

Sippchoice Bespoke SIPP

Key Features Document (with effect from 6 April 2012)

A. Aims, Commitments and Risks

Its Aims

- To enable you to save in a tax-efficient way for your retirement.
- To allow you to invest your pension savings in a wide-range of investments.
- To give you control over investment decisions (conditions apply to investments that are not regulated by the Financial Services Authority).
- To provide a tax-free lump sum and an income at any time after age 55.

Your Commitment

- You must ensure that you read this document and understand how the SIPP works and meets your requirements.
- You must make an initial contribution or a transfer payment of any amount from another registered pension scheme.
- You must decide how your fund is to be invested and whether to delegate this task to an investment manager.
- You must tell us about your circumstances when you apply and any changes afterwards.
- You must regularly review your contributions, investment strategy and any benefits you are taking.
- You should take financial advice where necessary.

Risk Factors

- The value of your fund is not guaranteed and may go down as well as up.
- Past performance is not an indication of future returns.
- The investment of your fund is entirely for you to decide, although you may delegate this task to an investment manager.
- Your fund, and the benefits that it can provide, will depend on how your chosen investments perform, the charges under the SIPP and those that relate to the investments you have chosen.
- If you buy an annuity (i.e. an income for the rest of your life) with your fund then the amount will depend on annuity rates available at the relevant time.
- Some investments, such as property, may take longer to sell than others. You should take this into account when reviewing your fund or planning to take benefits.
- Inflation could reduce the real value of your fund.
- If you take income withdrawal from your fund at a higher rate than your fund is growing then the overall value of your fund will reduce.

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- There can be significant tax charges arising on your death after you start to draw an income, or after age 75 if you have not started to draw an income by then.
 - If you transfer funds from another registered pension scheme then there is no guarantee that what you get back from the SIPP will be higher and you may be giving up certain rights in the other pension scheme that you will not have under the SIPP.
 - The tax rules affecting contributions to, and benefits from, the SIPP may be changed by the Government at any time.
 - If, having considered these risks, you have any concerns about the suitability of the SIPP for you then you should take financial advice.

B. Questions and Answers

1. Introduction

1.1 What is the Sippchoice Bespoke SIPP?

The Sippchoice Bespoke SIPP ('the SIPP') is a registered personal pension scheme that allows you to make investment decisions in respect of your own fund. A wide range of investments is available (conditions apply to investments that are not regulated by the Financial Services Authority). Your fund can be used to provide lump sum and pension benefits from age 55.

1.2 Who runs the SIPP?

Sippchoice Limited ('Sippchoice') is the Provider and Scheme Administrator of the SIPP and is authorised and regulated by the Financial Services Authority under reference 496250. The SIPP's investments are held by Sippchoice Trustees Limited, which is the Trustee of the SIPP.

1.3 Who can join the SIPP?

Anyone can join the SIPP. You do not need to be employed or to have taxable earnings. If you are under the age of 16 then your parent or guardian can apply for a SIPP for you.

1.4 What are the SIPP's charges?

Details of the SIPP's charges are set out in the Fees Schedule on the Literature page of our website at www.sippchoice.co.uk. These charges are reviewed annually with effect from 1 April.

1.5 Is the SIPP a stakeholder pension?

No. The SIPP is not a stakeholder pension and, therefore, is not subject to terms and maximum charges imposed by the Government. You should consider whether a stakeholder pension might meet your needs at least as well as the SIPP.

1.6 Is the SIPP contracted-out?

The SIPP can accept transfers from other registered pension schemes that include previously protected rights or other contracted-out rights. However, it cannot be used to contract-out of the State Second Pension.

2. Contributions

2.1 Who can contribute to the SIPP?

There are no restrictions on who can contribute to the SIPP. However, tax relief is available on personal contributions only if you satisfy the following conditions:

- you are resident for tax purposes in the UK
- you have 'relevant UK earnings'

- you are under age 75; and
- you have been tax resident in the UK at some time during the previous five tax years (or you, or your spouse or civil partner, has earnings from overseas Crown employment subject to UK tax).

