

James Hay Wrap

Technical Product Guide

James Hay

Wrap

Wrap is an online platform that enables your Financial Adviser to manage your investments – held in a variety of different tax environments, such as ISAs, offshore bonds and pension plans, as a single portfolio.

The James Hay Wrap combines simplicity and ease of management with exceptional flexibility and breadth of investment scope. A revolutionary approach to managing investments, it allows you to get the most from your portfolio – and from your Financial Adviser.

Am I eligible for a Wrap, and how do I set one up?

Anyone can have a James Hay Wrap – provided you are a UK resident. The regulations to prevent ‘money laundering’ do require us to ask you for some acceptable evidence of your identity and address when setting up your Wrap. They also mean that investments in cash must be made via an account in your name with a recognised bank.

If you wish to open an Offshore Bond, you will be asked to provide Scottish Provident International (Royal London 360) the Wrap Offshore Bond provider with separate identity verification and other information required by the Isle of Man authorities.

All you need to do is study carefully the full description of the Wrap Investment Portfolio on pages 4, and the details of any other product wrappers that you wish to open, together with the relevant Key Features and Terms and Conditions, which your Financial Adviser will provide separately. Then, once you are satisfied that you wish to proceed, your Financial Adviser will help you complete the necessary documentation.

How much can I invest, and when?

You can invest as much as you like in your Wrap – and you can make additional payments at any time, either singly or on a regular basis. However, the ISA and SIPP wrappers are both subject to specific HM Revenue & Customs (HMRC) rules which will effectively limit the amount you put into them.

How do I pay?

You can make payments at any time by cheque, electronic bank transfer or direct debit. We will need to know which product wrapper is to receive the deposit, so please contact your Financial Adviser whenever you wish to make an investment.

I would like to transfer my existing investments to my Wrap

The procedure for transferring investments to your Wrap will depend on the type of asset and the product wrapper in which it will be held within your James Hay Wrap:

- Assets that are not currently held in an ISA or pension arrangement may be transferred either by re-registering or assigning them to the nominee company used by James Hay, or by giving us Power of Attorney to deal with the provider on your behalf, depending on the kind of investment concerned.
- The providers of any ISA that you wish to transfer will be asked to provide a cash transfer, which will be paid to James Hay and credited to your ISA wrapper. However, a transfer from an existing ISA could include investments which can become part of your ISA wrapper.
- If you wish to transfer existing pension benefits to a Wrap SIPP, the trustees of the transferring scheme will calculate a transfer value which, if you accept it, they will pay to James Hay in cash. However, a transfer from an existing pension could include investments which can become part of your SIPP fund.

James Hay does not charge for any of the administration involved in transferring or re-registering investments.

Your Wrap bank accounts

All cash that you pay into your Wrap Investment Portfolio will be placed in a designated Santander* bank account which will be opened in your name as part of your Investment Portfolio.

This will be the main bank account for your Wrap.

Separate bank accounts will be opened with Santander for the Wrap ISA or SIPP products, as appropriate.

Your Wrap bank accounts will earn a rate of interest. All monies coming in – from contributions/subscriptions, cash transfers, tax credits, dividends and other investment income, or proceeds from the sale of investments – will begin to earn interest as soon as they are cleared.

The monthly charge for your Wrap will be taken from your Wrap bank accounts in proportion to the value of the assets in the product wrappers they relate to. Similarly, any dealing charges that you may incur for buying and selling investments outside of the James Hay Investment Centre or in addition to your free dealing allowance with the Santander UK plc. Sharedealing service will be met from the appropriate bank account for the product concerned. You and your Financial Adviser will need to ensure that sufficient liquidity is maintained in the accounts to cover these expenses as they fall due.

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

The fees of any Investment Manager you appoint will be met from your Investment Manager cash account.

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.

- 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
- Any valid instruction to buy, sell or switch holdings that is placed online before the cut off time detailed on the Wrap website will normally be executed that day
- Switches between funds are completed as a sale followed by a buy normally on the next business day, allowing your money to remain as fully invested as possible at all times.

We will normally update your online Wrap 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 to your chosen contact within 5 business days, except for regular or automatic transactions, such as sales to fund regular income payments, which are not confirmed individually.

If you would like more information about the options available through the Investment Centre, full Terms and Conditions are available from your Financial Adviser or our website at www.jameshay.co.uk

* Santander UK plc.

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 some overseas stockmarkets.

Once your sharedealing account is open, you and, if you agree, your Financial Adviser will receive a unique dealing reference allowing trades to be placed directly with Abbey Stockbrokers. James Hay cannot accept dealing instructions for onward transmission under any circumstances.

You will not need to pay dealing charges for the service unless you make single or multiple transactions more than 50 times in any 12 month period. If you do so then any charges incurred will be met from your relevant product bank account.

Investing via an Investment Manager

If you require specialist investment advice you may wish to appoint an Investment Manager for your Wrap. You may choose from a list of managers already approved by James Hay or you can nominate your own choice of Investment Manager who is regulated by the FSA for our approval. Once again, you will be responsible for agreeing the level of their fees and dealing costs.

If you open an account with an Investment Manager your appointed Investment Manager will be responsible for settling any trades placed from cash the Investment Manager holds on behalf of your Wrap product the account is opened for. It is your responsibility to ensure that your Investment Manager is holding sufficient cash before you place any trades for this type of account. James Hay accepts no liability for any trades which are delayed if there is insufficient cash held by the Investment Manager.

Investing in commercial property and/or land

You can purchase commercial property and/or land for a Wrap SIPP. If you require this service, your Financial Adviser will provide you with a copy of our SIPP Commercial Property Guide and any other information you may need.

How soon can I start investing?

Your Financial Adviser will be able to place investment instructions once your Wrap is open and any monies are cleared.

For direct investment, your Abbey Sharedealing account will need to have been fully activated and there must be cleared monies in the Wrap product bank account the account is opened for. We will complete and forward the necessary paperwork to Abbey Stockbrokers within 3 business days of receiving your instruction and account application forms. Abbey Stockbrokers will advise you and your Financial Adviser when your account is live.

For investments using an Investment Manager your Investment Manager account must be fully activated and your Investment Manager must be holding sufficient cash from the Wrap product the account is opened for to place your trade instructions.

Can I take an income from my investments?

The way in which you can take an income from your Wrap investments will depend on the product wrapper in which they are held:

- The income from any income-generating investments in your Investment Portfolio are paid into your Investment Portfolio bank account, from which they may be transferred to your private current account as a set amount each month

- An Offshore Bond allows you to take regular withdrawals for income of up to 5% each year of the amount you have invested, without incurring any immediate tax liability
- A SIPP is specifically designed to provide retirement income in any of the ways allowed by HMRC. These are described in the SIPP section of this booklet.

