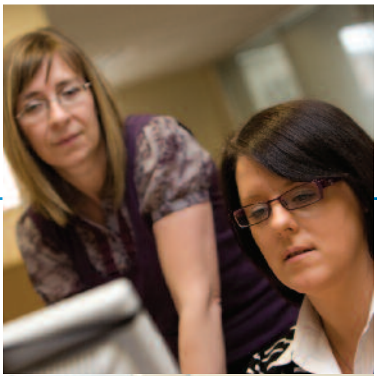

KEY FEATURES OF YOUR *@SIPP* SELF-INVESTED PERSONAL PENSION PLAN

linking aspiration to expertise

This document is based on our understanding of current legislation and HM Revenue & Customs 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 current tax benefits may change in the future which could affect the amount of benefits you receive.

ITS AIMS

- 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 give your spouse / civil partner / dependants an income and/or cash sum when you die.
- To give you, or in conjunction with your Financial Adviser or Investment Manager (who must be suitably authorised), the flexibility of investments and control over your investment fund decisions.
- At retirement to give you flexibility in how and when you wish to take your benefits.
- To enable you to take income from your pension fund without buying an annuity or until you choose to do so.
- To allow for the transfer of existing pension funds, including protected rights funds, into your SIPP and to benefit from the flexibility and choice available under SIPP rules.

YOUR COMMITMENT

- You will make regular and/or single contributions within HM Revenue & Customs limits and/or transfer in funds from other pension plans.
- There is no commitment on your part to continue making contributions and there is no penalty for reducing or stopping contributions.
- It is HM Revenue & Customs requirement that you will not be able to take your benefits until you have reached the age of 55 unless you retire early due to ill health or have a protected early retirement age as defined by legislation.
- To comply with the terms of the *@sipp* Member Agreement.
- To take responsibility for the management of the investments in your fund. You may appoint an Investment Manager for this purpose.

RISK FACTORS

- 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.
- 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.
- 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 to provide for your spouse/civil partner/dependants or to buy an annuity or for any pension increases in the future.
- It may take time to realise the value of investments e.g. property or unlisted shares.
- Certain investments which may be held by your fund may not be regulated by the Financial Services 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.
- If there is insufficient cash within your fund to meet a liability an investment may have to be sold when markets are low to facilitate payment of the liability.
- 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.
- Our charges may change in the future, but we will always write to you to let you know in advance.

QUESTIONS AND ANSWERS

What is a Self-Invested Personal Pension?

- A Self-Invested Personal Pension (SIPP) is a personal pension 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 previous pension arrangements, you may be able to transfer them into your SIPP.
- Being Self-Invested, you make your own investment decisions, or you may appoint a Financial Adviser or an Investment Manager.
- You can invest in a wide range of investments including commercial property.

What tax benefits are available?

- Personal contributions within HM Revenue & Customs 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 HM Revenue & Customs 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 it's tax advisers in advance as the circumstances of each business are different.
- Your pension fund is free from UK Investment Income and Capital Gains taxes (except that the tax credit may not be reclaimed on UK dividends).
- At retirement you can take up to 25% of your fund (subject to the lifetime allowance) 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 UK relevant earnings you can get tax relief of 100 per cent of your earnings up to current annual allowance of £50,000.
- 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.

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.
- Unless otherwise nominated by you, the pension input period shall be the period beginning on 6th April each year and ending on the following 5th April.

What is the Lifetime Allowance?

- The lifetime allowance is the maximum pension fund which can be accumulated before penalties are applied on the excess. The lifetime allowance for 2011/12 and 2012/13 has been set at £1.8m and £1.5m respectively.
- Any benefit taken from the SIPP (including protected rights fund) will be measured against your lifetime allowance. Your allowance may differ from others if you have applied for a protection of your fund.

What are Protected Rights?

- For those individuals who have opted out of the State Second Pension (SSP) formerly SERPS (State Earnings Related Pension), receives rebates of national insurance contributions and the associated tax relief into their pension. Funds built up in this manner are known as Protected Rights.

Can I make new contributions to the Protected Rights fund?

- *@sipp* will only accept Protected Rights transfers and will not accept new contracted out contributions.

Are the benefits from the Protected Rights fund different from Non Protected Rights?

Yes the differences are as noted below.

- If you die **before taking** benefits and you have a spouse or civil partner your Protected Rights fund must be used to provide an income to the surviving spouse or civil partner.
- If there is no surviving spouse or civil partner then the Protected Rights fund can be paid to your estate or chosen beneficiaries as directed by an expression of wish. This may be liable to Inheritance tax.
- If you die **whilst taking** income withdrawl from the Protected Rights fund and you have a surviving spouse or civil partner the remaining fund must be used to provide an income to that person.
- If there is no spouse or civil partner the death benefit is the same as if the payment is to be made from a Non Protected Rights Fund.

What happens if I die before taking benefits?

