James Hay SIPP

Technical Product Guide

James Hay

SIPP

Your SIPP in detail

Setting up your SIPP and making contributions

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 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.

Cash or investments?
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)).

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.

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 p.a of any contributions paid in the 5 tax years following the one in which you cease to be a 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 this period 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 registered pension scheme under 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, based on 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 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 scheme administrator/trustees of the scheme concerned, we are able to accept transfers from:

- Registered pension schemes
- Qualifying recognised 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 7.

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 any way. 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 SIPP fund with James Hay.

What if the benefits are already in payment?

If you have begun taking income withdrawals from your fund, or have received a tax-free cash sum from it, then you will need to set up a separate SIPP with us 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.

Your SIPP bank account

All cash within your SIPP is held in an interest-bearing Santander* bank account operated by the SIPP Trustee, James Hay Pension Trustees Limited.

Payments into this bank account – from contributions, transfer values, 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 SIPP Trustee 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 this 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.

Investments

Through your James Hay SIPP you can decide how your pension funds are invested.

For full details on the range of permitted investments for each James Hay SIPP product please speak to your Financial Adviser about the range of investments open to you, or refer to the SIPP Permitted Investments Lists for the SIPP you have selected on our website at www.jameshay.co.uk

Whilst we are not regulated to provide any investment advice to you, and you are responsible for ensuring any investments made are in accordance with the rules of the James Hay SIPP you choose, please remember we do have the final say on whether any specific investment may be made in the SIPP you have selected.

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.

* Santander UK plc.

- 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 a fund's dealing cut off, as detailed in the Funds List available on our website, will normally be executed that day
- Switches between funds are completed as a sale followed by a buy normally made the next business 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.

Postal confirmations will be sent to either 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.

Investing with a stockbroker or investment manager

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 another stockbroker/investment manager

If you choose to open a Private Client SIPP or Select SIPP you may be able to appoint a stockbroker or investment manager from a list of managers already approved by James Hay, or you can nominate your own choice of FSA regulated stockbroker/ investment manager for our approval, subject to the stockbroker/ investment manager meeting our requirements.

You will be responsible for agreeing the stockbroker's/ investment manager's fees that apply to this account and these must be met by the SIPP.

Settling stockbroker/investment manager transactions

If you open an Abbey Sharedealing account or a Stocktrade account James Hay will settle any trades placed from cash in the SIPP bank account.

If you open an account with an alternative stockbroker or investment manager your appointed stockbroker/investment manager will be responsible for settling any trades placed from SIPP cash the stockbroker/investment manager holds on behalf of your SIPP. It is your responsibility to ensure that your stockbroker/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 stockbroker/investment manager.

Investing in commercial property and/or land

If you choose to open a Private Client SIPP or Select SIPP you can purchase commercial property and/or land for your SIPP.

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 Commercial Property 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 transfers have been received and are cleared in the SIPP bank account.

How quickly will my investments be processed?

Once we are able to action your investment instructions these will be processed within the following timescales:

- Investment Centre Funds- please refer to the Terms and Conditions for the Investment Centre Fund range you have chosen.
- Investment Manager/Stockbroker accounts - James Hay will complete and send the paperwork to establish this type of account to the Investment Manager/Stockbroker within 3 business days of receiving your instruction and account opening forms. The Investment Manager/ Stockbroker will have their own timescales for opening the account.
- Once we have been notified the account is open and the Investment Manager/Stockbroker has agreed to our terms we will endeavour to send any monies you have requested are sent to your Investment Manager/Stockbroker within 2 business days.
- All other investments, except commercial property - James Hay will endeavour to action your instruction within 2 business days of receiving a valid investment instruction and application form. We will normally send any documentation and payment by post to the investment provider.
- Commercial Property - please refer to the SIPP Commercial Property Guide for details.

How will I know my investment has been made?

Where we have placed the investment instruction with the investment provider, we will normally update the website within one business day of receiving a correct contract note. We will send a hard copy confirmation by post to your Financial Adviser within 5 business days.

However, for regular investments or regular sales or sales specifically to fund your regular income payments, we will not normally issue an individual confirmation by post.

Confirmation of transactions made by your appointed Investment Manager should be sent directly to your Financial Adviser by your Investment Manager.

The right SIPP for your needs as they evolve

Whichever James Hay SIPP you choose, it is very likely that your circumstances and investment requirements will change over time – after all, the need for complete flexibility is the main reason people have for considering a SIPP. If that happens, your Financial Adviser will be able to provide you with full details of the James Hay SIPP most suited to your needs, and you will only have to agree to the Terms and Conditions of the new product in order to make the change.

* This fund range is only available if you open a Private Client SIPP or an eSIPP.

**This fund range is only available to you if you have a financial adviser appointed.

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 currently 55. However, you may be able to take 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 full, 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 heath.

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

How do I set about taking benefits?
If you don't have a Financial Adviser, you can simply download and complete the 'Benefit Payment Form' if you choose to take an income from your SIPP, or the 'Annuity Request Form' if you choose to purchase an annuity.

However, if you are considering taking an income from your SIPP or purchasing an annuity we would recommend that you should consult a Financial Adviser before doing so.

