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Key Features of the Select SIPP

James Hay

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SIPP

Key Features of the Select SIPP

The Financial Services Authority is the independent financial services regulator. It requires us, James Hay, to give you this important information to help you to decide whether our Select SIPP is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safely for future reference.

The Select SIPP is a type of registered pension scheme known as a 'Self Invested Personal Pension' (SIPP), which allows you to make your own investment decisions or to formulate your investment strategy in conjunction with your Financial Adviser.

Like all registered pension schemes the Select SIPP provides you with a means of saving for your retirement. It is a long term investment and is designed to provide you with an income in retirement.

You can open the following types of Select SIPP if you have a Financial Adviser and a minimum fund value of £50,000 (excluding any monies being used to buy a commercial property):

- The standard Select SIPP (SIPP) designed to accept contributions and/or transfers from existing pension schemes
- The Select SIPP (Income Withdrawal Transfer Plan) (SIPP (IWTP)) designed to only accept transfers from registered pension schemes already in income drawdown.

The underlying legal framework for both Select SIPPs is 'The James Hay Personal Pension Plan'. The Plan has been set up under trust and accepted as a registered pension scheme by HM Revenue & Customs.

James Hay Insurance Company Limited is the provider of the Select SIPP and has appointed James Hay Pension Trustees Limited as Trustee of the Scheme and James Hay Administration Company Limited to administer the Scheme. Reference to James Hay in this document includes these companies where relevant in the particular context and unless a specific company name is mentioned.

Under the terms of its governing documentation, each of the arrangements into which your Select SIPP is divided represents a separate trust fund distinct from the other arrangements under the James Hay Personal Pension Plan. The Select SIPP is subject to the same legislation as a normal registered pension scheme, but it cannot be used to contract out of the State Second Pension (S2P).

This document provides you with the main points about the Select SIPP and Select SIPP (IWTP) and should be read in conjunction with the SIPP Technical Product Guide, which provides more detailed information.

If you wish to review the benefits you may expect to receive from either Select SIPP please refer to your illustration. However, please note that your benefits could be more or less than the figures shown on the illustration.

Your Financial Adviser will be able to advise you on all the options available and which are the most appropriate to meet your needs.

Its Aims

The Select SIPP is designed to provide you with:

- A means to save for your retirement
- The option to take a pension commencement lump sum at retirement in exchange for part of your pension
- The opportunity to take your benefits in stages and phase in your retirement if you wish
- The option to take income withdrawals from your Select SIPP as an alternative to buying a guaranteed pension (which is often called 'an annuity' and is explained in greater detail later in this document).

The Select SIPP (IWTP) has been specifically designed for the purpose of accepting transfer values from existing registered pension scheme income withdrawal arrangements to provide you with:

- A means to continue providing for your retirement
- The opportunity to continue making income withdrawals and phase the purchase of annuities from your fund.

Both the Select SIPP and Select SIPP (IWTP) aim to provide you with:

- Flexibility to time buying a lifetime annuity, and monitor changes in market rates
- Flexibility over provision for a spouse/civil partner in the event of your death
- The ability to continue to invest your pension fund whilst withdrawing income
- The ability to make your own investment decisions in conjunction with your investment manager or your Financial Adviser
- The opportunity to invest in a broad range of investments including commercial property
- The benefit of the tax incentives granted by HM Revenue & Customs to registered pension schemes. Your fund is usually free from capital gains and income tax (except that tax may not be reclaimed on UK dividends), unless your investment is regarded as a taxable property.

Your investment

- You can establish the Select SIPP for the purpose of receiving previously accumulated pension rights from other pension arrangements and you can also contribute into the Select SIPP at any time, provided the Select SIPP is not in full income drawdown
- There is no commitment on your part to continue making contributions and no penalty for ceasing or reducing contributions to a Select SIPP
- It is HM Revenue & Customs requirement that you will not be able to take your benefits until age 55 unless you retire early due to ill health or have a protected early retirement age as defined by the legislation
- If you establish a Select SIPP (IWTP) you elect to continue to take unsecured pension from the plan between zero and the maximum income available if you are under 75, or as alternatively secured pension between 55% and 90% of the income available if you are 75 or over based on annuity tables published by the Government Actuary's Department (GAD). This election takes place simultaneously with the transfer payment.
- The level of income you choose must be within HM Revenue & Customs limits.