What will happen to my investments if I die?

Once again, the treatment of an asset on your death will depend on the type of investment and the product wrapper in which it is held. If you have a query which is not covered in the section of this booklet relating to the relevant product wrapper, your financial adviser will be able to refer you to the appropriate terms and conditions and explain any options to you.

What are the charges?

We will deduct a Cash Receipt Charge from the first £500,000 of new money received into your Wrap and a monthly transaction charge which is taken from your Investment Portfolio bank account. The monthly transaction charge is based on the total value of all the investments held in your James Hay Wrap – excluding cash, and any commercial property held in a SIPP.

You will not pay any other Wrap management fees or dealing costs, unless you:

- Exceed your 50 free share transactions in a year via the Abbey sharedealing service, when you may be charged for the excess transactions
- Appoint a stockbroker/Investment Manager. If you do so, you will be responsible for their fees and any dealing expenses incurred by them.
- Purchase commercial property for your Wrap SIPP, in which case you will need to pay all fees and expenses relating to the purchase and management of the property. Your Financial Adviser will provide you with full details of all our commercial property-related charges.

What information will I receive?

You will receive a welcome letter as soon as we accept your application for an Investment Portfolio, followed by a statement showing your initial investment. Any further investments you make will be acknowledged on receipt and statements will be sent to your Financial Adviser.

We will send you regular statements at six-monthly intervals (unless you request them three monthly), showing the value of your investments and detailing any transactions carried out in the period.

The Wrap Investment Portfolio in detail

How much can I invest in my Investment Portfolio?

There are no minimum or maximum limits to your Investment Portfolio, so you can invest as much as you wish at any time.

What investments can it hold?

Your Investment Portfolio can hold, effectively, stocks and shares and any recognised financial investments, including third party-held investments, such as life assurance bonds, but excluding pension funds and offshore investments. It cannot hold property or 'exotic' investments, such as works of art, etc. A detailed description of all the permitted investments is available from your Financial Adviser or in the Permitted Investments Lists available at www.jameshay.co.uk

What is the tax position?

Your Investment Portfolio is not tax-exempt or subject to any special tax treatment. Therefore your liability to tax on the income from your investments and any realised capital gains will depend largely on your personal circumstances. However, some types of investment, such as life assurance bonds, are subject to special tax rules, which may be beneficial in many circumstances, so the tax you pay could also be affected by the kinds of asset that you hold.

What about withdrawals?

You can withdraw as much as you wish from your Investment Portfolio at any time. You will only need to ensure that sufficient funds for your withdrawal are available in your Investment Portfolio bank account.

James Hay makes no charge for withdrawals, but if the money is coming from a third party product, such as a life assurance bond, you may find that some providers make an exit charge.

What will happen on my death?

The assets will be sold and their value paid to the representatives of your estate. In certain circumstances, this could give rise to a liability to inheritance tax. However, your Financial Adviser will be able to advise you on the most appropriate ways to minimise or eliminate any potential liability.

What will my Investment Portfolio be worth?

The value of your Investment Portfolio if you die or decide to cash your investments, will be the full sale price or surrender value of the assets – just as if you had held them yourself. The values of some investments will therefore be affected by any withdrawals you may have taken from them, any charges taken by the provider, and the terms and conditions of the investment.

The Wrap ISA in detail

What is the ISA allowance?

From 6 April 2010 the total annual subscription limit is £10,200, of which a maximum of £5,100 can be paid to your Cash ISA.

What are the tax benefits?

All investment income and capital growth within your ISA is rolled-up free of all UK taxes, except for the 10% tax deducted at source on UK dividends, which is non recoverable.

How do I invest?

As long as you keep within your annual allowance, you can invest lump sums whenever you wish, or pay a regular monthly amount.

What investments are permitted?

You can invest your ISA allowance in the way you choose. If you decide to use any of your ISA cash allowance, your money will be held in cash deposits at interest – with Santander.

Stockmarket investments for an ISA may include shares and fixed interest securities quoted on any stock exchange approved by HMRC, or pooled investment funds, including unit trusts OEICs and investment trusts. For full details ask your Financial Adviser or see the ISA Permitted Investments List available at www.jameshay.co.uk

How can my existing ISAs be transferred?

Once we have details of the ISAs that you wish to transfer, and the necessary permissions signed by you, we will arrange with the providers to pay us the respective cash values for the credit of your Wrap ISA, or transfer the assets to your Wrap ISA.

What will I get and when?

ISAs have no set term, so you can withdraw cash or sell investments at any time and receive their full value, without any liability to tax. As you do not have to sell all your investments in an ISA at once, you can make partial withdrawals whenever you wish.

And if I die?

If you die the ISA tax benefits cease from the date of your death. Your personal representatives would need to close the account. On receiving appropriate proof of title, we'll pay them the balance together with any interest earned up to the date of closure, or if requested we will transfer the account investments to them. Your Financial Adviser will be able to tell you more about your options.

The Wrap Self Invested Personal Pensions in detail

Contributions and tax relief

Eligibility and payment

Please note, contributions can only be accepted into uncrystallised arrangements in non-protected rights plans. Uncrystallised arrangements are those which have not had any benefit paid from them.

Who can contribute to a SIPP?

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.

Can I contribute to a SIPP as well as my employer's pension scheme?

Yes, you can, though you should remember that both will count towards the maximum annual allowance.

How are contributions paid?

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.

You can transfer shares that you have acquired through a Save As You Earn scheme or a share incentive scheme (provided these are acceptable to James Hay and subject to rules laid down by HM Revenue and Customs (HMRC)).

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.

If you are a UK resident

As a UK resident, you will be able to receive tax relief on gross contributions of up to 100% of your earnings each year.

Even if you have no earnings, you can still contribute up to £3,600 gross each year and your contributions will automatically benefit from tax relief at the basic rate of tax.

If you are non-UK resident

As a non-UK resident you can contribute as much as you wish, although you will not be eligible for tax relief on your contributions.

If you cease to be UK resident after opening your SIPP

If you opened your SIPP as a UK resident then you will receive tax relief on the first £3,600 pa of any contributions paid in your first 5 years as a non-UK resident. You will not be eligible for tax relief on the excess if you contribute more than this amount, nor on any contributions paid after 5 years while you remain a non-UK resident.

On resuming UK residence at any time you will be able to receive tax relief on your contributions in the normal way.

What is the annual allowance, and how does it work?

