

Key Features

Full SIPP



Key Features of your Full SIPP

The Financial Conduct Authority is a financial services regulator. It requires us, @sipp, to give you this important information to help you to decide whether our Full SIPP is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

This document should be read along with the Terms and Conditions, Fee Schedule, Permitted Investment Schedule and Application Form to ensure you understand the contract you are entering into. The document sets out the aims of the Full SIPP, your commitments under the Plan, any risks you should be aware of and also includes a question and answer section.

This document is based on our understanding of current legislation and HM Revenue & Customs (HMRC) practice and should not be relied upon for detailed advice or as a statement of law. Furthermore, as it is based on the UK regulatory regime it is, therefore, primarily targeted at customers in the UK. Please note that the current regime may change in the future which could affect the amount of benefits you receive.

Aims of the Full SIPP

- To provide you with a means of building up a pension fund in a tax efficient way, to provide an income for you in your retirement
- To receive transfers of existing pensions arrangements
- To provide benefits on your death and to express your wish as to whom those benefits should be paid
- To give you control of your pension fund investments through wider investment choices than some other types of personal pension arrangements allow. Investment decisions can be made by you or your financial adviser or discretionary fund manager
- To enable you to take pension benefits in stages
- To enable you to take income from your Full SIPP without buying an annuity or until you choose to do so.

Your Commitment

- You will make regular and/or single contributions within HMRC limits and/or transfer in funds from other pension plans, although there is no penalty for reducing or stopping contributions
- It is HMRC requirement that you will not be able to take your benefits until you have reached the age of 55 (increasing to 57 in 2028) unless you retire early due to ill health or have a protected early retirement age as defined by legislation
- Adhering to the terms and conditions of the Full SIPP. Please see Terms and Conditions for more details
- To take responsibility for the management of the investments within your Full SIPP. You may appoint a financial adviser or discretionary fund manager (who must be suitably authorised) for this purpose
- To be personally responsible for paying outstanding charges and any other sums due where there is insufficient cash within your Full SIPP to meet such sums.

Risk Factors

- Any illustration provided is only an indication of what you might get back based on certain statutory assumptions.
- You could get a smaller pension if you:
 - take your pension earlier than your chosen retirement date
 - are unable to continue contributions at the same level
 - cease making contributions.
- 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
- If you are transferring benefits from another registered pension scheme it may be that you are giving up valuable guarantees or protections that the Full SIPP cannot match. We recommend that you seek professional advice before proceeding with a transfer
- You will be personally responsible for paying outstanding charges and any other sums due where there is insufficient cash within your Full SIPP to meet such sums.

Investment Risks

- There is no guarantee as to what you will get back in the future as this will depend on how well the investments you make perform. The value can go down as well as up. You could get back less than you have paid in
- Certain investments which may be held by your Full SIPP may not be regulated by the Financial Conduct Authority. These include, but are not limited to, securities on the Alternative Investment Market, traded second-hand endowments, commercial property, land, gold bullion and unlisted shares. This means you are unlikely to be protected if something goes wrong
- If there is insufficient cash within your Full SIPP to meet a liability an investment may have to be sold when markets are low to facilitate payment of the liability
- It may take time to realise certain investments, e.g. commercial property, land or unlisted shares
- There could be a delay in receiving your benefits if some of your investments cannot be sold quickly.

Income Withdrawal Risks

- Large income withdrawals are unlikely to be sustainable if investment returns are low during the income withdrawal period. They might also reduce any future annuity purchase
- The higher the level of income withdrawals, the less you will have available for any pension increases in the future or to buy an annuity or to provide for your spouse/civil partner/dependants.

Taxation Risks

- The favourable tax treatment of pension savings could change in the future
- If you transfer from an existing registered pension scheme, it is possible that you may lose some tax-free cash protection from that scheme.

Questions and Answers

What is the Full SIPP?

- A Self-Invested Personal Pension (SIPP) which allows you to save in a tax-efficient manner for your retirement
- You and/or your employer can make single or regular contributions; if you have existing pension arrangements, you may be able to transfer them into your Full SIPP
- A Self-Invested Personal Pension means that you make your own investment decisions, or you may appoint a financial adviser or a discretionary fund manager (who must be suitably authorised) to make investment decisions
- You can invest in a wide range of investments, although there are restrictions. Please see the Permitted Investment Schedule for more details
- The benefits you can receive are subject to UK pensions legislation which can include rules relating to:
 - limits on contributions that qualify for tax relief
 - the earliest age you can take your benefits; and
 - limits on the amount of benefits that can be paid as a pension commencement lump sum.

