JAMES HAY PARTNERSHIP

iSIPP

Technical Guide

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Introduction

Welcome to the James Hay iSIPP

The James Hay iSIPP (iSIPP) is a type of registered pension scheme known as a Self Invested Personal Pension (SIPP). It is a long term, tax efficient savings plan designed to help you invest for your retirement. It offers a choice of investments and a variety of options for taking benefits.

As part of the application process for an iSIPP, you are provided with the following documents:

- Key Features of the iSIPP document and illustration
- SIPP Terms and Conditions
- iSIPP Charges Schedule
- iSIPP Permitted Investments List.

It is important that you carefully read these documents as they are designed to help you to understand how the iSIPP works, the benefits, risks and the charges you will pay.

Pension schemes can be complicated, and so this document is designed to provide guidance on how to manage your iSIPP, as well as technical and regulatory information that may apply to pension schemes like the iSIPP.

If you have any questions after reading this guide, please speak to your financial adviser or call us on 03455 212 414.

If you do not have a financial adviser and would like to speak to one, you can obtain a list of financial advisers local to your area by visiting MoneyHelper or by calling MoneyHelper on 0800 011 3797.

For general information on pensions, please see the Useful Contacts section at the end of this guide.

Should you require access to any of our literature in alternative formats, such as Braille, large print or audio, please contact us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

Getting started

Eligibility for an iSIPP

To be eligible, you must be aged over 18, have a financial adviser appointed to your iSIPP and must not be:

- a US Person or resident of the US for tax purposes
- an undischarged bankrupt.

You do not have to be resident in the UK to take out an iSIPP, but if you are not, you may not be able to benefit from the tax relief that is available on contributions and benefits.

You may open an iSIPP on behalf of a person under the age of 18 if you are a parent or guardian.

If at a later date your eligibility status changes you will need to inform us in writing, by letter or secure message sent through James Hay Online.

Setting up an iSIPP

Your financial adviser can complete an online application, which can be submitted with a digital signature, or print from our online application system to sign and send to us.

Verifying your identity and your address

As part of the application process we are required to check your identity and your address in order to comply with the UK Money Laundering regulations.

Your financial adviser can complete a 'Confirmation of Verification of Identity Certificate', which confirms that they have seen your original identity documents. If this is not possible, you can provide us with black and white photocopies of two different documents – one from each of the lists below - from which we will be able to verify your identity:

List A

- Unexpired passport
- Unexpired UK old style driving licence (not provisional)
- Unexpired UK photocard driving licence
- Firearms certificate or shotgun licence
- EEA or Switzerland National identity card
- Northern Ireland voter's card.

List B

- Unexpired UK old style driving licence (not provisional)
- Unexpired UK photocard driving licence
- Council tax bill dated within the last 12 months
- Firearms certificate or shotgun licence
- Credit card or bank statement dated within the last three months (not internet printed)
- Utility bill dated within the last three months (not mobile phone, satellite/cable TV or internet printed bills)
- HM Revenue & Customs (HMRC) coding/assessment/statement/tax credit
- Northern Ireland voter's card.

Until we have received this confirmation we cannot fully open your iSIPP.

SIPP Bank Account

Any payments of money into your plan from you or a third party will be held in a pooled bank account in the name of the SIPP Trustee, James Hay Pension Trustees Limited. This means that the account will hold money for you and other clients.

Your individual holdings will be recorded internally by us and available to view at any time; this is referred to as your SIPP Bank Account.

Contributions, tax credits, cash transfers and dividends from investments are paid into it before being invested, and the proceeds of sold investments are placed into it. It is also used to pay charges and benefits.

For further information on how the SIPP Pooled Bank Account and SIPP Bank Accounts operate, including details of any interest payable, please visit our website at www.jameshay.co.uk/bankaccounts.

Please note that the SIPP bank account is designed for holding cash for the short periods while your investments are being made, or benefits are being paid, rather than for holding cash over the long term.

You and your financial adviser will need to ensure that sufficient cash balances are maintained in the SIPP bank account to cover these expenses as they fall due.

Secure online access

Once your application has been processed and you have received confirmation that your iSIPP is open, you can register for online access to your iSIPP via James Hay Online. Through James Hay Online you will be able to:

- amend your personal details
- view your SIPP bank account details
- buy and sell investments in the Investment Centre
- transfer money to/from investment managers
- change your income levels
- obtain an illustration
- send us secure messages.

To set up your online access, go to www.jameshay.co.uk, click on the Log in button on the home page and follow the instructions.

We will issue you with a registration code by post to allow you to view and manage your iSIPP through our secure website, James Hay Online. Your financial adviser can also register to have online access to your plan.

Cancelling your iSIPP

Once your iSIPP has been set up, we will send you a welcome letter confirming the details of your application and asking you for any other forms or information we may need to carry out your instructions. We hope you will be happy with your decision to open an iSIPP, but a cancellation notice will be included in the welcome pack in case you wish to cancel your application, unless you waive your cancellation rights when applying for your iSIPP.