Notes:

1. Contributions paid on your behalf by other individuals (but not your employer) are treated for tax purposes as if you had made the contributions. Therefore, you will qualify for tax relief on those contributions as if you had paid them personally; the person who actually paid the contributions will be treated as having made a gift to you and will not be eligible for tax relief on the contributions.
2. If you have elected enhanced or fixed protection then this will be lost if you or your employer pay any contributions into the SIPP.

2.2 How can I contribute to my SIPP?

You can pay contributions into your SIPP on a regular basis or you can make one-off contributions from time to time. Furthermore, contributions can be paid at any time. There is no minimum requirement on the contributions that can be made to your SIPP.

You can make an 'in-specie contribution' by transferring to your SIPP an asset that you own and whose market value is equal to the net contribution that you wish to pay. Any such transfer will be treated as a disposal (even though it is just transferring from you to your SIPP) and may, therefore, be subject to capital gains tax and stamp duty.

2.3 How much can I contribute to my SIPP?

There is no limit on the amount that can be paid into your SIPP by you or by anyone else on your behalf but there are restrictions on the amount of tax relief available - see 2.4.

2.4 How much tax relief is available on pension contributions?

There are three separate, but inter-related, main rules on pensions tax relief, as follows.

- (1) Tax relief is available in each tax year on your personal pension contributions of up to 100% of your 'relevant UK earnings' (as long as you are under age 75), or on contributions of up to £3,600 if your earnings are less than this. There is no limit to the amount of tax relief available in this way but see (3) below.
- (2) Your employer's pension contributions will normally be allowable for corporation tax relief as long as the employer's Inspector of Taxes is satisfied that they are 'wholly and exclusively' for the purposes of its trade. Again, there is no limit to the amount of tax relief available in this way but see (3) below.
- (3) If the total of any contributions paid by you and your employer in any Pension Input Period exceed the relevant Annual Allowance (which is the one for the tax year in which the Pension Input Period ends), see 2.5, then the excess will be subject to the Annual Allowance Charge, i.e. it will be added to your income for tax purposes and taxed accordingly. Also, any contributions paid after you have elected flexible drawdown - see 5.6 - will be subject to the Annual Allowance Charge.

Note: The test against the Annual Allowance does not apply to contributions made in the tax year in which the individual dies or retires because of serious ill-health.

All personal contributions to your SIPP will be treated as paid net of basic rate tax (as long as you are under age 75). We will reclaim this tax from HMRC (this can take up to 11 weeks) and then add it to your pension fund. If you are a higher-rate taxpayer then you can also claim higher-rate tax relief on your personal contributions through your tax return (as long as you are under age 75). Employer pension contributions are paid gross.

2.5 How much is the Annual Allowance?

The Annual Allowance for the tax year from 6 April 2012 to 5 April 2013 is £50,000 and this will be frozen until at least 5 April 2016. The Annual Allowance can be increased beyond the £50,000 amount under the 'carry forward' option - see 2.6.

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2.6 What is the 'carry forward' option?

Individuals can carry forward any unused Annual Allowance from the previous three tax years as long as they have been a member of a registered pension scheme at some time during the tax year for which contributions are being carried forward (regardless of whether they actually made any contributions during that year).

Note: Contributions relating to the carry forward facility can be paid to any registered pension scheme by the individual and/or the individual's employer and will be subject to the usual rules on pensions tax relief - see 2.4.

For the 2012/13 tax year carry forward will be available against an assumed Annual Allowance of £50,000 for each of the tax years 2008/09, 2009/10 and 2010/11. There is a strict order in which an individual can use up their Annual Allowance - the Annual Allowance in the current tax year is used up first, followed by the unused Annual Allowances for the three earlier years, using the earliest year first.

3. Transfers

3.1 Can I transfer benefits into my SIPP from another pension arrangement?

Yes. Your SIPP can accept transfers from other registered pension schemes.

If any part of a transfer payment into your SIPP relates to income drawdown then it will be invested together with your other SIPP assets as a single fund and the maximum amount of income that you can withdraw from your SIPP will be recalculated.

It may be possible for your SIPP to accept an in-specie transfer of assets, rather than a cash payment. We will need to be notified of the assets to be transferred in order to let you know if your SIPP can accept those assets.