Risk factors

- Benefits due to you may be lower than you expect if growth in your investments and interest rates are lower than those illustrated
- If you take your benefits earlier than shown on your illustration or stop paying regular contributions your benefits may be lower than illustrated
- Some investments such as commercial property may take longer to sell than other forms of investment
- The value of your commercial property investment will be based on a valuer's estimate
- High income withdrawals are unlikely to be sustainable if investment returns are low during the withdrawals period. They might also reduce any potential annuity lower than you expect if growth in your investments and interest rates are lower than those illustrated.
- If you take your benefits earlier than shown on your illustration or stop paying regular contributions your benefits may be lower than illustrated
- Some investments such as commercial property may take longer to sell than other forms of investment
- The value of your commercial property investment will be based on a valuer's estimate
- High income withdrawals are unlikely to be sustainable if investment returns are low during the withdrawals period. They might also reduce any potential annuity.
- The higher the level of income withdrawals, the less you will have available to provide for dependants or to buy an annuity in the future
- The investment growth can be less than shown and capital values can rise or fall
- Annuity rates can change substantially over short periods of time, both up and down. They could be worse when you buy an annuity than they are now.
- The longer you wait before buying an annuity, the greater risk you bear of lower levels of income if you live longer than expected
- Our charges may change in the future, but we will always write to you to let you know in advance.

Select SIPP Questions & Answers

What is a Select SIPP?

The Select SIPP allows you to make your own investment decisions about how your Select SIPP funds are invested, or to formulate your investment strategy in conjunction with your Financial Adviser. Your Financial Adviser must be suitably authorised by the Financial Services Authority.

You, or someone on your behalf, including your employer if you have one, can pay contributions regularly into a Select SIPP each month or year and/or pay single contributions.

You may also be able to transfer funds from other types of pension arrangements into a Select SIPP.

PLEASE NOTE: The Select SIPP (IWTP) may only accept transfers from other registered pension scheme income withdrawal arrangements and may not accept any contributions.

What are the tax advantages?

Under current legislation if you are a UK resident your contributions qualify for tax relief at the highest marginal rate you pay. HM Revenue & Customs does not limit the amount you can contribute to a SIPP, only the amount that is tax privileged.

The funds invested are free from UK income and capital gains taxes (except that tax may not be reclaimed on UK dividends), unless your investment is regarded as taxable property by HM Revenue & Customs. Death benefits are normally paid free of inheritance tax.

Tax benefits may change in the future which could affect the amount of benefits you receive.

What are the investment options?

When you join the Select SIPP all contributions and transfer values received are paid into a member designated trustee bank account set up to receive and pay monies as required. You can then choose to invest your money in the 'Select Funds Option' and/or the 'Self Investment Option'. If you choose the 'Select Funds Option' you can instruct us to invest your money in a range of collective investment funds, known as the 'Select' funds. These funds are a mixture of institutional and pooled pension funds as well as some unit trusts and OEICs, offered by leading fund managers. By choosing this option you can also switch in and out of the various funds to change the investment mix if you wish to do so.

Through the 'Self Investment Option' the Select SIPP offers you access to a wide range of other investments for example:

- Collective Investment Schemes such as unit trusts and OEICs outside of the Select range
- Stocks and shares and Government Securities (Gilts)
- Commercial Property.

Further details of the types of investments permitted within the Select SIPP are included in the SIPP Permitted Investments List (available on request). Your Financial Adviser will be able to tell you about the range of Select Funds available to you and provide you with the full terms and conditions of these funds, as well as give you more information on the Self Investment Option.

Remember that stocks and shares and other investments can fall as well as rise and that the capital value of your pension fund can also fall.

Investments will be realised to pay benefits, to provide income withdrawals and to pay charges.

What benefits can I have from the Select SIPP?

You can take benefits from your Select SIPP at any age between 55 and 75, whether you have retired or not. You cannot normally take the proceeds before age 55, unless you retire early or due to ill health or have a protected early retirement age as defined by the legislation.