The annual allowance limits the tax privileges in respect of pension savings made under a registered pension scheme in respect of a tax year.

The allowance for 2009/10 is £245,000.

The annual allowance for 2010/11 has already been announced and has been set at £255,000. In the pre budget report of 2008, the chancellor announced his intention to keep the annual allowance threshold at £255,000 for tax years up to and including 2015/16. This will also be subject to an announcement by Treasury Order.

The annual allowance covers the total contributions paid by you – or by anyone else on your behalf including your employer – to any money purchase arrangements, which is the category of pension arrangement a SIPP falls into.

If you are a member of a defined benefit pension scheme, for example a final salary employers pension scheme, then the annual value of any increase in your benefits will also count towards the annual allowance.

Your annual allowance will not be affected by:

- Transfer values received from other pension arrangements
- National Insurance rebates for contracted out schemes
- Pension debits and credits from a divorce settlement.

What will happen if I exceed the annual allowance?

Although there is nothing to prevent you contributing more than the annual allowance if your earnings will support it, the excess will normally be subject to a tax charge of 40%.

However, HMRC will not test your contributions against the annual allowance in the year in which you take all of your benefits, or the year in which you die. You may be able to take advantage of this opportunity to make a large contribution when taking your retirement benefits. However, this is a complex area and HMRC has introduced measures to stop exploitation of the tax rules, in what is commonly known as recycling. Your adviser will be able to give you further information on this topic.

What happens if my contributions exceed my tax-relief limit?

On receiving your annual self-assessment tax return showing the total contributions you have made to any pension schemes, HMRC will notify James Hay if the contribution you have paid us exceeds your personal tax-relief 'limit' for the year.

Depending on your wishes we will then either:

- Repay you the excess contribution, after any basic rate tax relief on it has been returned to HMRC, or
- Record the excess contribution separately within your SIPP.

Will I need to prove my earnings?

You won't need to produce any evidence of earnings to James Hay, but your contributions must be declared to HMRC in your tax return for the year.

What tax relief will I receive?

Basic rate relief

If you are eligible to receive tax relief on your contributions you will be entitled to deduct relief at the basic rate of tax from the amount you pay. So, assuming that the basic rate of tax remains at the 2009/10 level of 20%, you will pay £80 for every £100 of the gross contribution you wish to make.

James Hay will then reclaim the value of the basic rate tax relief from HMRC on your behalf and add it to your fund.

Higher rate relief

If you pay higher rate tax you should claim the additional tax relief through your annual self-assessment tax return.*

* During the 2009/10 tax year restrictions were introduced restricting higher rate relief for certain individuals. If you believe you may be affected by these changes please contact your financial adviser.

Employer contributions

Any contributions made by your employer will be paid gross and will be added to any of your own for testing against the annual allowance.

Your employer may be able to obtain tax relief on the contributions paid, which will count as a business expense.

Transfers

Consolidating existing pension benefits in your SIPP

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

- Registered pension schemes
- Qualifying overseas pension schemes

As well as giving you full investment control, consolidating your benefits in this way may make it easier to monitor the total value of your pension provision against your lifetime allowance, which is described on page 8.

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 trustees of the scheme concerned, as some scheme rules will not allow transfers in certain 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 anyway.

You should always seek financial advice before instructing transfer, as in certain circumstances it may affect any protection from tax charges you have been granted by HMRC on your pension funds.

Protecting your existing scheme specific benefits as part of a transfer

HMRC rules allow for some of your existing scheme specific benefits, such as an entitlement to retire at an earlier age, or a pension commencement lump sum in excess of 25%, to be protected on transfer to our scheme. However, certain requirements must be met. This type of transfer is commonly referred to as a 'block transfer'. Your adviser will be able to tell you more about block transfers.

We are able to accept block transfers, however, we insist they are held in separate arrangements.

How are transfers made?

Normally, the trustees of the transferring scheme will calculate a transfer value which, if you accept it, they will pay to James Hay in cash. However, in some cases, a transfer could include investments which, if they are acceptable, could be re-registered to James Hay as trustee of your SIPP so that they become part of your Wrap SIPP fund.

Benefits are already in payment

If you have begun taking income withdrawals from an arrangement, or have received a tax-free cash sum from it, then you will need to set up a separate SIPP with us within your Wrap designed solely to receive a transfer of 'benefits in payment'. You will not be able to make contributions and only a single transfer can be accepted into this kind of SIPP.

Contracted out and protected rights benefits

From 1st October 2008, we have been able to accept contracted out and protected rights monies. They must be held separately from any other pension benefits you have in the scheme and so we hold them in a separate Plan within the scheme. Special rules apply to the benefits that can be paid from protected rights and also how they can be paid in relation to any other pension rights you have in the scheme. Further information can be found in our Protected Rights literature available on our website: www.jameshay.co.uk

Please note we only accept transfers from existing schemes and do not accept ongoing minimum contributions..

Investment

What pension investments can I hold in my SIPP?

Your SIPP can invest in an exceptionally wide range of assets which include:

- Shares listed on a recognised exchange
- Interest-bearing bonds and government securities
- Exchange traded funds and depositary interests
- UK real estate investment trusts
- Traded endowment policies, structured investments and financial instruments
- Collective investments – including authorised and unauthorised unit trusts, OEICs and UCITS many of which are available through the James Hay Investment Centre.
- Investment trusts, venture capital trusts, insurance company managed funds and unit linked funds
- Commercial property and land
- Cash

All cash within your SIPP is held in an interest-bearing Santander bank account operated by the SIPP trustee, James Hay Pension Trustees Limited – including your un-invested contributions and all income from your SIPP investments.

For full details of the range of permitted investments please speak to your Financial Adviser, or refer to the Wrap SIPP Permitted Investments List available at www.jameshay.co.uk

How do I invest in commercial property?

When you wish to buy a commercial property investment, the purchase will be carried out by James Hay's Commercial Property division.

If additional funds are required in addition to the non-protected rights monies available in your SIPP, James Hay, acting on your behalf, is able to borrow an amount up to 50% of the value of your SIPP portfolio to help you make the purchase. Any loan will be subject to a commercial rate of interest. Under the terms of our protected rights SIPP you are not able to use the value of any protected rights in connection with a property purchase.

You will not need to pay the Wrap transaction charge on the value of any commercial property held in your SIPP. However, your SIPP will pay a property management charge, together with our charges and expenses for arranging the purchase and/or sale of the property.

Your Financial Adviser will be able to tell you more about investing in commercial property – including the costs – and you will find full details in our separate Commercial Property Guide.