You can let us know if you wish to cancel your application by completing the cancellation notice and returning it to us at the following address within 30 days of receipt:
James Hay, Suite 202 Warner House, 123 Castle Street, Salisbury, SP1 3TB

On receipt of the cancellation notice, we will cancel your iSIPP and return any money or investments back to the person or organisation that made the original payment. It is possible that the value of an investment may have fallen and you may not get back the amount you originally invested.

For more information please refer to the 'SIPP Terms and Conditions'.

Charges

We take charges for setting up and administering your iSIPP which vary depending on the investments and services you use.

For full details, please refer to the 'iSIPP Charges Schedule', a copy of which is available on our website.

Annual statements

We will send you an annual statement showing the value of your investment. We will send this to you around the anniversary of when you took out your iSIPP, until you start to take benefits from your iSIPP in the form of income drawdown. We will then send you an annual statement shortly before the anniversary of when you started to take such benefits.

Putting money into your iSIPP

You can put money into your iSIPP either by:

- making personal contributions
- someone making contributions on your behalf, for example, a family member (referred to as a third party in this document) or your employer
- transferring in pension savings that you have already built up in pension schemes elsewhere.

Contributions

If you wish to make a personal or employer contribution into your SIPP, please speak to your financial adviser before making the contribution as there may be tax implications that will need to be taken into consideration.

Personal contributions

You can pay as much or as little as you want into your iSIPP, although there are limits on the amount that will attract tax relief (see further details in the Tax Relief section below). You can make single or regular contributions and you can stop, restart, increase or decrease your regular contributions at any time. Regular contributions can be set up on a monthly, quarterly, half-yearly or annual basis via direct debit.

You can make contributions to your iSIPP up until the age of 75 years. After this point, all contributions to your iSIPP must stop.

Please note that if a third party is making contributions on your behalf, we will not be able to accept any money from them until we have completed an identity check on the third party. This is to ensure we comply with the UK Money Laundering regulations.

To make a single contribution, please contact your bank to arrange an electronic transfer (BACS, CHAPS, Faster Payment) from your bank account to us. Bank account details, including the required payment reference, can be found within your James Hay Online Account.

If details of the contribution were not included on your iSIPP application, please complete and submit the 'SIPP Supplementary Contribution Application Form' from our website.

To set up a regular contribution, please also complete the Direct Debit Mandate attached to the form and send it to us. We will set up the direct debit with your bank.

Please allow 10 business days for us to set up the direct debit.

Employer contributions

Your employer can make single or regular contributions into your iSIPP. If they are paying regular contributions they will need to complete the Employer Payment of Contributions Declaration section on the 'SIPP Supplementary Contribution Application Form' which is available on our website. This confirms that they will pay contributions to James Hay by the 19th (the 'due date') of the month following the end of the calendar month in which the contributions were deducted from your salary. Once the form has been signed and the Direct Debit has been set up, we are obliged to notify the Pensions Regulator if contributions are missed or received after the due date.

For the purposes of setting up the direct debit, we will use the first contribution date as the ongoing collection day for the contribution.

To make a single employer contribution, please ask your employer to arrange an electronic bank transfer (BACS, CHAPS, Faster Payment) from their bank account to us. If details of the contribution were not included on your iSIPP application, please complete and submit the 'SIPP Supplementary Contribution Application Form' from our website.

To set up a regular employer contribution, ask your employer to also complete the Direct Debit Mandate attached to the form and send them to us.

Tax relief

You may be eligible for tax relief on your contributions. If you are entitled to tax relief, we will reclaim the basic tax relief from HMRC on your behalf and add it to your iSIPP. It takes between 7 and 11 weeks for tax relief claims to be credited to your SIPP bank account.

If you are a higher rate tax payer, you may be able to claim the difference between the basic tax rate and the higher tax rate, on your tax return or by contacting HMRC.

Eligibility

Your eligibility for tax relief will depend on a number of factors including:

- your residential status and earnings
- how much you decide to contribute.

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

Even if you have no earnings you can still contribute up to £3,600 gross each tax year and be able to claim tax relief on your contributions.

If you open your iSIPP and later cease to be a UK resident then you will continue to be able to receive tax relief on the first £3,600 of your contributions for up the first five years that you become non resident. If you become a UK resident at a later date, you will be able to receive tax relief on your contributions in the normal way.

If you are a non-UK resident you will not be eligible for tax relief on any contributions you make.

Tax relief on third party contributions

We treat third party contributions as personal contributions and so we will reclaim basic rate tax relief where this is applicable.

Employer contributions and tax relief

Employer contributions are treated as 'gross' contributions and we therefore do not reclaim tax relief on them.

Contributions exceeding your personal tax relief limit

You are obliged by law to declare your contributions to HMRC on your annual tax return. If HMRC notifies us that the contributions you have paid exceed your personal tax relief limit for the year (meaning the higher of your earnings in the tax year or £3,600), then depending on your wishes, we will either:

- repay the excess contribution back to you after basic rate tax relief on it has been deducted and returned to HMRC (please note that we cannot normally refund contributions under any other circumstances); or
- record the excess contribution separately within your iSIPP (please note that any contributions that exceed your personal tax relief limit will not attract any tax relief).