What is a stakeholder pension?

- Stakeholder pensions must meet minimum standards set by the government. These include limited charges, low minimum contributions, flexible contributions, penalty-free transfers and a default investment fund – where your money will be invested if you don't want to choose
- Stakeholder pensions are generally available and might meet your needs at least as well as a SIPP.

What tax benefits are available?

- Personal contributions within the HMRC limits benefit from full tax relief. Contributions paid by the member are paid net of basic rate tax. The basic rate tax is recovered from HMRC by @sipp on a monthly basis. Higher rate tax relief is obtained through the self-assessment route
- Employer contributions are paid gross and will normally be treated as an allowable business expense. The employer should consult its tax advisers in advance as the circumstances of each business are different
- Investments within your Full SIPP are free from UK Investment Income and Capital Gains taxes (except that tax may not be reclaimed on UK dividends)
- At retirement you can take up to 25% of your SIPP fund (subject to a limit of £268,275) as a pension commencement lump sum which is tax free.

What is the Annual Allowance?

- Although there is technically no limit to how much you can contribute to your plan, there is a limit on how much qualifies for tax relief. This limit is the annual allowance
- If you have sufficient UK relevant earnings you can get tax relief of 100 per cent of your earnings up to the current annual allowance. The annual allowance is currently £60,000
- If you have no UK relevant earnings, or are no longer resident in the UK (as long as you were resident in the UK both in the year of membership and within 5 years of the tax year when the contribution is made), the maximum gross contribution for tax relief is £3,600

- Where there has been unused annual allowances in any of the three previous tax years, it may be possible to carry these forward to be used in the current tax year
- An annual allowance tax charge is due on any pension savings over and above the annual allowance available for the tax year. The effect of the annual allowance tax charge is to restrict tax relief on any pension savings over the available annual allowance.

What is the Money Purchase Annual Allowance?

- If you trigger the money purchase annual allowances rules then you will have a £10,000 annual allowance for money purchase savings
- If you exceed this £10,000 limit, you will have in addition to the £10,000 money purchase annual allowance, a reduced £50,000 annual allowance for your defined benefit pension savings
- If you do not exceed the £10,000 limit you will retain the normal £60,000 annual allowance for all of your pension savings
- An annual allowance tax charge is due on any pension savings over and above the money purchase annual allowance for the tax year. The effect of the annual allowance tax charge is to restrict tax relief on any pension savings over the available money purchase annual allowance.

What will trigger the Money Purchase Annual Allowance rules?

The money purchase annual allowance rules will apply to you if one of the following occurs in a tax year, on or after 6 April 2015:

- You drawdown funds from a flexi-access drawdown fund
- You receive an uncrystallised funds pension lump sum
- You convert your pre-6 April 2015 drawdown pension fund to a flexi-access drawdown fund, and you subsequently take a drawdown pension from that fund
- You take more than the permitted maximum for capped drawdown from a pre-6 April 2015 drawdown pension fund
- You receive a stand-alone lump sum and you are entitled to primary protection with a greater than £375,000 protected tax-free lump sum right
- You receive a payment from a lifetime annuity where the annual rate of payment can be decreased other than in permitted circumstances; or
- You receive a payment of a scheme pension from a money purchase arrangement where the arrangement is providing scheme pensions to less than 12 members, including dependant's, at the time the first payment is made to you.

What is the Tapered Annual Allowance?

- If you trigger the tapered annual allowance your annual allowance will be reduced by £1 for every £2 by which your income exceeds £260,000, subject to a maximum reduction of £50,000.

What will trigger the Tapered Annual Allowance?

The tapered annual allowance rules will apply to you if:

- You have an adjusted income of over £260,000; and
- You have a threshold income of over £200,000.

What is Adjusted Income?

- Total income before tax plus any employer pension contributions but less any lump sum death benefit chargeable to tax.

What is Threshold Income?

- Total income before tax plus any salary sacrifice set up on or after 9 July 2015 but less any lump sum death benefit chargeable to tax.

What is a Pension Input Period?

- The period in which contributions you make, or are made on your behalf, are tested against the annual allowance
- Each pension input period shall be the period beginning on 6th April each year and ending on the following 5th April.

How can contributions be paid?

Regular contributions must be paid by direct debit. Single personal contributions can be paid by direct debit, bank transfer or cheque. Single employer contributions can be paid by direct debit or cheque.

What happens if I die?