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. However, you will be able to take your benefits sooner if you have a protected retirement age, due to the fact you were a pension scheme member who qualified for early retirement under the prior legislation, or if you are forced to retire due to ill health.

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.

If your pension rights can be taken before the minimum pension scheme age then all of the benefits in the scheme must be paid at the same time. Please note that protected rights cannot be paid before the minimum pension age other than on the grounds of ill health.

All the benefits of your plan must be 'in payment' not later than your 75th birthday.

How can I phase my retirement?

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

If you have any pre 6 April 2006 pension benefits with protected pension entitlement, as provided for under the transitional rules, you might not be able to take these benefits in stages.

If you have protected rights monies in the scheme, whilst it is possible to take these benefits in stages, specific rules exist on how they can be paid if you have other non-protected rights in the scheme. In addition, should you wish to purchase an annuity with your protected rights you must use all those rights at the same time, you cannot purchase an annuity in stages.

When you wish to start taking benefits in stages, or bring more into payment, you will need to instruct us in writing by completing the 'Benefit Payment Form' or 'Annuity Request Form' 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.

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 of up to 25% of your fund's value, which will be tax-free under current legislation.

Please note, if you have pension rights that were accrued pre 6 April 2006 and these benefits were transferred to us with a protected entitlement, you may be able to have a pension commencement lump sum of more than 25% of your fund value.

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.

If you wish to purchase an annuity using your protected rights fund you must use the entire protected rights fund.

Taking the pension commencement lump sum

To enjoy part of your benefit in the form of tax-free cash, you will need to take your pension commencement lump sum at the time your pension starts, as it cannot be deferred.

If you take all your benefits at once, your lump sum may be up to 25% of the value of your fund but must not exceed 25% of the standard lifetime allowance described on page 8. If you are phasing your retirement then the lump sum available to you will be proportionate to the amount of your fund being brought into payment at the time.

The pension commencement lump sum will only be available if you are under 75 when taking benefits.

Taking income withdrawals

A major advantage of income withdrawals, for many people, is their flexibility, as you can vary your income from year to year, within limits laid down by HMRC.

The basic level of income from your plan will be calculated from tables compiled by the Government Actuary Department (GAD) when you commence withdrawals. This income, and the amount by which you can vary your withdrawals will depend on your age:

- Income withdrawals before you are 75 will be paid as unsecured pension.
- Income withdrawals from your 75th birthday onwards will be paid as alternatively secured pension.

These limits are intended to avoid over-depletion of your fund, ensuring that there will always be sufficient for your future income needs, and to prevent tax avoidance.

Limits for variable income withdrawals
% of basic income derived from Government Actuary's
Department tables

Income type	Maximum	Minimum
Unsecured pension	120%	NIL
Alternatively secured pension	90%	55%*

Enhanced lifetime allowance

There are several circumstances in which you could be eligible for an enhancement of the standard lifetime allowance:

- Your SIPP has received a transfer from an overseas pension scheme which has not received UK tax relief
- A pension credit that qualifies for an enhancement has been received as a result of a sharing order under a divorce settlement
- You have made contributions as a non-UK resident of more than 5 years standing
- You already hold a Primary Protection Certificate.

You can request an enhanced lifetime allowance by applying to HMRC, giving the reason. If your request is allowed, you will receive a certificate showing the amount of enhancement calculated by HMRC.

You will need to keep the enhancement certificate until all your benefits have come into payment (although a replacement will be provided by HMRC if it is lost, defaced or destroyed). All other documents relating to your request must be kept for six tax years.

Primary and Enhanced Protection

If you have a Primary Protection Certificate, Enhanced Protection Certificate or an Enhanced (Primary Dormant) Protection Certificate, and you wish to take benefits you must provide James Hay with a copy of your certificate.

If you have either an Enhanced Protection Certificate or an Enhanced (Primary Dormant) Protection Certificate and you do not want to use Enhanced Protection when taking benefits you must notify HM Revenue and Customs of this within 90 days of the benefit commencing. Failure to notify HM Revenue and Customs will result in a financial penalty.

You should ask your Financial Adviser for guidance.

What happens to my SIPP when I die?

Benefits if you die without buying an annuity

You can nominate your dependants or any other individuals to whom you would like benefits to be paid in the event of your death before you have used the balance of your fund to purchase an annuity.

However, separate rules apply to protected rights as set out by the Department for Work and Pensions.

If you die before reaching 75

On your death before age 75 your nominated dependant(s) may choose, from your non-protected rights fund, to have:

- A lump sum, or
- income withdrawals, paid as unsecured pension if they are under 75 or alternatively secured pension if they are 75 or older, or
- An annuity purchased on the open market, or
- Any combination of the above

If you have nominated a non-dependant to receive the death benefits they will be entitled to a lump sum only.

If you have protected rights, all of this fund will be used to:

- Pay a pension to a surviving spouse or civil partner, failing this
- A lump sum in accordance with your nomination, failing this
- A lump sum to your estate.

If your spouse or civil partner wishes to purchase an annuity using the protected rights fund he/she must use the entire protected right fund.

If you are 75 or over when you die

On your death at age 75 or over your nominated dependant(s) must choose:

Use all of the non-protected rights fund to provide a pension, either through income withdrawal or annuity purchase.

Benefits cannot be paid to a non-dependant once you reach 75, if you have failed to nominate a dependant we as scheme administrator may decide to pay the pension to a surviving dependant on your behalf. If you have no surviving dependants, a lump sum may be paid to a charity of your choice.

If you have protected rights, all of this fund must initially be used to:

- Pay a pension to a surviving spouse or civil partner, failing this
- Pay a pension to surviving dependant(s), failing this
- Pay a lump sum to a charity of your choice

Tax on lump sum benefits

If you die before taking any benefits, any lump sum payment must be paid out within two years of your death and will normally be paid tax free, but will be tested against your lifetime allowance. For lump sum benefits paid from protected rights fund, there may also be an inheritance tax liability. Unless you were claiming enhanced protection at your death, any excess above your lifetime allowance will be subject to a tax charge of 55%.

If you die before age 75 while taking income withdrawals, any lump sum payment will not be tested against your lifetime allowance, but will be taxed at 35%.

Provided it is paid to and used by a charity for 'charitable purposes' within the HMRC rules, any lump sum paid to a charity on your death after age 75 will not be taxed.

Benefits if you die after buying an annuity

If you have used all or part of your fund to buy an annuity then, on your death the benefits paid will depend on the options selected when the annuity was purchased.