When testing whether a person has exceeded their personal tax relief limit in a tax year, HMRC will ignore contributions made in that tax year if the person making the contribution has suffered from severe ill health or has died.

Levels of tax relief for the 2025/26 tax year

Basic rate tax relief is 20%. Therefore, for every £100 of contribution you wish to make to your iSIPP, you will only need to contribute £80 and we will claim basic rate tax relief of £20 from HMRC on your behalf and add it to your iSIPP.

If you are a Scottish resident (as determined by HMRC) your tax rate may differ. For example, you may be liable to income tax at no more than the Scottish starter rate of 19%. For the 2025/26 tax year we will still claim tax relief of 20% where applicable. HMRC has stated that it will not recover the difference between the Scottish starter rate and the Scottish basic rate for the 2025/26 tax year.

The Welsh government has the power to amend the rate of income tax paid by Welsh residents, and if they do, this may impact the amount of tax we can reclaim on contributions made by Welsh residents. The Welsh government has indicated that they will not amend the rate of income tax for the 2025/26 tax year.

If you pay a higher rate of tax, you will need to claim the difference between the basic rate of tax and the higher rate of tax that you pay, via your tax return or by contacting HMRC.

The annual allowance

The annual allowance limits the tax privileges applicable to your contributions in a tax year. If you exceed the annual allowance, you will be subject to an annual allowance tax charge which effectively cancels out the tax relief received on the amount above the annual allowance.

In the 2025/26 tax year, the annual allowance is £60,000. The £60,000 limit includes contributions made by you, your employer and any third parties.

If you have a defined benefits pension scheme (where the pension benefits at retirement depend on your earnings history and your length of service with a particular employer), the annual value of any increase in your benefits will also count towards the annual allowance.

If you have adjusted income (that is your total income before the deduction of personal allowances or reliefs) of more than £260,000 per annum, your annual allowance will be reduced by £1 for every £2 of income above £260,000 with a maximum reduction of your annual allowance to £10,000.

Your annual allowance will not be affected by:

- transfer values received from other pension arrangements
- pension debits and credits from a divorce settlement.

It is possible for any unused annual allowance to be carried forward for three years.

The money purchase annual allowance

If you wish to take money out of your iSIPP (or any other money purchase pension you may have) then whilst you can continue to make contributions, you may be subject to the Money Purchase Annual Allowance (MPAA). The MPAA for the 2025/26 tax year is £10,000. If you contribute more than the MPAA, then you will be subject to an annual allowance tax charge that effectively cancels out the tax relief received on the amount above the MPAA.

The money purchase annual allowance rules will apply to you if one of the following occurs:

- You take an income from a flexi-access drawdown fund, including receiving payments from a short-term annuity provided from a flexi-access drawdown fund
- You receive an uncrystallised funds pension lump sum
- You notify your scheme administrator that you wish to convert your pre-6 April 2015 capped drawdown pension fund to a flexi-access drawdown fund and you subsequently take an income from that fund
- You take more than the permitted maximum for capped drawdown from a pre-6 April 2015 capped drawdown pension fund
- You receive a stand-alone lump sum and you are not entitled to enhanced protection.

In addition, you will be subject to the money purchase annual allowance rules if you had a valid flexible drawdown declaration accepted by a scheme administrator before 6 April 2015.

The money purchase annual allowance rules will not apply if one of the following occurs:

- You receive a tax-free pension commencement lump sum but do not take an income
- You receive a trivial commutation lump sum
- You receive a small pots lump sum
- You are in receipt of a scheme pension
- You are in receipt of a lifetime annuity
- After 6 April 2015, you take no more than the permitted maximum for capped drawdown from a pre-6 April 2015 drawdown pension fund.

The rules around triggering the MPAA are complex and if you think they may apply to you, we recommend that you obtain professional financial or tax advice.

Transfers in

Your iSIPP can be used to consolidate pension savings you hold with other pension providers, even if you do not want to make any other contributions into it. An advantage to doing this may be that you find it easier to monitor and manage your pension savings if they are all in the same place.

You can transfer in pension savings from any other UK registered pension scheme, such as a personal pension or an employer pension scheme. You may also be able to transfer in pension savings from a qualifying recognised overseas pension scheme (QROPS).

Any transfers of pension benefits should be agreed between you and your financial adviser. The recommendation to proceed with the transfer of pension benefits should be made by an appropriately qualified financial adviser.

Any transfer is subject to both our acceptance and the agreement of the administrators of the transferring scheme.

Please note that we will not accept pension transfers from defined benefit pension schemes (also known as final salary schemes) or from defined contribution schemes (occupational money purchase schemes) that contain safeguarded benefits, or schemes that have any other protected benefits, unless you have received advice from an appropriately qualified financial adviser, and the adviser recommends that you proceed with the transfer.

Tax

Transferring savings from other pension schemes into the iSIPP is not treated in the same way as a personal contribution and will not affect your tax relief position in any way. However, we recommend you seek financial advice before instructing a transfer.