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 (tax-free) normally 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 fund, 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
- any combination of the above.

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

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 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.

Your retirement benefits in detail

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, normally 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 6. If you are phasing your retirement then the lump sum available to you will normally 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.

Income withdrawals from your SIPP fund
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's 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%

Payment of income withdrawal

Income withdrawal payments are made on the first day of the month in which they are due. Your income may be paid:

- in advance or in arrears, and
- annually, half-yearly, quarterly or monthly, as you prefer.

Cleared funds for payment of income must be received not later than ten business days before the end of the preceding month. This is also the cut off date for receipt of any changes to your existing payment instructions.

Protected Rights

I have both a protected rights and a non-protected rights SIPP, are there any issues with regard to taking my benefits?

Regulations were introduced by the Department for Work and Pensions (DWP) to ensure that protected rights benefits are not eroded disproportionately to other non-protected rights benefits held in the same pension scheme. This is commonly known as the proportionality rule. At James Hay although we hold protected and non-protected rights funds in different plans, they are still part of the same pension scheme, therefore, we are obliged to observe the proportionality rule.

Proportionality is only an issue if you are taking your protected rights by drawdown. If you crystallise benefits from your non-protected rights fund there is no requirement to take benefits from your protected rights fund at the same time. Similarly if you use your protected rights fund to purchase an annuity there is no requirement to do likewise with your non-protected rights fund.

A working example:

Member A has both fully uncrystallised protected and non-protected rights SIPPs:

- Wishes to crystallise 50% of the value of the protected rights SIPP
- Take maximum income

Does proportionality apply?

Yes, as the member wants to crystallise some of the protected rights SIPP, under proportionality they must crystallise at least the same percentage of the non-protected rights plan and take the equivalent percentage income, see below:

SIPP type	Value	Percentage opted to be crystallised	Selected income
Uncrystallised protected rights	£400,000	50%	Maximum

SIPP type	Value	Percentage of non-protected rights that has to be crystallised	Income that has to be paid from non-protected rights
Uncrystallised non-protected rights	£600,000	50%	Maximum

Whilst the example above gives a basic outline of how proportionality works, the rule is also applicable in other circumstances, therefore it is imperative you talk to your financial adviser regarding the impact of the proportionality rule if you want to:

a) Crystallise benefits for the first time and take drawdown

b) Crystallise additional benefits

c) Transfer in funds from another pension scheme

d) Make additional contributions

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. If you do so before age 75, the pension commencement lump sum option will only apply to the fund not already used to provide benefits.

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

What income tax will I pay?

All your income withdrawal and/or annuity payments will usually be paid net of income tax under the PAYE system.

Your lifetime allowance

How could the lifetime allowance affect me?

Your lifetime allowance does not restrict the amount of your pension savings but it does limit the amount that can be tax-privileged. It applies to the total value of any benefits to which you are entitled, whether they are held in one registered pension scheme or in several.

Benefits will be tested against your lifetime allowance when they are paid out:

- to you, when you take a pension commencement lump sum, begin making income withdrawals or purchase an annuity,
- as a lump sum death benefit if you die before taking your retirement benefits, or
- as a transfer value to a qualifying recognised overseas pension scheme.

If the value of the benefits being paid takes you over your lifetime allowance then the excess will normally be subject to a tax charge.

The tax charge is 55% of any excess benefits taken as a lump sum, and 25% of those that will be used to provide income (which will be subject to income tax).

Protected rights benefits will also count towards the lifetime allowance but the excess cannot be paid as a lump. In addition no lifetime allowance charge can be paid from the protected rights fund.

The occasions when benefits are tested are called 'benefit crystallisation events'. If you do not take all your pension benefits at once, any remaining percentage of your lifetime allowance that has not been used will be carried forward to the next benefit crystallisation event.

How much is my lifetime allowance?

Depending on your circumstances, your lifetime allowance may be either 'standard' or 'enhanced'.

Standard lifetime allowance

The standard lifetime allowance is available to everyone, and will increase, as follows, in the years up to 2010/11:

2009/10	£1.75 million
2010/11	£1.8 million

In the pre-budget report of 2008, the chancellor announced his intention to keep the standard lifetime allowance threshold at £1,800,000 for the tax years up to and including 2015/16. This will be subject to an announcement by Treasury Order.

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 a qualifying recognised 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
- Under certain circumstances where you have made contributions as a non-UK resident
- You have pre A-Day pension funds which have been protected (see next section).

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.

Death benefits

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 and as alternatively secured pension if they are 75 or older, or
- An annuity purchased on the open market, or
- Any combination of the above options.

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 you are 75 or over when you die

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

- 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 HMRC rules, any lump sum paid to a charity on your death after age 75 will not be tested against the lifetime allowance and 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 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 dependant 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 dependant on you at the date of your death.

Charges

The current charges for all transactions in respect of the SIPP product you have chosen are described in the SIPP Charges Schedule for the particular product. These are available on our website at www.jameshay.co.uk.

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.

Notes

How to Contact Us

Call SIPP Enquiries on:

0845 850 4455

Lines are open 8.30am to 5.30pm 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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