If you are married or in a civil partnership when you purchase an annuity, the annuity bought using protected rights must include a spouse's or civil partner's pension equal to 50% of your own annuity. The maximum guarantee period applicable to the annuity is 5 years.

Where you have purchased an annuity using non protected rights you can choose to include a spouse's, civil partner's or dependant's pension. In addition you could also opt for an annuity protection lump sum, however, this would only be payable on death before age 75. The maximum guarantee period applicable to a non-protected rights annuity is 10 years.

Who can be classed as a dependant?

Your dependants can include anyone who is:

- Your spouse or civil partner, either at the time you became entitled to receive a pension from your SIPP (normally on reaching the minimum pension age) or at the date of your death
- Your child, provided they are aged under 23
- Your child who is aged over 23, but who, in the opinion of James Hay as scheme administrator, was dependent on you at the date of your death, owing to physical or mental impairment
- A person who is neither your surviving spouse or civil partner nor your child but who, in the opinion of James Hay as scheme administrator, was dependent on you at the date of your death.

The Wrap Offshore Bond in detail

What is the Wrap Offshore Bond?

The Wrap Offshore Bond is a policy of insurance written by Scottish Provident International Life Assurance (Royal London 360) and is only available to holders of a James Hay Wrap.

Investing offshore through a bond allows your investment returns to accumulate in a tax-efficient way over the medium to long term. It also allows you to diversify your portfolio, by giving you access to investments and expertise around the world that would not normally be available to you as a UK investor.

Under current UK law you can withdraw up to 5% pa of the amount you have invested in your Wrap Offshore Bond without incurring any liability to tax at the time. In this way, your bond can be used very effectively to supplement your income – for example, your pension when you retire.

Who is eligible?

As an individual, you can apply for a Wrap Offshore Bond if you are over 18 and:

- Resident and ordinarily resident in the UK, and
- Under age 80 if you are to be a life assured under the Bond, and
- Are not a US citizen*.

You can apply as a trustee representing a Trust where:

- The majority of the trustees are resident and ordinarily resident in the UK, and
- No trustee is a US citizen*, and
- You have the appropriate powers of investment under the Trust deed.

You can also apply if you are a director representing a corporate entity that:

- Is incorporated in the UK, and
- Whose memorandum and articles of association give appropriate investment powers.

PLEASE NOTE: You will not be able to apply if you are subject to any legislation that prohibits you from making this type of investment. You are advised to check your eligibility with your Financial Adviser before proceeding.

Why Scottish Provident International?

Scottish Provident International (Royal London 360) was established in 1991 and grew to hold assets under administration of more than US\$2 billion.

In June 2008 the company was bought by Royal London – the largest mutual life and pensions company in the UK with over 140 years of experience. With Group funds under management of US\$65 billion (£34.5 billion) as at end September 2008, the Royal London Group businesses serve around 3.5 million customers and employ 2,900 people.

Because Royal London 360 conducts its activities in such a way that it is not engaged in trade or business in the UK, the profits within its funds, of which your Wrap Offshore Bond investments will be part, are not subject to UK tax.

Tax freedom

Under Isle of Man Law, the only tax liability that arises on the gain you make from an Isle of Man life policy will depend on the rules of your country of residence at the time. The only possible impact

of tax will be on assets based in countries where irrecoverable withholding taxes are deducted at source.

A leading financial centre offshore

The Isle of Man enacts its own legislation, direct taxation and fiscal policies, independently of the UK. Its favourable tax regime, political and economic stability, and quality of regulation have made it one of the most attractive and respected international centres for global offshore financial services.

Linked to the UK and the rest of the world by high quality digital and satellite technology, the island has an AAA credit rating from the global rating agency Standard and Poor's, and has won many awards as a centre of excellence for banking, investment and insurance. These include 'Best International Financial Services Centre' at the International Investment 2006 Awards and '2005 Financial Centre of the Future' in the Financial Times 'Banker' Awards.

Investor protection

As a Royal London 360 policyholder you will enjoy worldwide protection under the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. These provide that in the event of any Isle of Man life assurance company being unable to meet its liabilities to policyholders, the policyholders will be covered for up to 90% of the life company's liability. There is no upper limit to the amount of compensation available, which would be provided by a levy on the other Isle of Man Life companies, for whom membership of the scheme is mandatory. Full details are available on request.

How is my bond set up?

Your Bond may be set up in one of two ways:

- A whole of life assurance policy with up to 10 lives assured and a death benefit payable on the last death, or
- A capital redemption policy with no lives assured and a guaranteed maturity value payable after 99 years.

Your Financial Adviser will be able to help you decide whether a whole of life assurance, or a capital redemption policy, will be the more appropriate route for your needs.

To give you extra flexibility when you wish to take money out of your bond, it will be written as a number of separate but identical policies known as segments. You will be able to select the number of segments. This segmentation will make it possible for you to make partial withdrawals in the most tax-efficient way in your circumstances at the time.

Who can be a life assured?

If your bond is set up as a whole of life assurance policy there can be up to 10 lives assured. There is no minimum age, but the youngest life to be assured must not be older than 80 at the date of application.

The only other requirement is that you must have a legitimate insurable interest in anyone who is to be a life assured, for example:

- If the bond is for your own personal requirements, you will normally be a life assured (although you do not have to be) – possibly with your spouse or partner
- A bond for a corporate Wrap could be written on the lives of one or more of the directors, partners, or 'key employees'
- If you are applying on behalf of a Trust, there may be a number of reasons for having one or more of the beneficiaries as lives assured.

The death benefit will be payable on the death of the last life assured to die.

* US means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

How do I invest?

The minimum investment in a Wrap Offshore Bond is £100,000. However your total investment and the spread of assets within your Wrap could be taken into account and we may allow a lower amount at our discretion. There is no maximum limit on the amount you can invest.

You will need to make your investment in cash from a UK sterling bank account. If you wish to use investments that you already hold, they will have to be sold and the proceeds placed in your Investment Portfolio bank account for onward payment to the Royal London 360. Your Financial Adviser will be able to recommend any ways of arranging the disposal so as to minimise the impact of any tax.

The documents that your Financial Adviser will help you complete include the Wrap Offshore Bond Application Form, which sets out your chosen policy type (i.e. life assurance or capital redemption) and details of the owner, the lives assured where applicable and your chosen number of policy segments, together with the amount of your investment and your initial asset selection.

You will also be required to provide acceptable proof of identity, verification of address and information regarding the source of funds and the source of your wealth so that Royal London 360 can comply with the Isle of Man Government Insurance and Pensions Authority Anti-Money Laundering Standards for Insurance Business. Royal London 360 will also need to verify the source of the funds that you wish to invest.