3.2 What are the risks of arranging a transfer into my SIPP?

When considering a transfer payment into your SIPP from another registered pension scheme you should consider, inter alia, the benefits that you would be giving up and also the costs and charges that you may incur as a result of the transfer. We strongly advise you to take financial advice before arranging any such transfer.

Also, you should be aware that if you make a transfer payment from another registered pension scheme to your SIPP then your pension fund may be out of your preferred investment market for a period of time while the transfer is being effected. You will bear the risk of market movements during this period.

3.3 Can I transfer to another scheme?

Yes, it will normally be possible to arrange a transfer payment from your SIPP to another registered pension scheme, in which case your SIPP's assets will usually be sold and the net proceeds, after all charges, transferred to the receiving scheme – please note that if some of the assets are illiquid then it may be difficult to sell them and this will delay the transfer payment. As for transfers into your SIPP, it may be possible for the transfer payment from your SIPP to be an in-specie transfer of assets as opposed to a cash transfer.

If you request a transfer payment from your SIPP to another registered pension scheme then we will deal with this as soon as is reasonably practicable. However, if the transfer payment is in cash then we will not be liable for any loss relating to the period between the date that the transfer request is received and the date that the transfer to the other pension scheme is completed.

4. Investments

4.1 What investments can I make in my SIPP?

All contributions and transfer payments paid into your SIPP will be held in a separate bank account with Bank of Scotland and will then be invested in accordance with your instructions (or those of your investment manager).

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Interest will be paid on balances in this account and we will receive commission on these balances from Bank of Scotland. Details of the current interest rate, and the commission payable, are available on the Literature page of our website at www.sippchoice.co.uk.

Sippchoice will be the sole signatory to this bank account and all transactions in relation to your SIPP must go through this account, but see 4.2.

Your SIPP can invest in a wide range of investments including (but not limited to):

- bank and building society accounts
- quoted and unquoted securities, both UK and overseas
- unit trusts, investment trusts and open-ended investment companies
- other UK and overseas collective investments
- commercial property that can be leased to any business, including your own
- residential property (using an appropriate vehicle that meets certain conditions)
- loans to unconnected third parties (companies only)
- secondhand endowment policies.

There are no HMRC restrictions on the investments that can be made in your SIPP. However, investment in 'taxable property' and some other transactions, see 4.3, will give rise to substantial tax charges and, therefore, Sippchoice will not allow these investments to be made in your SIPP.

Notes:

1. *Whilst Sippchoice will normally follow your investment requests, we reserve the right not to proceed with a particular investment request or to impose special conditions and/or extra charges for doing so depending on the administrative complexity and potential liability involved. We do not accept any liability for exercising this right.*
2. *If Sippchoice decides to follow your investment requests then:*
 - *this does not in any way indicate that we endorse the investments made by your SIPP; and*
 - *we do not accept any liability in relation to the performance or liquidity of the investments made by your SIPP or for any tax consequences arising from them.*

4.2 Must I use the Bank of Scotland bank account for my SIPP?

There is no requirement to retain cash in your SIPP's bank account with Bank of Scotland and, if you prefer, cash can be transferred from that account to another bank or building society account of your choice (note: charges may apply). However, the Bank of Scotland account must be used for all your SIPP transactions.

4.3 What investments can I not make in my SIPP?

Your SIPP cannot invest in any investments that will be regarded as unauthorised payments by HMRC and will trigger substantial tax charges. This will include the following:

- direct investment in 'taxable property' (see below)
- indirect investment in 'taxable property' (unless this is done using an appropriate vehicle that meets certain conditions)
- loans to members and/or connected persons
- any investment that is made in order to facilitate early access to your pension fund (so-called 'pension busting').

'Taxable property' is:

- *residential property (whether in the UK or elsewhere); or*
- *tangible moveable property (i.e. anything that you can touch and can be moved, e.g. antiques, boats, cars, jewellery, wine and works of art, etc.).*

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Sippchoice will review each request to make an investment that is not regulated by the FSA and will make a decision on whether this can be held in your SIPP. Furthermore, Sippchoice will need to be satisfied that you fully understand the risks, and lack of investor protection, of these investments.