When you take benefits from the Select SIPP the value of your Select SIPP fund will be tested against your 'lifetime allowance'.

The amount of lifetime allowance depends on your circumstances and may be:

- Standard Lifetime Allowance, or
- Enhanced Lifetime Allowance.

Your lifetime allowance does not restrict the amount of pension fund you can have but it restricts the amount that is tax privileged. This means that if your pension fund exceeds your lifetime allowance, in the absence of enhanced protection the excess will be subject to a tax charge when you come to take benefits and the amount of this charge will depend on whether you take this excess as an income or a lump sum.

You can find more details about how the lifetime allowance works in the SIPP Technical Product Guide.

Your Select SIPP is automatically divided into 1000 arrangements, and provided you have not used up all your lifetime allowance you are entitled to take all or any number of arrangements (provided this does not exceed your lifetime allowance) to provide:

- A pension commencement lump sum of normally up to 25% of the Select SIPP fund value and income from the plan. Income (known as 'income drawdown' or 'income withdrawal') is paid as unsecured pension before age 75, or
- An income from the plan paid as alternatively secured pension from age 75, or
- A pension commencement lump sum of normally up to 25% of the Select SIPP fund value with the remainder of the pension fund used to purchase an annuity on the open market.

A pension commencement lump sum is only available on benefits paid before your 75th birthday.

You can elect to take a combination of phased income drawdown and phased annuity purchase. This allows you to phase your retirement.

What benefits can I have from the Select SIPP?

Your pension benefits will depend upon the size of your fund and:

- If you choose to take an income from the fund before age 75, your age, sex, gilt yield and the Government Actuary's Department's annuity tables, or
- If you choose to take an income from the fund from age 75 your sex, gilt yield and the Government Actuary's Department's annuity tables. Once you reach 75 your benefits will always be calculated using age 75, or
- If you choose to purchase an annuity your age, sex and the annuity rates available.

The size of your fund will depend on how much you have invested, the length of time which funds have been invested and the return from the investments.

By age 75 you must be taking income withdrawals in the form of Alternatively Secured Pension or must have purchased an annuity on the open market.

For further information about the possible benefits from the Select SIPP please refer to your illustration and discuss the options with your Financial Adviser.

What happens if I take benefits in excess of my lifetime allowance?

If you choose to take benefits from funds which are in excess of your lifetime allowance you can choose to take the excess as an income, as a lump sum or as a combination of both, but there will be a tax charge of 25% on the excess if it is paid as an income (and income tax on the pension).

If you choose to take a lump sum from funds in excess of your lifetime allowance there will be a tax charge of 55% on the excess

What benefits can I have from the Select SIPP (IWTP)?

When you set up a Select SIPP (IWTP) only existing registered pension scheme arrangements in income drawdown can be transferred. You can transfer funds in income drawdown before you have reached age 75, as unsecured pension, or after you have reached age 75, as alternatively secured pension.

The level of income available will not be re-calculated when a transfer in income drawdown is received and will be recalculated by James Hay no later than the date the five yearly income review would have been done by the transferring scheme if you are under 75, or on each anniversary of your 75th birthday if you are over 75.

When the re-calculation is done the maximum, and minimum if age 75 or over, level of income will depend upon the size of your fund and:

- If you are under age 75, your age, sex, gilt yield and the Government Actuary's Department's annuity tables, or
- If you are over age 75 your sex, gilt yield and the Government Actuary's Department's annuity tables. Once you reach 75 your benefits will always be calculated using age 75.

The size of your fund will depend on how much you have invested, the length of time funds have been invested and the return from the investments.

If you are under 75 you can continue to take an income from your Select SIPP (IWTP) in the form of unsecured pension until your 75th birthday, when you must use your entire pension fund either to take income withdrawals in the form of alternatively secured pension, or to purchase an annuity on the open market.

By choosing a Select SIPP (IWTP) you also have the option to buy an annuity on the open market at any time, either by using the fund to buy an annuity in stages or all at once. Your Select SIPP (IWTP) is automatically divided into 1,000 arrangements to allow you to do this.