It is important that this information should accompany your application, as any delay or failure to provide it may result in having to return your investment to you.

After a thorough assessment of the information you have provided, Royal London 360 will issue a letter setting out the terms upon which they are able to accept your application and confirming the commencement of your Policy.

Can I add to my investment later?

You will normally be able to make additional investments at any time, for as long as Royal London 360 continues to offer products of this type with no minimum applying. Any investment received will be divided equally between the number of policy segments within your Wrap Offshore Bond.

However, if you have set up your Wrap Offshore Bond as a capital redemption policy, additional investments can only be made during the first 50 years and each separate investment will have the same maturity date as the initial investment.

What are my investment options?

Your investment, less any applicable charges, will be used to purchase the assets of your choice from the following asset classes:

- UK authorised Unit Trusts within the meaning of section 468 UK Income and Corporation Taxes Act 1988
- UK Investment Trusts within the meaning of section 842 UK Income and Corporation Taxes Act 1988
- An Open Ended Investment Company (OEIC), within the meaning of section 236 of the UK Financial Services and Markets Act 2000
- An interest in a collective investment scheme which is constituted:
 - by a company, not being an open ended investment company, which is resident outside the UK
 - a unit trust scheme where the trustees are resident outside the UK

- any other overseas arrangements which are recognised under the law of the jurisdiction in which they are domiciled or registered as creating rights in the nature of co-ownership
- in a jurisdiction acceptable to Royal London 360.

- Cash deposits made available by Royal London 360.

Royal London 360 must be able to hold any selected asset in the name of its nominee, James Hay Wrap Nominee Company Limited.

For a full list of the permissible assets please refer to the Wrap Offshore Bond Guidelines for Permitted Assets available on request from James Hay or from www.jameshay.co.uk

Neither James Hay Wrap Managers Limited nor Royal London 360 are authorised to provide any advice on whether your choice of assets is suitable for you. Your Financial Adviser should assist you in this respect.

For further details on how your assets are held and how to buy, sell and switch them please refer to the James Hay Wrap Client Terms and Conditions and the Wrap Offshore Bond Terms and Conditions.

How do I take money out of my Wrap Offshore Bond?

You can take some or all of your investment out as cash at any time without paying a policy charge.

So that you will have an opportunity to minimise the tax consequences of a withdrawal, you can choose to take your cash in several ways:

- By cashing in one or more individual policy segments
- By withdrawing an equal amount from each policy segment
- A combination of both.

You should always discuss your tax position with your Financial Adviser before cashing in your bond or requesting a withdrawal to ensure that you choose the most favourable method for your circumstances.

If you are withdrawing equal amounts from each policy segment you will only need to complete a withdrawal form and state which assets, if any, are to be sold. However, if you want to cash in individual policy segments then you will be asked to return your Policy Schedule, so that Royal London 360 can cancel the relevant number of policy segments and issue a replacement Schedule for those remaining.

You will also need to provide instructions setting out which assets are to be sold. Without these instructions, if there is insufficient cash in your Wrap Offshore Bond, Royal London 360 will be unable to action your request

Please note that if any holding to be sold is in a fund that deals at a frequency other than daily, there is likely to be a delay in forwarding the proceeds to you.

I would like an income from my bond

You can choose to take regular withdrawals from your Wrap Offshore Bond to provide you with a regular income without the need to cash in any policy segments.

You can currently opt to receive withdrawals on a monthly, quarterly, half-yearly or annual basis.

Please remember that the higher the withdrawals you take from your Wrap Offshore Bond the greater the risk your investment fund could be depleted.

What is the tax position on withdrawals?

The tax treatment of any benefits you take from your Wrap Offshore Bond will depend on your country of residence, citizenship domicile and personal circumstances at the time. The tax treatment of benefits can change at any time, which could affect what you will get back.

For example, as a UK resident the law currently allows you to withdraw up to 5% of the amount you invested, each year, without any immediate liability to tax.

However, you would have a possible income tax liability on any chargeable event – such as cashing in a policy segment or a withdrawal exceeding 5% of the amount invested per policy year – which is reportable in your Self Assessment Tax Return.

If you become a US taxpayer, the Wrap Offshore Bond does not qualify as a life assurance or an annuity contract for US tax purposes. As a result, increases in the proceeds paid could be subject to current federal income taxation. In these circumstances we would strongly advise you to consult your tax adviser to discuss your tax position, as neither Royal London 360 nor James Hay can provide tax, legal or investment advice.

What will be the end return from my bond?

Your bond can be cashed at any time for the full surrender value of the investments that it holds. What you get back will therefore be affected by the charges of any investment providers and any withdrawals that may have been taken.

If your Wrap Offshore Bond is set up as a whole life assurance policy then the amount you get back will not be guaranteed at any time.

If you set up your Bond as a capital redemption policy it will have a maturity date of 99 years after the start date, when it will have a guaranteed maturity value. The amount Royal London 360 will pay at the maturity date will be the higher of:

- The final cash-in value of your Wrap Offshore Bond, and
- The guaranteed maturity value.

The guaranteed maturity value is double the amount of your initial investment, with a pro rata guarantee for any additional amounts invested subsequently.

The formula for the guaranteed maturity value in respect of each investment made is therefore:

$$2 \times I \times T/99$$

Where:

- I is the investment and
- T is the period between the date the investment was made and the maturity date.

However, if you take money out of your Wrap Offshore Bond before the maturity date then the guaranteed maturity value will reduce in proportion to the percentage by which the withdrawal reduces the value of your Wrap Offshore Bond at the time.

As an example, to show how making additional investments and withdrawing cash will affect a maturity value, let's take an investment of £40,000:

- Your initial investment of £40,000 will give a guaranteed maturity value of £80,000
- If after 11 years you invest a further £16,000, the total guaranteed maturity value will be $2 \times £16,000 \times 88/99 + £80,000 = £108,444.44$

- Then let us say that, after 15 years your Wrap Offshore Bond is worth £140,000 and you take a cash withdrawal of £35,000. This will mean that 25% of your investment is cancelled, and the total guaranteed maturity value will reduce to $£108,444.44 \times 0.75 = £81,333.33$.

You should be aware that when you create a chargeable event Royal London 360 are required to provide details of the chargeable event to HM Revenue & Customs if the value of the gain is in excess of half the basic rate threshold.

There are separate tax provisions governing Trusts and corporate entities.

Can I borrow against my Wrap Offshore Bond?