4.4 Can I make my own investment decisions?

If you wish to invest your SIPP in quoted investments, e.g. equities, government bonds, corporate bonds, exchange traded funds, investment trusts, real estate investment trusts, etc., or any unit trusts or open-ended investment companies, then we will arrange for a share dealing/fund supermarket account to be set up for your SIPP and for you to be authorised to operate this account without reference to us.

4.5 Can my SIPP borrow?

Your SIPP can borrow for investment purposes and it can charge its assets as security for any such borrowing. The maximum amount that it can borrow is 50% of its net assets (after deducting any existing borrowings).

4.6 Can my SIPP transact with connected parties?

Your SIPP can enter into investment transactions with you and other connected parties. However, these transactions must take place on an arm's length basis and must be on commercial terms.

4.7 What is the tax position on my SIPP's investments?

Your SIPP's investments will normally be free of UK income and capital gains taxes, although tax cannot be reclaimed on UK dividends.

4.8 In whose names are my SIPP's investments held?

If your SIPP's investments are managed by a third party, e.g. a fund manager, then the third party will normally make arrangements for the registration and custody of the investments and for receiving any dividends and other investment income.

In all other cases, your SIPP's investments will normally be registered in the name of Sippchoice Trustees Limited, as Trustee of the Sippchoice Bespoke SIPP, and will be held solely for the benefit of your SIPP.

4.9 What else should I be aware of?

The value of investments made in your SIPP, and any income from them, may go down as well as up.

It is important to consider, inter alia, the following factors when considering the suitability of a proposed investment in your SIPP:

- is the proposed investment actually available to a SIPP?
- are you aware of the risk factors associated with the investment?
- are there any restrictions on selling the investment, e.g. minimum investment term, which could affect the ability to encash the investment in order to:
 - switch investments
 - take income and/or lump sum benefits
 - allow lump sum benefits to be paid to your beneficiaries in the event of your death?
- are there any circumstances in which your SIPP could be asked to inject more funds into the investment, e.g. as a further call, in which case are you satisfied that those funds will be available when required and are you aware of the consequences if the funds are not available?
- is the investment likely to give rise to any taxation?

If you are unsure about any of these points, or whether a particular investment is suitable for your SIPP, then you should take financial advice.

5. Benefits

5.1 What benefits are available from my SIPP?

You can 'crystallise' some, or all, of your SIPP fund at any time from the age of 55 (or earlier in cases of serious ill-health or if you have a protected pension age). If you do this then you will be able to take a cash sum (tax-free) and the balance of your crystallised fund can be used to provide an income (subject to income tax).

Your SIPP can remain invested, in which case the income can be withdrawn as 'capped drawdown', see 5.5, or 'flexible drawdown', see 5.6, or your fund can be used to buy an annuity from an insurance company, in which case the amount of the annuity will depend on your sex, age, state of health, fund value, annuity rates and the benefit options you choose.

5.2 What is the Lifetime Allowance and how does it affect me?

If the amount of your SIPP fund that is crystallised exceeds the Lifetime Allowance, which is £1.5 million for the 2012/13 tax year, and you have not elected 'enhanced protection', 'primary protection' or 'fixed protection' then you will have to pay tax on the excess, as follows.

If the excess is taken as a lump sum

The excess will be subject to a one-off 55% tax charge.

If the excess is not taken as a lump sum

The excess will be subject to a one-off 25% tax charge and, in addition, any income taken from the remaining balance of the excess will be subject to income tax at your top rate of income tax.

A second test will be made against the Lifetime Allowance at age 75. If the value of your SIPP at that time exceeds the amount that was put into drawdown by more than your unused Lifetime Allowance then the excess will be subject to a one-off 25% tax charge.

If drawdown has not commenced by age 75 then at that age the whole of your SIPP fund will be tested against the Lifetime Allowance and the excess will be subject to a one-off 25% tax charge (and there will be no subsequent second test against the Lifetime Allowance).

Note: These tests do not apply to individuals with enhanced protection or to drawdown funds that relate to income payments that commenced before 6 April 2006.