For further information about the possible benefits from the Select SIPP (IWTP) please refer to your illustration and discuss the options with your Financial Adviser.

Please remember that when you transfer to the Select SIPP (IWTP) there will be no pension commencement lump sum payable from the fund.

How much income can I withdraw from the Select SIPP or Select SIPP (IWTP)?

There are limits laid down by the Government as to the maximum annual amount of income that can be taken from your fund, as shown in your illustration. This maximum limit aims to avoid excessive depletion of your fund.

There is no minimum amount of income that you must take from your unsecured pension fund. If you take alternatively secured pension the minimum amount you must take is 55% of the GAD income available.

Your Financial Adviser can explore alternative levels of income with you and the implications of taking different amounts. You need to think about the level of income you need, bearing in mind any other sources of income you may have, as well as rises in the cost of living and the need to provide for your dependants.

You can vary the income level at any time but you must not exceed the maximum income limit each year.

Each year around the anniversary of the date you started to take an income from your Select SIPP we will send you an annual statement showing the progress of your fund, allowing for withdrawals, charges and investment performance.

If you are taking income drawdown your age will determine when the maximum level of income you are entitled to is recalculated:

- If you are under 75 and taking income drawdown, as unsecured pension, we must recalculate your maximum levels of income at least every five years
- If you are 75 or over and taking income drawdown, as alternatively secured pension, we must recalculate your maximum and minimum levels of income every year on the anniversary of your 75th birthday.

This re-calculation may mean your maximum level of income may reduce or increase.

At each review, your Financial Adviser can provide an updated illustration showing the possible future benefits, similar to the illustration available when you set up your Select SIPP. Your Financial Adviser can also give an indication of the annuity that could be secured at that time.

When do I buy an annuity?

At any time from age 55.

Even though you do not need to purchase an annuity you should speak to your Financial Adviser about this option as beyond a certain age you might not get as much from an annuity as you were taking in income withdrawals. This is particularly true if you have taken high levels of income. The older you are the more annuity you can buy for your money. Annuity purchase rates can change all the time, up or down, and it makes sense to buy when annuity rates are high. Remember you can use your fund on the open market to take advantage of the best rates available from the whole range of insurance companies.

An annuity can provide a fixed amount of income, or it can increase each year. It is also possible to buy an annuity which will continue to be paid to your dependants if you die.

What happens if I have a Select SIPP and I die?

If you die before taking benefits from your Select SIPP:

- You can nominate your dependants to receive benefits and they may take either an income from the fund or a lump sum, or
- You can also nominate any other person to receive a lump sum.

If you die whilst you are under 75 and taking an unsecured pension:

- You can nominate your dependants to receive benefits and they may take either an income from the fund or a lump sum, or
- You can also nominate any other person to receive a lump sum.

If you die whilst you are 75 or over and taking an alternatively secured pension:

- Your dependant(s) may take an income from the fund (there is no lump sum option available);
- A charity may receive a lump sum.

If you die after buying an annuity:

- Any dependant's pension selected will continue for their lifetime
- If you die soon after buying an annuity, your annuity will continue to be paid for any guaranteed period specified at the time of purchase. If you are in poor health, remember that if you die before buying an annuity, your remaining fund will be available for your dependants, as described above.

For more information on these options and the tax consequences of selecting a particular option please refer to the Death Benefits section of the SIPP Technical Product Guide.

What happens if I have a Select SIPP and stop paying contributions?

The fund in your Select SIPP will remain invested, but your benefits may be lower than the figures illustrated.

Can I make extra contributions to my Select SIPP?

Yes, provided your Select SIPP is not in full income drawdown.

How do I obtain tax relief on my contributions?

If you are a UK resident your regular and single contributions are paid net of basic rate tax, and we will collect the basic rate tax relief from HM Revenue & Customs. If you are a higher rate tax payer, you claim the extra tax relief from HM Revenue & Customs.

If your employer makes contributions, they will pay them gross.

There is no tax relief on transfers from other pension funds into your Plan.

Remember that the rules on tax relief depend on individual circumstances and may change in the future without prior warning.

Can I contribute to a Select SIPP (IWTP)?