There is no facility to borrow from your Wrap Offshore Bond but your Financial Adviser may be able to find a lender who is prepared to make a loan against the value of your Wrap Offshore Bond. However, you should be aware that such a loan may be treated by HM Revenue & Customs as if it were a withdrawal and tax it accordingly, so you should ask your Financial Adviser to check this aspect before you proceed.

You should also note that you must obtain Royal London 360's written consent prior to granting an interest in your Wrap Offshore Bond as collateral for a loan, although they will not be party to a loan arrangement and as such will not accept liability for the arrangement with the lender.

What happens if a life assured dies?

Although a death benefit under a whole of life assurance policy is only payable on the death of the last life assured to die, Royal London 360 need to be notified of the death of any life assured as soon after the event as is possible.

The amount of death benefit to be paid on the death of the last remaining life assured will depend on the value of your bond's underlying assets. These can only be valued following the receipt of written notification of death:

- If you are the sole life assured and policy owner, your personal representatives will need to provide James Hay with appropriate proof of title – which will usually need to be a grant of probate from the Isle of Man Registrar.
- If you are the sole life assured and the Wrap Offshore Bond is a corporate investment, ownership will not change but the death benefit will be paid to the company.
- If you are the sole life assured and the Wrap Offshore Bond is a trustee investment, ownership will not change but the death benefit will be paid to the trustees.

The amount of death benefit payable depends on the age of the last remaining life assured on the date of their death as follows:

- If the life assured was aged under 75 Royal London 360 will pay a cash sum equal to 101 % of the cash-in value
- If the life assured was aged 75 or over the death benefit will be 100.1 % of the cash-in value.

The cash-in value will be based upon the next available price of the underlying assets following receipt of the notification of death. If notification of death is delayed more than six months Royal London 360 reserve the right to adjust the amount of benefit

For simplicity, Royal London 360 will aggregate the benefits payable under all the policy segments and make one payment. After this payment is made your Wrap Offshore Bond will come to an end.

If your Wrap Offshore Bond is set up as a capital redemption policy then there are no lives assured.

Who owns my policy after I die?

As long as there is still a life assured surviving after you die, or if you have set up your Wrap Offshore Bond as a capital redemption policy, your personal representatives will take over immediate ownership upon receipt by Royal London 360 of a grant of probate from the Isle of Man Registrar, or other satisfactory evidence of title.

Subsequent ownership will depend upon the provisions of your will or the intestacy law of the jurisdiction in which you are resident or domiciled at the date of your death. Your successors will also need to return the Policy Schedule for amendment

If you want to be specific about who you want to benefit on your death you should ask your Financial Adviser to ensure you have a valid and up to date will, or that suitable arrangements, such as a Trust, are put in place.

If the Wrap Offshore Bond is owned by a company or trustees, ownership will not change.

If the Wrap Offshore Bond is to continue, but James Hay are unable able to provide the Wrap service following the change of ownership, then the Terms and Conditions of the Wrap Offshore Bond will change.

Will my heirs have any tax to pay?

If you are a UK resident and the death benefit does not become payable on your death but ownership of the Wrap Offshore Bond passes to your heirs, the cash-in value will be included in your estate for inheritance tax purposes,

Normally, this tax liability will have to be met before a grant of probate is issued and ownership changed, If delay in the transfer of ownership is likely to cause financial hardship or, inconvenience you should talk to your Financial Adviser about the benefits of a Trust.

Whatever the jurisdiction, tax considerations will be dependent on individual circumstances that should be discussed with your Financial Adviser.

What will happen to my bond if I leave the UK?

If you cease to be resident and ordinarily resident in the United Kingdom, it may become necessary to restrict or amend some of the Policy Terms and Conditions to ensure that Royal London 360 do not infringe any local laws or regulations in your new country of residence. For example, if you move to the United States you will not be able to switch assets and will not be able to make additional investments.

You should therefore consult your Financial Adviser to determine how your Wrap Offshore Bond will be viewed from an investment, insurance and tax perspective in the jurisdiction in which you have taken up residence.

If your change of residence means that James Hay are unable able to continue the Wrap Service for any reason, you will still be able to keep your Wrap Offshore Bond provided its value is above Royal London 360's permitted minimum at the time.

However:

- You will have to give Royal London 360 fresh instructions regarding the assets to be held within your Wrap Offshore Bond, preferably before you move
- Royal London 360 will need to meet the cost of operating your Offshore Bond by taking a different range of charges
- The charges applicable will be those for the equivalent investment bond that Royal London 360 are offering to the public outside of the Wrap Service at that time.
- Your future point of contact will be Royal London 360's Account Manager Team at our registered office in the Isle of Man

If you keep your Wrap Offshore Bond and you subsequently return to the UK, you will be able apply to reopen your Wrap Portfolio and transfer across your Wrap Offshore Bond. The charges will then be those applicable to the equivalent product within the Wrap Service at that time.

If the value of your Wrap Offshore Bond is below Royal London 360's permitted minimum at the time, Royal London 360 reserve the right to pay you the cash-in value and end the policy.

Additional notes on the Wrap Offshore Bond

Investment

As the policyholder of the Wrap Offshore Bond, you are entitled to the benefits that are linked to the value of the underlying assets that you have chosen for your Wrap Offshore Bond. As the policyholder you bear the responsibility for and risk of the investment strategy.

The Wrap Offshore Bond provides no guarantee against the loss of capital or gains and provides no guarantee of a minimum return, other than the death benefit for a life assurance policy or the guaranteed maturity value 99 years after the commencement date for a capital redemption policy. It is not suitable as a short-term investment.

The value of your Wrap Offshore Bond may increase or decrease daily depending on the performance of the underlying assets to which the value of your Wrap Offshore Bond is linked.

The portfolio of assets to which the cash-in value relates may consist of assets in jurisdictions outside of your jurisdiction of residence or domicile, and so may be materially adversely affected by the actions of foreign governments, currency fluctuations and other political and economic events not associated with assets in your home jurisdiction.

If Royal London 360 are unable to determine the value of the assets, Royal London 360 may sell that asset and offer an alternative on the basis set out in the Wrap Offshore Bond Terms & Conditions. Royal London 360 may also sell an asset if Royal London 360 no longer permit or regulations no longer allow that specific asset.

If you are withdrawing cash or switching assets that have a dealing date other than daily, there will be a delay in completing your requested transaction until the appropriate assets can be realised.

Corporate

The assets purchased by your investment will become part of SPILA's general long-term business fund. The cash-in value of your Wrap Offshore Bond will correlate (subject to expenses) to the returns of an actual or notional portfolio of assets selected by you. You will, however, have no claim to the ownership of the assets as Royal London 360 are the beneficial owner. You will therefore have no voting rights in respect of the assets held.