Block transfers

HMRC rules allow for some of your existing scheme specific benefits that you might have had prior to April 2006, (such as an entitlement to retire at an earlier age, or a pension commencement lump sum in excess of 25%) to be protected if you transfer your scheme pension benefits to your iSIPP. However, certain requirements must be met, including what is referred to as a 'block transfer', where you and another member of the transferring scheme must transfer your total pension rights at the same time to the same pension scheme.

Subject to these requirements being met and the transferring scheme agreeing that the transfer can be made, we are able to accept block transfers. Benefits from this type of transfer will be kept in a separate iSIPP arrangement.

Arranging a transfer in

If you wish to make a cash transfer in, you or your financial adviser can submit a request through James Hay Online.

We will contact the trustees of the transferring scheme to obtain the discharge papers on your behalf, or you can provide them to us. Once the discharge papers have been completed, the transferring scheme will calculate a transfer value which, if you accept, they will pay to us in cash.

Should you wish to transfer existing pension funds without first disinvesting to cash, you can complete a 'SIPP In-specie Transfer In Form' from our website and send it to us.

The advantage of making an in-specie transfer is that you may avoid selling and buying costs, and your money can continue to benefit from uninterrupted investment performance. It may not always be possible to make an in-specie transfer, as this will depend on the investments held in your existing pension scheme.

Investing your money

You can invest your money in a number of different ways through the iSIPP depending on how much you are investing, how long you want to invest it for, and the level of risk you want to take with your capital.

For more information on the types of risks associated with different types of investments, please read the 'Guide to Investment Risk' document available on our website.

SIPP bank account

Any cash received into the iSIPP will be held in the SIPP bank account until we receive instructions to invest. The payment of charges or benefits are made from the SIPP bank account. The SIPP bank account is not designed for long term investment. If you wish to invest your money to receive a higher rate of interest, whilst at the same time protect it from the ups and downs of investments funds, we offer a range of deposit accounts.

Deposit accounts

If you wish to invest in cash without the risks posed by market fluctuations, you can hold cash deposit accounts within your iSIPP via our Cash Panel. We offer a range of cash deposit accounts via a deposit account provider.

To apply for fixed term deposits and notice accounts from our Cash Panel, you should read the deposit provider's terms and conditions attached to the application form. This can be downloaded from our website and sent to us via secure message, post or fax and we will arrange the deposit for you.

The rate of interest you receive will be the prevailing rate on the date the money is deposited with the deposit provider. This will be between two and five business days after we have received your application form.

Once your application has been accepted, you will be sent confirmation of the new account, along with the interest rate and maturity date for your cash deposit.

If you invest in a cash deposit over a fixed term, please note that you will not be able to access your cash during the term.

Please note: Should the fixed term deposit provider's or deposit taker's business fail and they are unable to return some or all of your money, you will be covered under the Financial Services Compensation Scheme (FSCS) up to the relevant compensation limit. Please see the Compensation section at the end of this document for more information.

James Hay Investment Centre

The Investment Centre is our in-house fund platform that allows you to invest in a variety of collective investment schemes that we refer to as 'funds'. Through the Investment Centre you can invest in up to 3,700 funds from leading fund managers on favourable terms. We have negotiated competitive discounts on the initial management charges made by the fund managers in their fund prices, reducing the cost of each investment.

We offer access to two different groups of funds: **Select funds and Collect funds.**

Select funds are mainly institutional and pooled pension funds, which are only available to you if you have a financial adviser appointed to your iSIPP.

Collect funds are mainly unit trusts and OEICs, and you can invest in these whether you have a financial adviser or not.

The available funds are split into two lists, known as the 'Collect Funds List' and the 'Select Funds List'. These are available on our website.

You can buy, sell and switch Investment Centre funds via James Hay Online; just log on to your account and follow the instructions.

If you or your financial adviser submit an instruction to buy, sell or switch a fund before the cut-off time detailed on James Hay Online, we will normally carry out your instruction on the same day. For more information, please see our Order Transmission Policy, which is available on our website.

Switching funds

If you want to switch between Investment Centre funds, we need to sell your holdings in one fund and buy them in the other. We do this by selling your holding in the fund on one day and buying the holding in the new fund normally on the following business day, thereby ensuring your money remains invested as fully as possible while switching.

Please note that the timing of the buy trade is dependent on us receiving details of the sale trade from the fund manager. Furthermore, please also note that we reserve the right to defer making the buy element of a switch until we have received the sale proceeds from the fund manager.

We will update your James Hay Online account with details of Investment Centre transactions once we have received a contract note from the fund manager. A paper confirmation will also be posted to you or your financial adviser if you use one, except for regular trades and transactions undertaken within a Managed Portfolio Panel. These are not confirmed individually but are included in a half-yearly (for regular transactions) or quarterly (for Managed Portfolio Panel transactions) statement sent to you or your financial adviser.

You can find more information about the options available through the Investment Centre on our website www.jameshay.co.uk. Full terms and conditions for the Investment Centre are also included in the 'SIPP Terms and Conditions', which can be obtained from the literature section of our website.