- You should complete an “expression of wish” in Part G of the Application Form to inform us of your wishes of who should receive death benefits. While we will take your wishes into account, we are not bound by them
- You can nominate the beneficiaries to receive benefits and they may choose:
 - A lump sum- Guaranteed income (purchase of an annuity)
 - Income that is not guaranteed (flexi-access drawdown income)
 - A combination of these.
- Where death occurs before age 75, any lump sum (subject to the Lump Sum and Death Benefit Allowance) or income withdrawal will be tax free. Where death occurs after age 75, any lump sum or income withdrawal will be taxed at the recipient’s marginal rate
- If any lump sum or income withdrawal is paid from uncrystallised funds it must be paid out or designated within two years of your death, where death occurs before age 75

What is the Lump Sum and Death Benefit Allowance?

- The Lump Sum and Death Benefit Allowance places a maximum limit on the combination of lifetime lump sums and death benefit lump sums that can be paid tax-free. The Lump Sum and Death Benefit Allowance has been set at £1,073,100
- Pension Commencement Lump Sums, the tax-free elements of Uncrystallised Pension Funds Lump Sums, lump sum death benefits paid before age 75 and serious ill-health lump sums count towards the Lump Sum and Death Benefit Allowance
- You may have a higher allowance if you have existing Lifetime Allowance protection

What is Pension Wise?

You now have more options on what you can do with your pension savings. We strongly recommend you get guidance or regulated advice to help you with your decisions. Pension Wise is a new free and impartial Government service to over 50s that will offer you:

- Tailored guidance (online, over the telephone or face to face) to explain what options you have and help you think about how to make the best use of your pension savings
- Information about the tax implications of different options and other important things you should think about
- Tips on getting the best deal, including how to shop around.

What choices will I have when I want to take an income?

- You can choose to start taking an income from your SIPP once you reach age 55 (increasing to 57 in 2028)
- Income can be taken as:
 - Guaranteed income (purchase of an annuity)
 - Income that is not guaranteed (capped or flexi-access drawdown income)
 - Or a combination of both.

What is capped income drawdown?

- It is an option for anybody over the age of 55 to receive an income up to a capped limit from their pre-6 April 2015 drawdown pension fund
- The maximum income that an individual may withdraw is capped at approximately 150 per cent of the amount an equivalent annuity would pay
- The capped income drawdown limit will be reviewed every three years before age 75 and every year after age 75
- You can receive the income monthly, quarterly, half yearly or yearly.

What is flexi-access income drawdown?

- It is an option for anybody over the age of 55 (increasing to 57 in 2028) to receive an income without being subject to the capped income drawdown limit
- If you receive an income from a flexi-access drawdown fund, the tax relief on any further pension savings you make to a money purchase arrangement will be restricted, see “What is the Money Purchase Annual Allowance?”. When can I buy an annuity?
- You can choose to use some or your entire SIPP fund to purchase an annuity at any time from age 55 (increasing to 57 in 2028)
- You can choose the annuity provider to purchase the annuity from.

How will my income be taxed?

- Drawdown and pension annuity income will be taxed as earned income.

What choices will I have when I want to take a lump sum?

- You can choose to take a lump sum from your SIPP once you reach age 55 (increasing to 57 in 2028)
- A lump sum can be taken as:
 - Pension Commencement Lump Sum
 - Uncrystallised Funds Pension Lump Sum.

What is a Pension Commencement Lump Sum?

- It is an option to take up to 25% of your benefits (subject to the Lump Sum Allowance) in the form of a tax-free cash payment at or around the time your pension income starts to be paid.

What is an Uncrystallised Funds Pension Lump Sum?

- If you take an uncrystallised funds pension lump sum, one quarter of the amount paid will be tax free (subject to the Lump Sum Allowance) and the remainder will be taxable as pension income
- If you receive an uncrystallised funds pension lump sum, the tax relief on any further pension savings you make to a money purchase arrangement will be restricted, see “What is the Money Purchase Annual Allowance?”.

What is the Lump Sum Allowance?

- The Lump Sum Allowance places a maximum limit of lifetime lump sums that can be paid tax-free. The Lump Sum Allowance has been set at £268,275
- Both Pension Commencement Lump Sums and the tax-free element of Uncrystallised Funds Pension Lump Sums count towards the Lump Sum Allowance
- You may have a higher allowance if you have existing Lifetime Allowance protection

Who will administer my plan?

- @sipp Limited will administer your Full SIPP in accordance with the scheme rules, terms and conditions, legislation and HMRC rules and regulations
- The day-to-day administration of your Full SIPP will typically involve @sipp Limited accepting contributions, facilitating your investment instructions and arranging payment of pension benefits.