5.3 How much tax-free cash can I take?

When you crystallise your SIPP fund you will be able to take a tax-free cash sum of up to 25% of the amount crystallised, subject to a maximum of 25% of the Lifetime Allowance.

5.4 What is 'phased drawdown' and how does it work?

You can crystallise all, or just part, of your SIPP fund, which allows flexibility as to how and when you can take benefits. If you crystallise only part of your SIPP then your SIPP will be notionally split into two distinct components:

- the 'vested' (or 'crystallised') component; and
- the 'unvested' (or 'uncrystallised') component.

The split between these components affects the benefits available on your death, see 6.1.

5.5 How does 'capped drawdown' work?

The maximum income that you can withdraw under 'capped drawdown' is 100% of the annuity that your SIPP can provide based on annuity rates published by the Government Actuary's Department. This will be calculated when you commence drawdown and will apply to each subsequent year. It must be reviewed at least every three years thereafter until the end of the year in which you attain age 75, when it must be recalculated annually.

You can vary the amount of income that you take each year as long as it does not exceed the maximum income. There is no minimum income that you must take, so you do not have to draw any income. However, it is not possible to carry forward any undrawn amounts to another drawdown year.

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You can choose the frequency of regular income payments - monthly, quarterly, half-yearly or annually - and you can vary the amount of regular income that you require at any time. Also, you can request a one-off income payment at any time.

Income payments will normally be processed by BACS on the 25th day of each month (or the previous business day if this is not a normal business day) and will normally reach your bank account within three or four working days.

All income payments will be subject to income tax that will be deducted under PAYE and will be held in our tax account until it is remitted to HMRC.

All income payments will be made from your SIPP bank account and it is your responsibility to ensure that there are sufficient funds in that account to cover the gross income payments required. If there are insufficient funds in the account to make a required payment in full then it will not be possible to make the income payment.

5.6 How does 'flexible drawdown' work?

If you have 'secure pension income' of £20,000 pa then you can withdraw any amount you require from your SIPP under 'flexible drawdown'.

Amounts withdrawn under 'flexible drawdown' will be subject to income tax under PAYE in the same way as 'capped drawdown' payments. If someone receives a payment under 'flexible drawdown' during a period when they are resident outside the UK for a period of less than five full tax years then they will be liable for UK income tax on that payment in the tax year in which they become UK resident again.

The conditions that must be met to allow 'flexible drawdown' are as follows:

- you must be aged 55 or over
- you must be in receipt of 'secure pension income' of at least £20,000 per annum
- no pension contributions are paid for you in the tax year in which flexible drawdown commences
- any pension contributions paid after flexible drawdown has started will be subject to the Annual Allowance Charge, see 2.4.

'Secure pension income' means State pensions, pensions from registered pension schemes (generally, final salary schemes) and pension annuities. It does not include income, however secure, from investments, purchased life annuities or from 'capped drawdown'.

5.7 How risky is it to take an income from my SIPP?

Taking an income from your SIPP may reduce the value of your SIPP, especially if investment returns are poor and a high level of income is taken. This may result in lower maximum income in the future than would otherwise be the case.

We strongly recommend that you take financial advice if you are considering taking income from your SIPP.

6. Death

6.1 What happens when I die?

The benefits that can be paid from your SIPP on your death are set out below.

Death before age 75

Your SIPP fund can be paid out as a lump sum - see 6.2.

If drawdown has not commenced then the lump sum will not normally be subject to inheritance tax or to any other tax.

If drawdown has commenced then the lump sum will be subject to a 55% tax charge. However, if there are no dependants then your SIPP fund can be paid out as a tax-free lump sum to a registered charity that you had nominated.

Alternatively, your SIPP fund can be used to provide a pension (subject to income tax) for your dependant.

Death after age 75 (whether or not drawdown has commenced)

Your SIPP fund can be paid out as a lump sum, see Section 6.2, in which case it will be subject to a 55% tax charge. However, if there are no dependants then your SIPP can be paid out as a tax-free lump sum to a registered charity that you had nominated.

Alternatively, your SIPP fund can be used to provide a pension for your dependant (subject to income tax).

