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10 YEARS ON - EVER INCREASING EFFICIENCY

In the decade since @sipp was founded, much has happened and much has changed. In the world at large, we've seen tsunamis, earthquakes, fires and floods. We've seen televisions getting flatter and television channels multiplying. We've seen the inexorable march of progress, with pods and pads, ebooks and netbooks all playing an increasing part in our lives. We've seen Bush replaced by Obama, Blair replaced by Brown and Brown replaced by Cameron.

We've seen the government push the retirement age back to 66 from 2020 – and now to 67, for those under the age of 52. This has hit many people hard, not least women who had been planning to retire at 60. However, while the government moves the goalposts in one direction, @sipp is moving them in the other – with changes of our own.

While it's quality of service that defines the way we work, it's efficiency that defines what we alter and amend. From improving our worklog process through to outsourcing services and upgrading systems, every change we've made since we first opened our doors has been so we can work better together, both with each other and third parties.

Now, we have fresh improvements to make for our second decade in business. We've

made the decision to turn toward a more paperless operation – with the introduction of a virtual scanning system that puts advisor and member communication at our administrators' fingertips. As a result, we're already saving time, working faster and communicating more accurately.

Our next major transformation comes via our banking arrangements. With the ongoing evolution of web-based technologies, more and more consumers are getting used to – and expect – digital statements, payments and transactions. As such, we are forming a new partnership with Barclays, helping us drive and develop more efficient administration and services.

Of course, we're disappointed to be moving away from Brown, Shipley & Co., who we've worked with since we were founded, but we're also pleased to be making yet another step in the right direction. There will be more details on our move to Barclays to come – so we'll be in touch with our advisors and members in the coming weeks and months.

We've seen plenty of changes in the last ten years and we'd expect to see just as many in the next. For the moment, however, we're delighted that we can offer these improvements as proof of our commitment to quality of service.



Barclays, Canary Wharf London

FIXED PROTECTION

With the reduction in the lifetime allowance from £1.8 million to £1.5 million coming into effect from 6 April 2012, the protection of clients' pension funds, in the form of "fixed protection", is one of the key priorities of the remaining financial year for many advisers.

Furthermore, as it is a condition of fixed protection that no further contributions may be paid and no further benefit accrual must occur, there also exists an opportunity to maximise contributions until the end of the current tax year. In particular, some individuals may choose to utilise the carry forward provisions and/or manipulate their pension input periods to fully maximise this strategy.

The consideration of fixed protection does not apply only to those individuals without any form of existing protection. In some cases, fixed protection may be advantageous over enhanced protection. For example, an individual's tax free lump sum entitlement with fixed protection is 25% of £1.8 million, whereas an individual with enhanced protection but without lump sum protection will have a tax free lump sum entitlement of 25% of £1.5 million from April 2012. Careful consideration will be required where an individual is to revoke enhanced protection, particularly given that fixed protection only provides limited protection up to £1.8 million.

Unlike enhanced protection, primary protection generally cannot be revoked.

The fixed protection application form (APSS227) is available for download from the HMRC website. Fully completed forms must be received by HMRC by 5 April 2012.

While individuals with primary protection are prevented from applying for fixed protection, these individuals will be unaffected by the reduction in the lifetime allowance, even though the level of protection is calculated with reference to the lifetime allowance. This will be achieved by the introduction of a new concept – the underpinned lifetime allowance. In such cases, the underpinned lifetime allowance will be the greater of £1.8m or the current annual allowance. Those with protected lump sums will similarly switch to the underpinned lifetime allowance for tax free lump sum calculations.

It should also be remembered that individuals already in drawdown are required to be tested against the lifetime allowance if they buy a lifetime annuity. Should this happen, any growth on the fund since the first lifetime allowance test would be tested against the lifetime allowance. For those who were close to the lifetime allowance when they originally went into drawdown, the reduction in the lifetime allowance could be especially problematic. Fixed protection may offer a solution in such situations.

Those individuals applying for fixed protection will have to be mindful, however, of the impact of auto-enrolment, as this could result in losing their protection. Where an employer auto-enrols an individual in a new pension scheme, the individual will have to opt out within one month in order to maintain their fixed protection.

With the onus on the individual to report to HMRC if fixed protection is lost, and the prospect that financial penalties may be applied where there is a failure to report this, advisers have an important role to ensure that the individual has a clear understanding of all the conditions that apply to this form of protection.

Returning the lifetime allowance back to the £1.5m 2006 A-day limit is estimated to raise annual revenues of approximately £0.5bn for the Government. The clock is ticking and advisers should act now to prevent their clients funding this revenue stream.



FLEXIBLE DRAWDOWN - A NEW APPROACH TO TAKING INCOME

A key feature of SIPPs is the flexibility they offer, with all sorts of options on how money is put in, how it is invested and how it is paid out.

The good news is that further flexibility has been added to the way drawdown income can be taken from the @sipp scheme, with @sipp now accepting applications for Flexible Drawdown.

To qualify for Flexible Drawdown, the SIPP member must satisfy certain conditions, including meeting the minimum income requirement, which is receiving at least £20,000 in pension income from qualifying sources.