- You can nominate your dependants to receive benefits and they may choose:-
  - a lump sum.
  - income withdrawal from the SIPP
  - annuity purchase.

  Or, you can nominate any other person to receive the lump sum. If any lump sum is paid it must be paid out within two years of your death and tested against your lifetime allowance.
- The fund up to the maximum lifetime allowance can normally be paid to your estate or to nominated beneficiaries free of tax.
- Any fund over the lifetime allowance would be subject to a tax charge at the rate of 25%, payable by your personal representatives, if paid as a pension income.
- Any fund over the lifetime allowance would be subject to a tax charge at the rate of 55% payable by your personal representatives, if paid as a lump sum.
- If you have dependants who rely on you financially the fund can be used to purchase an annuity to provide income for them.

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

- You can choose to start taking an income from your fund once you reach age 55.
- Income can be taken as: Secured Income (purchase of an annuity)
Unsecured Income (income withdrawal from your SIPP fund)
Or a combination of both.
- Income withdrawal can be in the form of capped income drawdown or flexible income drawdown.

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 SIPP fund.
- The maximum income that an individual may withdraw is capped at approximately 100 per cent of the amount an equivalent annuity would pay. This is shown in your Pension Income Withdrawal illustration.
- 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 flexible income drawdown?

- It is an option for anybody over the age of 55 to receive an income without limit from their SIPP fund where you can confirm you have a minimum guaranteed lifetime pension income of at least £20,000.

When can I buy an annuity?

- You can choose to use some or your entire fund to purchase an annuity at any time from age 55.
- You can choose the annuity provider to purchase the annuity from.

What happens to the plan if I die after I have received pension benefits?

Where some of the fund is being used for phased income withdrawl, the remaining unallocated fund can be paid out as a lump sum free of tax.

Where there are funds from unsecured pension benefits the trustees can choose to:-

- buy an annuity for your spouse, civil partner or dependants or
- allow your spouse or civil partner to take income withdrawals from the SIPP fund or
- allow a dependent child to take income withdrawals if they are in full-time education until they reach the age of 23 or
- pay the remaining fund as a cash sum, less a 55% tax charge, to your spouse, civil partner, dependant or anyone nominated by you.
- If you die after you buy an annuity:-
  - any dependant's pension selected will continue for their lifetime
  - If you die soon after buying an annuity, your annuity will continue to be paid for any guaranteed period specified at the time of purchase.

Who will administer my plan?

- *@sipp* will administer your plan on behalf of the trustee *@sipp* (Pension Trustees) Limited.

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

- For every movement of cash/assets to occur there must be a signed instruction from you or your Financial Adviser.
- On receipt of the instruction all paperwork will be completed by a member of our administration team. This paperwork must then be signed by two of @sipp's authorised signatories. Depending on the amounts involved a third authorised signatory may need to authorise the transaction.
- Every Member's assets are held in their own separately identified designated account.
- Each month every bank account is reconciled and any unmatched or unusual transactions are investigated.
- At least once a year a review is carried out of the full holdings of the member and a report issued to your Financial Adviser.

What are the charges?

- There are two types of SIPP that you can open, a Collective SIPP or a Full SIPP. The charging structure varies between each type. Please refer to the Schedule of Fees for the current fee structures.
- Any fee in respect of financial advice should be agreed between you and your Financial Adviser. We will arrange payment of such fees where we have your written consent.
- There will be charges associated with the investments held by your fund. These charges will vary depending on the particular investments chosen.

When will I receive a valuation of my fund?

- You will receive a valuation of your plan at the anniversary of the policy. Ad hoc valuations can be requested at any time. Please note that there may be a fee charged for an ad hoc valuation.

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 including the Protected Rights element. 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 Schedule of Fees for the charges involved.

Can I change my mind?

- You will have cancellation rights in respect of your SIPP. Unless you have waived your rights to this cancellation period in your initial *@sipp* Application Form you will have 30 calendar days during which you have the right to change your mind. Your plan will then be cancelled. During this period you will not be able to make any investments or receive any benefits from your plan unless you waive your right to this cancellation period.

FURTHER INFORMATION

Law
The Law of Scotland will apply.

Complaints
If you have a complaint about any aspect of our service please write to:

The Administration Manager
@sipp plc
58 Elliot Street
Glasgow
G3 8DZ

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

The Pension Ombudsman
11 Belgrave Road
London
SW1V 1RB

FSA Registration
@sipp plc and *@sipp* (Pension Trustees) Ltd are authorised and regulated by the Financial Services Authority. Our FSA Reference Numbers are 462907 and 465289 respectively.
You may contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Compensation
Should any firm, authorised by the FSA, that you have assets with become insolvent then the Financial Services Compensation Scheme, an independent body set up under the Financial Services & Markets Act 2000 (FSMA), will compensate up to the following limits:-

- Deposits – up to £85,000 per person per firm
- Investments – up to £50,000 per person per firm

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