Cancelling your investment

If you have received advice from a financial adviser in respect of your Investment Centre purchases (including the buy element of a switch), you can cancel your investment within 14 days of receiving your cancellation notice. We will send you a cancellation notice for each investment you make, except for regular investments where you will only receive a cancellation notice when you set up the regular investment, or if you make any changes to it. If you cancel a trade, you may not get back your full investment, as the value of any units or shares bought may have fallen.

If you have not received advice from a financial adviser, you will not be able to cancel your investment.

Suspension of a fund

If a fund manager suspends dealing in a fund for any reason for any period of time, we will not be able to accept instructions on that fund until it is reinstated. If this happens, we will let you or your financial adviser know.

Tax

Dividend distributions are paid without deduction of tax at source. Interest distributions may be paid gross or net of tax. If paid net of tax, we are able to reclaim the tax. As the iSIPP is a registered pension scheme, any gains made on investments within it are not subject to capital gains tax. This is based on current tax legislation which may change in the future.

Fund manager charges

If you invest in funds via the Investment Centre, the fund manager will take a charge to cover the cost of setting up your investment and running the fund. These are normally referred to as initial and annual management charges. The charges you pay will vary depending on which funds you invest in. Please refer to the 'Collect Funds List' and 'Select Funds List' for more information about the costs of investing in a particular fund.

Sometimes the fund manager rebates part of their annual management charge to us. If this happens we will credit 100% of the amount rebated to your SIPP in the form of additional units to the same value. There are some scenarios, permitted by regulation, where instead of allocating any rebate as additional units, we may credit it to your SIPP bank account.

Our charges

To help cover the costs of operating our Investment Centre we take a Platform Charge from your SIPP bank account. This is a percentage charge based on the total value of your Investment Centre holdings (including where funds are held in model portfolios on the Managed Portfolio Panel) and any fixed term deposit accounts you hold.

Please refer to the 'iSIPP Charges Schedule' on our website for further details of this charge.

Managed Portfolio Panel (only available if you have an appointed financial adviser)

A model portfolio held via our Managed Portfolio Panel is a defined collection of funds set up by an investment manager to achieve a predetermined investment strategy and reflect a certain risk profile.

If you wish to leave the day-to-day monitoring of your Investment Centre funds to an investment professional, we offer access to a range of model portfolios with varying risk profiles, all of which are made up of funds in our Investment Centre fund range.

Each model portfolio is managed by an investment manager who is responsible for selecting, monitoring, reviewing and rebalancing the investments that comprise the model portfolio, and for ensuring the funds contained in it reflect the design of that model portfolio.

When your chosen investment manager rebalances the investments by switching between funds, the buy element of the switch will only be processed once the sale proceeds have been received.

Please be aware that you may only hold one model portfolio in your iSIPP at any time, and that if you hold a model portfolio via the Managed Portfolio Panel, you will not be able to hold any other Investment Centre funds.

We will provide you with confirmation of trades in the model portfolio on a transaction by transaction basis, and will also provide you with key information about your investment in the model portfolio on an annual basis. The annual reports will provide you with information such as values, transactions, relevant fund corporate actions, and the performance of the model portfolio during this period.

To set up a model portfolio via the Managed Portfolio Panel, your financial adviser will need to agree to the terms of business of the investment manager whose portfolio they wish to use, and they will then be able to appoint the investment manager on your behalf using James Hay Online.

Once the investment manager has been appointed, we will buy or sell units in funds to ensure you are invested in the funds and proportions as specified by the investment manager for that model portfolio.

Investment managers and stockbrokers

You may wish to use the services of an investment manager or stockbroker to buy and sell (trade) individual stocks and shares on your behalf. An investment manager usually offers different types of services including:

- **Discretionary service** – the investment manager will manage your investments based on the strategy agreed with you, without consulting you on individual trades.
- **Advisory service –** the investment manager will advise you on what trades to place but will need to get your agreement before placing a trade.
- **Execution only service –** the investment manager or stockbroker will act on your instructions when placing trades and will not provide advice.

The investment manager or stockbroker you wish to use must be based in the UK, regulated by the Financial Conduct Authority and be agree to our operational requirements. We have a list of investment managers and stockbrokers with whom we currently have agreements, and this is available on our website.

To set up an investment manager or stockbroker account, please read the investment manager's or stockbroker's own terms and conditions and then complete the investment manager's application form and our 'Investment Manager Appointment Form', available on our website. Upon receipt of these forms, we will set up the account on your behalf.

We will confirm to you once the account has been set up, and you or your financial adviser can place trades directly with them.

The investment manager or stockbroker will apply charges for trading in stocks, shares and other investments and for holding cash on your behalf. If the investment manager holds cash on your behalf, they will take their charges from this cash or we may pay their charges from your SIPP bank account. Please read the investment manager's or stockbroker's literature to check you are happy with the level of their charges before applying for an account.

Please note: Should an investment manager or stockbroker business fail and be unable to return some or all of your money or investments to you, you will be covered under the Financial Services Compensation Scheme (FSCS) up to the relevant compensation limit. Please see the Compensation section at the end of this document for more information.