Flexible Drawdown cannot be entered in the tax year where contributions have been made and, once entered, the SIPP member cannot continue to build up pension benefits.

Further information can be found within our Benefit Payment Form or obtained through your Financial Adviser.

PROPERTY PURCHASE - FAQs

1. How much can you borrow to purchase a property within a SIPP?

HMRC rules permit the SIPP to borrow up to 50% of the net assets, less existing borrowing held in the plan.

Example 1:

SIPP Value = £200,000 (this is also the Net Asset Value (NAV) as there is no existing borrowing.)

Maximum Loan to SIPP is 50% NAV = £100,000

Example 2:

SIPP Value = £200,000, existing borrowing = £50,000

Calculation: £200,000 - £50,000 = £150,000 Net Asset Value (NAV)

Max Borrowing: 50% of NAV = £75,000

Existing loan of £50,000 means a further borrowing of £25,000 can be undertaken.

2. If there is lending involved, who negotiates the terms and conditions of the loan to the SIPP?

The underlying member or financial adviser negotiates the terms with the lender, but the loan facility is between the lender and the trustee, @sipp (Pension Trustees) Limited.

3. Can a SIPP buy a property jointly with a person outwith a SIPP?

Yes – this is called a Joint Property Purchase.

We are prepared to consider such purchases where the SIPP and the member as an individual are the parties involved. Other scenarios may be considered on a case by case basis.

This option may be useful where the member currently owns a property which will be brought into the SIPP through part

purchase or in specie contribution. If the fund is not large enough to purchase the property outright, it can instead purchase part of it, jointly owning it with the member.

4. What is a syndicated property purchase?

This is where two or more @sipp members come together to purchase a property by using their pension funds. The members are not required to purchase the property in equal shares; therefore a property could be owned 70% by one member's SIPP fund and 30% by another.

In all syndicated property purchases, @sipp will set up a property bank account and all property income and expenditures are paid into and out of this account in order to keep the member's share of the property in line with their investment.

Any funds built up in the property account can be shared out in line with the percentage ownership to the member's SIPP trustee bank account to enable other investments to be made (ensuring that sufficient liquidity is kept in the property account for costs).

Members involved in a syndicate require to enter into a syndicate agreement which regulates and documents the relationship between the members and deals with the 'What if ...' scenarios. @sipp has a template which may be considered for use by the members.

5. Electing a Property for VAT purposes

Making an election has the effect of converting what would be VAT-exempt income into income subject to VAT.

- The SIPP can reclaim VAT on a property purchase where VAT has been added to the purchase price.
- The SIPP can reclaim any VAT on property expenditure (including refurbishment costs, legal fees and surveyor fees).
- VAT is charged on rent paid to the SIPP fund.
- VAT is charged on the sale price of the property when sold by the SIPP fund.

6. Who legally owns the property when purchased?

@sipp (Pension Trustees) Limited is the legal owner of the property held for the benefit of the members in the SIPP fund.

7. Can a new build development be carried out within a SIPP?

Yes. We would ask, however, that the proposal is discussed with us to check suitability.

Each case is reviewed on its own merit.

8. Who insures the property? And the benefits of a Block Policy

Upon purchase, @sipp will normally insure the property under our block insurance policy arranged through our insurance brokers.

With a block insurance policy, the member/tenant can normally enjoy lower insurance premiums. The cover provided has been designed to offer a wider cover than is available if the cover was provided on an individual basis.



HAVE YOU SEEN IT?

Our new liveried, branded taxi is circulating the city of Edinburgh. This marketing of brand through a “**moving advert**,” follows on from our first successful branded taxi currently circulating in Glasgow.

The two promotional taxis are to raise awareness of the @sipp brand and, by raising this awareness, support financial advisers in their recommendation of @sipp to clients.

If you happen to catch a lift in one of the taxi's we hope your experience is of a speedy and efficient journey to your destination, just as you would expect from the @sipp administration experience.



MEET BETH RIDDEX...

I graduated from University in 1996 with a BA Degree in Hotel & Hospitality Management. Since then I have worked in the pensions industry for 15 years. I obtained my FPC1 and FAFC Certificates during this time and have been employed by @sipp plc for the past 6 years. I enjoy my job because I enjoy working with the team and every day is different.

Likes – Socialising with my friends, reading horror books, swimming (occasionally)

Dislikes – Spiders, confined spaces

Favourite Food/why – Pizza, 'cos it's fabulous!!

Best holiday – Cyprus, because I got married there

Top 3 websites I use – Facebook, eBay and Hotmail

Favourite quote – What is for you will not go by you

What would be your first thought if you discovered that you had won the lottery? – Oh my God, I am so rich!!

What matters most to you? – My husband, my family

What is the last thing that you bought which you're really proud of? – My wee kitten, Sylvester

Favourite thing to spend money on? – Clothes, shoes and make-up

Best way to relax? – A bottle of rosé wine

What is your greatest regret? – No regrets, only learning curves

If you could retire tomorrow what would you do? – Put my feet up and relax for a while



@sipp plc
58 Elliot Street
Glasgow G3 8DZ

T. 0141 204 7950
F. 0141 243 2257
E. admin@atsipp.co.uk
www.atsipp.co.uk

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