What measures are in place to ensure the security of Members' assets?

- The assets within your Full SIPP will be held for the sole benefit of the scheme and its members by @sipp (Pension Trustees) Limited, a non-trading company whose whole purpose is to act as trustee to the @sipp scheme. This structure ensures the assets within your Full SIPP are protected by being held separately from the trading business of @sipp Limited
- On receipt of any instruction all paperwork will be completed by a member of our operations team. This paperwork must then be signed by two of @sipp's authorised signatories
- A separate record is maintained, called the “designated account”, of the money held within your Full SIPP. All contributions, transfers, investments, borrowing, loans and benefit payments will be channelled through your designated account to provide a clear audit trail
- At least once a year a review is carried out of the full holdings of the member and a report is issued to you.

What are the charges?

- **SIPP Administration:** We charge fees to cover the cost of administering your Full SIPP. In addition to the set-up and annual administration fee, the only other fees are transaction based. Please refer to the Fee Schedule and the Terms and Conditions for full details
- **Financial Advice:** Any fee in respect of financial advice (both initial and ongoing advice) should be agreed between you and your financial adviser. We will only arrange payment of such fees where we have your written consent
- **Investment Charges:** There will be charges associated with the investments held within your Full SIPP. These charges will vary depending on the particular investments chosen. Your financial adviser or the investment provider will be able to provide you with full details.

When will I receive a valuation of my fund?

- On an annual basis on the anniversary of the commencement of your Full SIPP, we will send you a report which will include a valuation of the assets within your Full SIPP and a statement of your designated account
- If you require an additional summary of investments at any time, we can apply an additional charge for each and every statement (although currently we do not apply additional charges for this).

Can I transfer my plan?

- Yes, you may transfer your plan to another registered pension scheme or to a qualifying recognised overseas pension scheme approved by HMRC to receive the fund. However, 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. Please refer to the Fee Schedule for the charges involved.

Can I change my mind?

- You will have cancellation rights in respect of your Full SIPP and will have 30 calendar days during which you have the right to change your mind. During this period, if you make any investments and subsequently want to cancel, the amount you will receive will be the realisation value of the investments, less any applicable charges. Once the Full SIPP is established the set-up fee is due and will not be refunded, should the Full SIPP not be taken up
- Where you exercise your cancellation right in respect of your Full SIPP, any contributions you have made will be returned to you and any tax relief claimed on your behalf will be returned to HMRC
- Additional cancellation rights apply to each transfer to be received by your Full SIPP. Where you exercise these rights and the transferring scheme refuse to accept the transfer back, you and your financial adviser will be responsible for finding an alternative registered pension scheme to take the transfer.

Further Information

Contact Us

If you require any further information, please contact us by telephone on 0141 204 7950 or write to us at:

@sipp Limited

6th Floor, Mercantile Building

53 Bothwell Street

Glasgow

G2 6TS

Pension Wise

To receive free, impartial guidance from the Government please go to

www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise

Complaints

If you have a complaint about any aspect of our service please write to the Operations Manager at the address shown under Contact Us.

If you are not satisfied with our response to a complaint, you may refer your complaint to:

Financial Ombudsman Service

Exchange Tower

Canary Wharf

London

E14 9SR

Tel: 0800 023 4567

The Pension Ombudsman

10 South Colonnade

Canary Wharf

London

E14 4PU

Tel: 0800 917 4487

Any complaint regarding advice you have received should be directed to your Financial Adviser, who should have provided their own complaints procedure to you.

Making a complaint does not affect your legal rights.

FCA Registration

@sipp Limited are authorised and regulated by the Financial Conduct Authority. Our FCA Reference Number is 462907.

You may contact the FCA at:

The Financial Conduct Authority

12 Endeavour Square

London

E20 1JN

Compensation

@sipp Limited are covered by the Financial Services Compensation Scheme (FSCS), in their capacity as scheme administrator under the investment section of the FSCS. Further information can be found at

www.fscs.org.uk/what-we-cover

Should any firm, authorised by the FCA, that you have assets with become insolvent then the FSCS, will compensate up to the following limits:

- Deposits – up to £120,000 per person per firm,
- Investments – up to £85,000 per person per firm.

Data Protection

The Full SIPP is administered in accordance with all relevant Data Protection Legislation and our Privacy Information Notice, a copy of which can be obtained from our website.

Terms and Conditions

Full details of the legally binding agreement we have with you are contained or referred to in the Terms and Conditions.