For full details of the range of investments permitted under your iSIPP, please refer to the 'iSIPP Permitted Investments List', a copy of which is available on our website.

Taking money out of your iSIPP

When you are ready to take benefits out of your iSIPP, either in the form of one or more lump sums or as regular income, the way in which you take your benefits can have tax implications, particularly if you have large amounts of money in your pension fund or a number of pension funds with different pension providers.

We therefore recommend that before applying to take benefits out of your iSIPP, you should:

- speak to your financial adviser
- access free, impartial guidance through Pension Wise, a Government-backed service provided by MoneyHelper, details of which are given at the end of this document
- read the MoneyHelper brochure called 'Your pension: your choices', which is available on our website
- read our 'Accessing Your Pension Benefits' document and the 'Pensions Scams' leaflet, which are available on our website.

When you can start to take money out of your iSIPP

Under normal circumstances you can start taking benefits from your iSIPP from age 55. You do not need to retire or stop working to receive your benefits, which may be taken in their entirety, or 'phased-in' over a number of years, as you prefer.

You may be able to take your benefits earlier than age 55 if you have a protected retirement age, due to the fact you were a pension scheme member who qualified for early retirement under prior legislation, or if you are forced to retire due to ill health. If your pension rights can be taken before the minimum pension scheme age then you must crystallise all of the benefits in the scheme at the same time.

There is no upper age limit by when you must start to take benefits.

Providing proof of age

When you come to take your benefits, if you have not already done so, you will need to provide us with evidence of your date of birth.

Your financial adviser can confirm your age by sending us a letter confirming they have checked your date of birth. An example letter which satisfies our requirements called the 'Evidence of Age Proforma' is available on our website.

You can confirm your age by sending us a black and white photocopy of your unexpired passport, or your original birth certificate (and marriage certificate if your name has changed on marriage).

Please note: Due to Crown Copyright rules, we can only accept originals of birth and marriage certificates as proof of your age.

Taking money out of your SIPP early due to ill health

Subject to medical evidence, we may pay 'ill health early retirement benefits' before the age of 55, or 'serious ill health benefits' if you are expected to live for less than 12 months.

If you wish to apply for either of the above, we will need to ask you for evidence from a medical practitioner before agreeing to pay benefits. To apply for benefits early due to your ill health, please provide this alongside our 'Benefit Payment Form'.

If you are suffering from poor health when you come to retire, it is worth investigating the annuity options available to you, as you may get a better annuity rate than someone of a similar age who is in good health via an enhanced annuity. We suggest you consult with your financial adviser if you think this may be applicable to you.

Taking money out in stages

Rather than taking your money out all at once, you may have the option to take money out 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.

Benefit options

You can take as little or as much as you want from your iSIPP. You will have the choice of taking your funds as an income for life by purchasing a lifetime annuity, or you can access your funds as and when you want through one or more lump sums and income drawdown. Or you can have a combination of both.

To access your funds, you will have two main choices:

- You can put your funds into drawdown, known as flexi-access drawdown, from which you can take out any amount over whatever period you choose as an income withdrawal, or
- You can take a single or series of lump sums from your uncrystallised funds (any funds not already designated for drawdown), known as an uncrystallised funds pension lump sum (UFPLS).

Certain flexible access payments will trigger the money purchase annual allowance rules. Please see the Contributions section of this document for further details.

Flexi-access drawdown

If you choose to access your pension through drawdown for the first time, the funds will be crystallised (designated) into flexi-access drawdown. You can take a tax free lump sum of up to 25% of the funds you crystallise, and there will be no limit on the amount of income that you can draw from the remaining value of the crystallised funds in your plan each year.

You can take income payments annually, half-yearly, quarterly or monthly. Any income payment via flexi-access drawdown will be taxable under PAYE and will trigger the money purchase annual allowance rules.

To take flexi-access drawdown, please complete the 'Benefit Payment Form for Capped or Flexi-access Drawdown' from our website and send it to us.

Capped drawdown

If you have an existing pension fund that is in capped drawdown (a fund crystallised before 6 April 2015 where you have not since exceeded the capped drawdown income limit or converted to flexi-access drawdown), you can continue to receive capped drawdown from your iSIPP should you transfer in that pension. You can also crystallise further funds in capped drawdown where you have an existing capped drawdown arrangement.

The difference between capped drawdown and flexi-access drawdown is that there is a limit on the amount of income you can take from a capped drawdown fund; a limit that is regularly recalculated based on your age, your fund value and the government actuary department's tables of annuity rates. Taking an income under capped drawdown does not trigger the money purchase annual allowance rules, whereas taking an income under flexi-access drawdown does.

Uncrystallised funds pension lump sum (UFPLS)

If you want to access some or all of your money purchase pension savings without crystallising funds into income drawdown, you can take an uncrystallised funds pension lump sum. This lump sum is payable from the uncrystallised part of a pension fund, and so cannot be paid from a fund already in drawdown.

