternatively secured pension' from your 75th birthday onwards.

Phasing your retirement

Rather than take all your SIPP benefits at once, you may prefer to activate them, in stages, over a period of years, allowing you to wind-down your working activity in the way that suits you.

When you wish to start taking phased benefits, or bring more into payment, you will need to instruct us in writing as to the amount of income/lump sum you wish to produce. We will also need to know whether the income is to be provided by unsecured pension or annuity purchase.

On receipt of your instructions, we will calculate the funds needed to meet your requirements, forwarding the appropriate monies to your chosen insurer if an annuity is required.

Annuity purchase

You can choose to purchase a lifetime annuity with your fund at any time after you have passed the minimum pension age, whether or not you are already receiving benefits.

Your annuity may be purchased on the open market from any insurance company you choose.

Death benefits

Benefits if you die without buying an annuity

Death benefits payable will be dependent upon your age at time of death and whether or not you are taking benefits at the time. Please refer to the SIPP Technical Product Guide for details.

Important Information

Any taxation information contained in this guide is based on our interpretation of current legislation and HM Revenue & Customs practice. Please remember that current tax benefits may change in the future.

How to Contact Us

Call SIPP Enquiries on:

0845 850 4455

Lines are open 9am to 5pm Monday to Friday. To help us improve our service we may record or monitor calls.

Visit our website:

www.jameshay.co.uk

Email us:

sipp@jameshay.co.uk

Write to us at:

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