No. Under HM Revenue & Customs rules only transfer values from registered pension scheme income withdrawal arrangements can be accepted.

Can I transfer out?

Yes. But funds providing income withdrawals may only be transferred to registered pension scheme arrangements which have been set up for the purpose of receiving transfers from income withdrawal arrangements.

Further Information

Can I change my mind?

You will have cancellation rights in respect of your Select SIPP. We will send you a cancellation notice as soon as we have opened your Select SIPP. You will have 30 calendar days during which you have the right to change your mind and send the cancellation notice back to James Hay. Your Select SIPP will then be cancelled. If you cancel a contribution payment we'll give you your money back less any fall in the investment value and if you're cancelling a transfer payment we'll try and return the monies back to the original pension scheme less any fall in investment value.

PLEASE NOTE: It may not always be possible to return a transfer payment to the original pension scheme if you cancel the Select SIPP, or a particular transfer payment, within the cancellation period, after the transfer has been received by us. In this circumstance you will need to arrange for another pension scheme to accept the transfer.

Can I change my mind when electing to take benefits?

For all clients, if you elect to take income withdrawals from your Select SIPP we will send you a cancellation notice. You will have 30 calendar days during which you have the right to change your mind and send the cancellation notice, along with any pension commencement lump sum and income you may have received, back to James Hay. Your election to take income withdrawals will then be cancelled.

If we are instructed to re-invest the returned pension commencement lump sum and/or income in the same investments from where the money originally came, you may receive less units/shares because of transaction costs or upward movements in prices.

The same applies where monies have already been disinvested before the cancellation form is received by us and are held in the Select SIPP Bank Account in order to pay future income.

If we are instructed to re-invest such monies in the same investments from where the money originally came, you may receive less units/shares.

If you choose to cancel your election to take income withdrawals this will not affect any instructions you send us to take income withdrawals in the future.

Your right to cancel will remain unaffected if any event beyond your control makes it impracticable for you to communicate the wish to cancel.

What charges can I expect?

The charges for all transactions that take place in respect of the SIPP (excluding commercial property transactions) and the operation of the SIPP bank account are described in the Private Client SIPP Charges Schedule. The Commercial Property Transaction Fees Schedule has further information about the charges for any commercial property held within the SIPP.

If you invest in Select funds, charges will be applied by the Investment Centre fund manager. Part of these charges may be rebated back to James Hay and James Hay reserves the right to retain these rebates as payment towards the investment administration services it provides. For further information on Select funds and the charges that apply, please visit our website: www.jameshay.co.uk

Additional charges may also be applied for other investments made within the SIPP. For example, by an investment fund provider or an investment manager/stockbroker. More details of the charges that will apply can be obtained directly from the investment fund provider or investment manager/stockbroker concerned.

How will I know what my Select SIPP is worth?

After we accept your application we'll send an acknowledgement letter to your Financial Adviser, followed by a statement showing your initial transfer payments and contributions to the Select SIPP. Any additional payments into your Select SIPP will be acknowledged and statements will be sent to your Financial Adviser.

At least once a year we'll also send you, and your Financial Adviser, a statement showing the value of your Select SIPP and the transactions, including any corporate actions, carried out over the past twelve months. The frequency of these valuation statements will normally be annually, unless you have requested them to be half yearly.

Are there any possible tax charges?

Contributions in excess of the annual allowance will be subject toa tax charge of 40% by HM Revenue & Customs on the excess amount unless this contribution is made in the year you take your benefits in full from the Select SIPP or in the year of your death.

Investments within the Select SIPP enjoy freedom from UK tax on income and capital gains, except that tax may not be reclaimed on UK dividends.

However, if an investment is regarded as a taxable property it will be subject to tax charges prescribed by legislation.

Any income withdrawals and eventual annuity will be taxed under the PAYE system. Any lump sum death benefits paid from your Select SIPP after you have reached pension date, but before you are 75, will be taxed at 35%.

In the absence of enhanced protection, funds paid out which are in excess of your lifetime allowance will be subject to a tax charge.

The tax charge will be 25% on the excess if it is paid as an income (and income tax on the pension), or if you choose to take a lump sum from funds in excess of your lifetime allowance there will be a tax charge of 55% on the excess.