The full designated sum will be paid in one go, with 25% of the amount paid tax-free, and the remainder taxed as pension income through PAYE.

If you take an uncrystallised funds pension lump sum, you will be subject to the money purchase annual allowance rules. Please see the Contributions section of this document for further details.

To take an uncrystallised funds pension lump sum, please complete the 'Benefit Payment Form for UFPLS' from our website and send it to us, along with any of the supporting documentation listed on the end of the form.

Buying a lifetime annuity

You can choose to purchase a lifetime annuity with your fund at any time after you have reached age 55, whether or not you are already receiving benefits. Your annuity will be purchased on the open market from any insurance company you choose.

A lifetime annuity must be payable to you at least annually by an insurance company and must be payable at least until your death.

Payments from a lifetime annuity are taxed as income.

To exercise the Open Market Option to purchase a lifetime annuity, please complete and submit the 'Annuity Open Market Option Request Form', which can be obtained from our website.

Checklist for applying to James Hay to take benefits

- **Benefit Payment Form for Capped or Flexi-access Drawdown, or**
- **Benefit Payment Form for UFPLS, or**
- **Annuity Open Market Option Request Form**
- **Confirmation if you have any form of protection from HMRC, and evidence of this such as the relevant certificate (please see the next section of this document for information on protection)**
- **Evidence of your name and address (if not previously received)**
- **Proof of your age (if not previously received), and**
- **Sufficient money available in your SIPP bank account, or appropriate disinvestment instructions, in order for us to pay your required benefits.**

We recommend that you seek appropriate guidance or advice to understand your options at retirement.

Allowances and protection

Lump Sum Allowance/ Lump Sum and Death Benefits Allowance

Prior to 6 April 2024 benefits taken from a registered pension scheme were subject to the lifetime allowance which limited the total value of benefits that could be taken before a tax charge would be applied. The lifetime allowance tax charge and lifetime allowance were abolished from with effect from 6 April 2023 and 6 April 2024 respectively. The standard lifetime allowance immediately prior to 6 April 2024 was £1,073,100.

From 6 April 2024 benefits taken from registered pension schemes are instead subject to the Lump Sum Allowance and Lump Sum and Death Benefits Allowance. Rather than limiting the total value of pension savings that can be taken before a tax charge is applied the new allowances work by restricting the value of non-taxable benefits that can be paid from registered pension schemes.

Lump Sum Allowance (LSA)

The standard LSA is £268,275.

The allowance will be reduced in relation to any of the following relevant benefit crystallisation events (RBCE's) occurring on or after 6 April 2024:

- A pension commencement lump sum (PCLS), or
- The non-taxable element of an uncrystallised funds pension lump sum (UFPLS)

The LSA will also be reduced in relation to any benefits taken prior 6 April 2024. The reduction will normally equate to 25% of the amount of lifetime allowance utilised prior to that date.

Lump Sum and Death Benefits Allowance (LSDBA)

The standard LSDBA is £1,073,100.

The LSDBA will be reduced in relation to any of the following RBCE's occurring on or after 6 April 2024:

- A pension commencement lump sum (PCLS),
- The non-taxable element of an uncrystallised funds pension lump sum (UFPLS),
- A serious ill-health lump sum, or
- A relevant lump sum death benefit.

As with the LSA, the LSDBA will also be reduced in relation to any benefits taken prior to 6 April 2024 with the reduction normally equating to 25% of the amount of the lifetime allowance used prior to that date. However, if a serious ill health lump sum was paid prior to 6 April 2024 the reduction will be 100%.

If 100% of the lifetime allowance had been utilised prior to 6 April 2024 the LSA and LSDBA will be nil.

Transitional protection

Prior to 6 April 2024 it was possible to protect benefits in excess of the standard lifetime allowance if you held one of the various forms of transitional protection. If you do hold one of these transitional protections, then your LSA and LSDBA may be increased to reflect the available protection.

The various forms of protection are as follows:

Fixed and individual protection

Fixed and individual protection allowed for your lifetime allowance to be set at a greater value than the standard lifetime allowance:

- Fixed protection 2012 – fixed your lifetime allowance at £1.8 million.
- Fixed protection 2014 – fixed your lifetime allowance at £1.5 million.
- Fixed protection 2016 – fixed your lifetime allowance at £1.25 million.
- Individual protection 2014 – only available if the value of pension savings at 5 April 2014 exceeded £1.25 million and subject to an overall maximum of £1.5 million.
- Individual protection 2016 – only available if the if the value of pension savings at 5 April 2016 exceeded £1 million and subject to an overall maximum of £1.25 million

Enhanced lifetime allowance

You may have been eligible for an enhancement of the standard lifetime allowance if:

- Your SIPP received a transfer from an overseas pension scheme which had not received UK tax relief.
- A pension credit that qualifies for an enhancement was received as a result of a pension sharing order.
- You made contributions as a non-UK resident of more than five years standing.
- You hold a primary protection certificate.

Enhanced protection

Enhanced protection allowed the total value of your pension savings to be protected from the lifetime allowance tax charge in exchange for no further contributions being paid.