Regulations under the Isle of Man Insurance Act 1986 require Royal London 360 to maintain a statutory reserve and a minimum solvency margin at all times. Financial information is supplied to Royal London 360's regulator, the Insurance and Pensions Authority, each quarter so that they can ensure that Royal London 360 are meeting Royal London 360's financial obligations under this Act.

SPILA's parent company, the Royal London Group, does not guarantee SPILA's obligations.

In the event of Royal London 360's bankruptcy you would be among SPILA's general unsecured creditors. You would, however, be entitled to the protection under the Isle of Man Life Insurance (Compensation of Policyholders) Regulations 1991.

Legal

Your Wrap Offshore Bond will be governed by and construed in accordance with the laws of the Isle of Man. By applying for the Wrap Offshore Bond, you will be submitting to the jurisdiction of the Isle of Man courts and specifically waiving any contractual rights of enforceability that you may have under the laws of your jurisdiction of residence or domicile.

In some circumstances it may be difficult or impossible for you to obtain jurisdiction in the country of your residence or organisation for any claim that you may wish to assert against Royal London 360 in the Isle of Man.

Royal London 360 reserve the right to reject an application for a Wrap Offshore Bond for any reason.

Royal London 360 may, acting on professional actuarial or legal advice, vary the Wrap Offshore Bond Terms & Conditions if it ceases to be reasonably practicable for Royal London 360 to meet existing obligations as a result of:

- A change (introduced, enacted or proposed) in legislation, order, regulation or directive, or
- A change in the interpretation or application of legislation, order, regulation or directive, or
- Compliance with any request from any regulatory authority, or
- The basis of taxation applying to the Wrap Offshore Bond changing, or
- A requirement to pay a levy or other charges for the protection of policy owners under any existing or future law or regulation, statutory or otherwise, or
- If the operation of this Wrap Offshore Bond would in any way cause it to fail to meet the requirements of a non-qualifying life insurance policy within the terms of the UK Income and Corporation Taxes Act 1988, or
- For any other reason which is valid.

Factual

If you make any misrepresentations to Royal London 360 in your applications or otherwise breach any Terms or Conditions of the Wrap Offshore Bond, Royal London 360 may bring it to an end.

Such terminations may have adverse tax or other consequences for you. Royal London 360 accept no responsibility for the adverse consequences of a termination under these circumstances.

Tax

Under Isle of Man law, there is no liability to tax on the income or capital gains of Royal London 360's policyholder's funds so, apart from any withholding tax deducted on income from assets held in some countries, your investment benefits from gross build-up.

Royal London 360 conducts its activities so that Royal London 360 will not be engaged in a trade or business in the United Kingdom.

Accordingly, Royal London 360 believes it should not be subject to UK income tax on Royal London 360's net business profits.

Irrecoverable withholding tax may be deducted at the source in countries where assets are based. The Isle of Man does not have a network of tax treaties, so these withholding taxes may in many cases be higher than they would be in jurisdictions that benefit from tax treaties

The tax treatment of any benefits you take from your Wrap Offshore Bond will depend on your country of residence, citizenship or domicile and personal circumstances at the time. The tax treatment of benefits can change at any time which could affect what you will get back.

For example, a UK resident policyholder would have a possible income tax liability on a chargeable event (such as upon cashing in a policy segment or a withdrawal exceeding 5% of the amount invested per policy year) which is reportable in their Self-Assessment Tax Return. You should be aware that when you create a chargeable event Royal London 360 are required to provide details of the chargeable event to HM Revenue & Customs if the value of the gain is in excess of half the basic rate threshold.

If you become a US taxpayer, your Wrap Offshore Bond will not qualify as a life insurance or an annuity contract for US tax purposes. As a result, increases in the cash value would be subject to current federal income taxation and death benefit proceeds would not be excludable from the recipient's income.

There are also separate tax provisions governing Trusts and corporate entities.

The information above reflects Royal London 360's understanding of the tax position. However, Royal London 360 Insurance Company Limited does not purport to provide tax advice so you are strongly urged to consult your Financial Adviser regarding the tax consequences of acquiring and owning an Wrap Offshore Bond.

The information provided in this guide is based in part upon Royal London 360's understanding of relevant UK and Isle of Man law as at May 2009. However, there could be interpretation of existing legislation in the courts or new legislation could be introduced, which would reduce or eliminate the beneficial tax treatment described.

Precedent would suggest that any changes would only affect future treatment but there can be no guarantee that effects will not be retroactive.

Important

The Wrap Offshore Bond is administered by Royal London 360 Insurance Company Limited, a subsidiary of the Royal London Group, and a provider of investment, life assurance and retirement planning products.

Royal London 360 Insurance Company Limited is regulated by the Isle of Man Government Insurance and Pensions Authority.

Holders of policies issued by Royal London 360 Insurance Company Limited will not be protected by the Financial Services Compensation Scheme established under the UK Financial Services and Markets Act 2000 if it is unable to meet its liabilities to them.

Scottish Provident International investors receive the protection of the Isle of Man Life Assurance (Compensation to Policyholders) Regulations 1991.

Royal London 360 reserve the right to adjust the returns for investments to reflect any levy or charge made on Royal London 360 under the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 or similar legislation.

This has been approved by James Hay Wrap Managers Limited, an authorised person under the UK Financial Services and Markets Act 2000.

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.

Compensation

We are covered by the Financial Services Compensation Scheme ("FSCS") in respect of your Wrap product. If you make a valid claim against us in respect of your investments and we are unable to meet our liabilities in full, you may be entitled to redress from the FSCS. We will send you details of the cover provided by the Scheme on request. However, if you have the Offshore Bond Product you will not be protected by the Financial Services Compensation Scheme if Royal London 360 is unable to meet its liabilities to you, but will instead be protected by the Isle of Man Life Assurance (Compensation for policyholder) Regulations 1991. Further details are available on request.

The individual product providers for your underlying investments may themselves offer protection under the FSCS in respect of their products held within your Wrap Portfolio. Please enquire of your Financial Adviser or the particular product provider direct for further information.

In respect of the Bank Account and any Product Bank Accounts, these are held in your name with Santander. Santander is covered separately by the FSCS. The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme. In respect of deposits, an eligible depositor is entitled to claim up to £50,000. The £50,000 limit relates to the combined amount in all the eligible depositor's accounts with Santander, including their share of any joint account, and not to each separate account. For further information about the scheme (including the amounts covered and eligibility to claim) please telephone us on 0845 0845 606 5500 or refer to the FSCS website at www.fscs.org.uk

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