If at any time you receive benefits which are not in accordance with current pension rules these will be regarded by HM Revenue & Customs as unauthorised payments and will be subject to any tax charges that are prescribed by legislation.

Where can I find information on interest rates?

The rates of interest applicable to your SIPP bank account are published on our website www.jameshay.co.uk or are available on request on 0845 850 4455. Any changes to interest rates applicable to your SIPP bank account will be notified on our website.

We currently pay interest on SIPP bank accounts at a rate of 15/16ths of 1% below Bank of England base rate, subject to a minimum interest rate payable of 0.00001%. Where the rate of interest applied to the SIPP bank account is less than the rate of interest paid by the SIPP bank account provider, James Hay reserves the right to retain any surplus towards the cost of providing banking administration services.

What if I have a complaint?

If you have any cause for complaint about the service you have received in respect of the administration of your Select SIPP, please contact:

Customer Relations Manager
James Hay Administration Company Limited
Dunn's House
St Paul's Road
Salisbury
Wiltshire
SP2 7BF

If you are not satisfied with the way your complaint is dealt with, or if your complaint is not dealt with in eight weeks, you may then refer the complaint to the Financial Ombudsman Service. Details can be supplied on request.

Any complaint regarding the advice given to you by your Financial Adviser should be referred to them for review under their own complaints process, details of which should already have been provided by them.

If you have a complaint regarding an individual investment, this should be directed to the individual fund manager concerned and again, details should be provided by your Financial Adviser. Making a complaint will not affect your legal rights.

Can I claim compensation?

Both of the Select SIPP products are covered by the Financial Services Compensation Scheme and you may be entitled to compensation from the Scheme to the extent of your Select SIPP's overall exposure to a particular investment product, or investment company default. James Hay will make such a claim on the Select SIPP's behalf following a written request from you.

Where can I see your Terms & Conditions?

Your rights as the holder of a Select SIPP or Select SIPP (IWTP) are set out in the Select SIPP Terms and Conditions, which may be subject to change in the future.

How is this affected by law?

The law of England and Wales governs the relationship we have with you prior to conclusion of any contract. Providing there are no legal constraints, the parties are entitled to choose the law which is to apply on conclusion of the contract. In the absence of an agreement to the contrary, we propose for the contract to be governed by the Law of England and Wales and for all parties to submit to the exclusive jurisdiction of the Courts of England.

This document gives a brief outline of the key features of the Select SIPP. Further details are in the SIPP Technical Product Guide and in the Select SIPP Terms and Conditions.

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

Notes

How to Contact Us

Call SIPP Enquiries on:

0845 850 4455

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

Visit our website:

www.jameshay.co.uk

Email us:

sipp@jameshay.co.uk

Write to us at:

James Hay
Dunn's House
St Paul's Road
Salisbury
SP2 7BF

James Hay is able to provide literature in alternative formats. The formats available are: Large Print (as recommended by RNIB), Braille, Audio Tape and PC Disk. If you would like to receive this document in an alternative format please contact us on 0845 850 4455. For the hard of hearing and / or speech impaired, please use the Typetalk service via 18001 0845 850 4455.

The James Hay SIPP product is provided by James Hay Insurance Company Limited (JHIC), which has appointed James Hay Pension Trustees Limited (JHPT) as trustee and James Hay Administration Company Limited (JHAC) as scheme administrator. JHIC is regulated by the Jersey Financial Services Commission and is registered in Jersey (Number 77318) at IFG House, 15 Union Street, St Helier, Jersey, JE1 1FG. JHPT (registered number 1435887) and JHAC (registered number 4068398) are both registered in England and have their registered office at: Trinity House, Buckingway Business Park, Anderson Road, Swavesey, Cambs, CB24 4UQ. JHIC, JHPT and JHAC are part of the James Hay group of companies, which is a wholly owned subsidiary of IFG Group PLC. JHAC is authorised and regulated by the Financial Services Authority (FSA) under Firm Reference Number 460698 and you can check this authorisation at www.fsa.gov.uk/register or by calling the FSA on 0845 606 1234.

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