Your iSIPP on death

If you die without buying an annuity

Your iSIPP is held within a trust, and as such, it lies outside your estate for inheritance tax purposes. This means that when you die the proceeds from your iSIPP can normally be paid to your beneficiaries free of inheritance tax.

There may be other tax charges on the proceeds, depending on your age at the date of your death and the options your beneficiary(s) decide to take. Your beneficiary(s) can normally either take the death benefits as a cash lump sum or keep the funds within the pension environment to provide a regular income.

We pay benefits to beneficiaries based on your wishes as given by you on your application. However, as trustee of your iSIPP, we have ultimate discretion on who we pay.

To let us know who you would like your iSIPP benefits to go to in the event of your death, or to update your nomination please complete and submit an 'Expression of Wish Form', available from our website.

Income

Where your beneficiaries retain the funds within the pension environment and choose to draw an income, the tax consequences will be as follow:

- If you die under the age of 75 and benefits are designated for income within 2 years of your death, then income paid to your beneficiaries will be free of tax.
- If you are over the age of 75 at date of death, income paid to your beneficiaries will be subject to income tax at their marginal rate.

On the deaths of the recipients of your pension fund, any residual pension can be passed on to a beneficiary of their choosing. The tax treatment of the residual fund is dependent on the age of the recipient at the time of their death, and not your age.

Lump sum

If you die under the age of 75 and a lump sum death benefit is paid to your beneficiaries, the lump sum will be tested against your LSDBA. If there is insufficient LSDBA available to cover the lump sum, the excess will be subject to income tax at the marginal rate of the recipient beneficiary.

Your personal representatives will be responsible for providing details of the lump sums paid to HMRC in order that HMRC can then arrange to assess the beneficiaries at their marginal rate of tax.

Where any of the lump sum death benefits paid relate to pension funds that were originally crystallised by yourself prior to 6 April 2024 these will not be subject to the LSDBA.

If you die over the age of 75 any benefits paid as a lump sum to your beneficiaries will be subject to income tax at their marginal rate.

If a lump sum death benefit is paid to a trust, then a tax charge of 45% will be applied. You can nominate a registered charity to receive a lump sum death benefit in the event that you have no dependants. Any lump sum paid to a registered charity will be tax free.

If you die after buying an annuity

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

When you purchase an annuity you can choose to include a spouse's, civil partner's or dependant's pension.

Tax

Any taxation information contained in this document is based on our interpretation of legislation and HMRC practice, which may change from time to time. Any information relating to how tax may be applied to you may change and depends on your individual circumstances.

Banking

In respect of the SIPP Bank Accounts, please note that we may place money in notice or unbreakable term deposit accounts with notice periods of, or on deposit for, fixed terms of up to 180 days, In the event of our insolvency or default of a bank or deposit taker, the investor's money may not be immediately available for distribution.

Compensation

The iSIPP scheme administrator, James Hay Administration Company Limited, is covered by the Financial Services Compensation Scheme (FSCS). If we cannot meet our obligations, you may be entitled to compensation under the FSCS. We will send you details of the cover provided by the FSCS on request.

The individual product providers for your underlying investments may themselves offer protection under the FSCS. Please ask your financial adviser or the particular product provider for further information.

The SIPP bank accounts and fixed term deposits are covered separately by the FSCS. The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations up to a combined maximum of £85,000 for all accounts you hold with them (including those held through the iSIPP product and any you may hold personally outside of the iSIPP).

Useful contacts

James Hay is the provider of your iSIPP product. We do not provide financial advice. If however, after reading this guide you have any technical or administrative questions, you can send us a secure message, or call us on the number below:

James Hay
Suite 202 Warner House
123 Castle Street
Salisbury
SP1 3TB

Website: www.jameshay.co.uk
Telephone: 03455 212 414

Lines are open from 8.30am to 5.30pm Monday to Friday. To help us improve our service we may record or monitor calls.

Pension Wise

Deciding what benefits to take from your pension is an important decision. You are entitled to receive free and impartial guidance through the Pension Wise, a Government-backed service provided by MoneyHelper. The objective of the service is to empower you to make informed and confident decisions on how you use your pension savings in retirement. The guidance does not replace financial advice given by regulated financial advisers.

You can receive this guidance online, by telephone or face-to-face. Please visit the MoneyHelper website or call the number below if you wish to use this service.

Website: www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise
Telephone: 0800 280 8880 or 0300 330 1003
(from outside the UK +44 20 3733 3495)

MoneyHelper

MoneyHelper offers free impartial money advice. Please visit the MoneyHelper website or call the number below if you wish to use this service:

Website: www.moneyhelper.org.uk
Telephone: 0800 011 3797

Financial Services Compensation Scheme

The FSCS is the UK's compensation fund of last resort for customers of authorised financial services firms. They may pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is independent of the government and financial services industry. For more information please visit the FSCS website or call the number below:

Website: www.fscs.org.uk
Telephone: 0800 678 1100

We are able to provide literature in alternative formats. For a Braille, large print, audio or E-text version of this document call us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

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