Dependant's pension

If your SIPP fund is used to provide a dependant's pension (or to purchase an annuity for your dependant) then no tax charge will apply on your death but the dependant's pension will be subject to income tax.

On your dependant's death the remaining fund can be paid out as a lump sum, in which case it will be subject to a 55% tax charge.

Alternatively, if there are no surviving dependants then the remaining fund can be paid out as a tax-free lump sum to a charity nominated by you or, in the absence of any such nomination, to a charity nominated by your dependant.

6.2 Who can receive any lump sum death benefit?

You can nominate the individual(s) who you would like to receive any lump sum death benefit. Sippchoice will take your nomination into consideration when deciding who will receive the lump sum death benefit.

6.3 Does the Lifetime Allowance apply on my death?

If the total lump sums paid on your death from all registered pension schemes exceed the Lifetime Allowance then the excess will normally be subject to the tax charges set out in 5.2. It will be the responsibility of your beneficiaries to check whether a Lifetime Allowance Charge is payable and to pay it where it is due.

7. Other Information

7.1 Contractual terms

This Key Features Document provides a brief overview of the SIPP and is based on our understanding of current law and practice.

The SIPP is governed by its trust deed and rules and its terms and conditions and these override this document. You can obtain a copy of these documents from the Literature page of our website at www.sippchoice.co.uk or by contacting us.

7.2 Cancellation

Once you have applied for a SIPP you have the right to change your mind. If you do so then you must notify us within 30 days of receiving the cancellation notice that will be sent to you with your SIPP documents.

If you choose to cancel then we will refund payments to the person who made them.

If payments have been invested and the value of the investments has fallen then the amount of the refund will be reduced by the amount of any investment loss and any charges or expenses and the administration costs of setting up your SIPP.

If you make a transfer to the SIPP and then cancel the SIPP, you will need to ensure that the transferring scheme will accept the transfer back. If it will not do this and you still want to cancel then you must arrange for another registered pension scheme to accept the payment.

If you requested that your application to join the SIPP is fully completed before the end of the cancellation period then you understand that you will lose your right to cancel.

7.3 Commission

Bank of Scotland may pay Sippchoice commission on balances held in your SIPP's bank account with Bank of Scotland. Details of the rate of commission, which may vary from time to time, are set out in the Interest Rates Guide on the Literature page of our website at www.sippchoice.co.uk.

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7.4 Statements and valuations

We will send you a statement every 12 months to show you how your SIPP is doing. In addition, you can contact us at any time to request a valuation of your SIPP fund.

7.5 Complaints

If you wish to complain about the SIPP then you should write to us at the address shown in 7.8. If you are not satisfied with our response then you can refer your complaint to:

The Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR
Tel: 0800 023 4567 Email: complaint.info@financial-ombudsman.org.uk www.financial-ombudsman.org.uk

Complaining to the Ombudsman will not affect your legal rights.

7.6 The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) has been set up to provide compensation if firms are unable, or likely to be unable, to meet claims against them.

The amount of compensation available from the FSCS depends on the type of business and the circumstances of the claim. Further information is available from the FSCS website at www.fscs.org.uk.

7.7 Law

The SIPP is subject to English law and to the jurisdiction of the English Courts. All communications in relation to the SIPP will be in English.

7.8 Contact us

For further information about the SIPP, please contact us at:

Sippchoice Limited, The Podium, 1 Eversholt Street, London NW1 2DN
Tel: 020 7554 5615 Fax: 020 7554 5136 Email: info@sippchoice.co.uk www.sippchoice.co.uk

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The Sippchoice Bespoke SIPP has been registered with HM Revenue & Customs under the Pension Scheme Tax Reference 00738995RG. Sippchoice Limited is the Provider and Scheme Administrator of the Sippchoice Bespoke SIPP and it is authorised and regulated by the Financial Services Authority under reference number 496250. Sippchoice Trustees Limited is the Trustee of the Sippchoice Bespoke SIPP.

Sippchoice Limited The Podium 1 Eversholt Street London NW1 2DN
tel: 020 7554 5615 **fax:** 020 7554 5136 **email:** info@sippchoice.co.uk **web:** www.sippchoice.co.uk

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