

Benefits Guide

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keyfacts

® The Financial Services Authority is the independent financial services regulator. It requires us, A J Bell Management Limited, to give you this important information to help you to decide whether our A J Bell Platinum 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.

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Introduction

This guide has been designed to help you make the right choices when deciding what benefits to take from your SIPP.

It explains:

- The options available to you;
- The benefits and risks associated with those options;
- How you can let us know which option you have chosen;
- What happens next;
- What happens to your benefits when you die; and
- Answers some additional questions you may have.

1 SIPP benefits – the basics

Your SIPP provides you with the flexibility to choose the age, from age 55, at which you want to start receiving your benefits.

Once you have made this choice you can choose to draw a pension from your SIPP through income drawdown or you can purchase an annuity from an insurance company.

Whether you choose to purchase an annuity or take income drawdown, you can also usually receive a pension commencement lump sum from your SIPP. The lump sum will normally be 25% of the value of the fund being used to provide your benefits although this may vary if you have registered with HM Revenue & Customs (HMRC) for protection of your benefits, or have used up all or most of your lifetime allowance.

Whether you choose income drawdown or purchase an annuity there are a number of common factors that will affect the level of pension you will receive. These are:

- The size of your pension fund;
- Your age – as you get older you are allowed to take a greater proportion of your fund as an annual pension (for income drawdown this only affects the maximum pension);
- Your sex – women have a higher life expectancy and so receive a lower pension (for drawdown this only affects the maximum pension);
- Interest rates – typically as interest rates increase, the higher the pension available from your pension fund or annuity.

For annuities, but not for income drawdown, the type of annuity you purchase and your health and lifestyle, can also affect the level of your annual pension.

If you choose to take income drawdown from your SIPP, your pension fund can continue to remain invested in a tax efficient manner beyond your retirement. The pension you receive each year is subject to a maximum annual limit set by HMRC. Subject to this limit you are completely free to vary the level of pension you receive each year anywhere between nil and the maximum. This allows you to tailor your income to your immediate circumstances.

If you are able to satisfy certain requirements you will also be allowed to draw a higher income from your fund through flexible drawdown. Flexible drawdown allows you to withdraw all of the funds from your SIPP in one go, to draw a regular income over and above the income drawdown limit, or simply to draw additional funds to suit one-off circumstances.

If you choose to purchase an annuity, your pension fund is passed to an insurance company which converts it into a pension income payable to you for the rest of your life. We do not restrict your choice of annuity.

You can choose an annuity that only provides a pension for you, or you can choose one that also provides a pension for your spouse or partner after you die. You also have the choice of whether you want your pension to remain level throughout your retirement, or whether you want it to increase as you get older. These choices will affect the level of your initial and ongoing pension. Further information will be available from the insurance company and may also be obtained from your independent financial adviser.

1 SIPP benefits – the basics (cont)

Annuity or income drawdown – the commitments and risks

If you choose to take income drawdown benefits from your SIPP:

your commitments will be:

- To choose an initial income level suitable for you, within the limits set by HMRC.
- To determine the most appropriate investment strategy for you.
- To review your investment strategy regularly with your adviser.
- To regularly review your income level and whether to continue income drawdown [or purchase an annuity].
- To comply with our Terms and Conditions and pay the SIPP Charges set out in section 6 and on our website www.ajbell.co.uk
- To notify us of any changes to your personal circumstances that might affect your SIPP, particularly those affecting your eligibility to receive benefits.

the risks are:

- Your pension fund will remain invested and the value of the underlying investments can fall as well as rise and is not guaranteed. This may reduce or increase the level of pension you can take.
- If you take a pension that is at, or close to, the maximum allowed under HMRC rules, this may not be sustainable particularly if investment returns are low. The higher the pension you take, the greater the chance that it will reduce in the future.
- If you draw a regular income above these limits using flexible drawdown your fund will reduce more quickly.
- If you choose to draw on your whole fund using flexible drawdown your fund will no longer benefit from exemptions to capital gains, income and inheritance tax.
- Lump sum death benefits available from your pension after you have begun income drawdown are subject to tax charges of 55%.
- Not buying an annuity, may result in the annuity available to you at a later date being lower.
- Purchasing an annuity may mean you receive the benefit of a cross-subsidy from the funds of annuitants who have died. Income drawdown does not offer this cross subsidy.
- If you have a small SIPP and no other assets or income to fall back on the financial impact of these risks may be greater.
- If you are in ill health, annuities may offer you an enhanced income. Income drawdown does not offer this.

If you choose to purchase an annuity from your SIPP:

your commitments will be:

- To decide whether it is the right time to purchase an annuity or whether delaying the purchase might result in a higher annuity.
- To shop around to make sure that the type of annuity and options you choose are right for you.
- To consider whether you wish to provide a pension for your spouse or partner after your death.
- To check whether any of your circumstances mean you qualify for an enhanced annuity.
- To consider whether you wish to purchase an annuity that will increase over time, or one which is worth more now, but which stays level and so becomes less valuable as a result of inflation.
- To bear the underlying expenses of the insurance company as implicitly contained in the annuity rate.

the risks are:

- Your choice to purchase an annuity, and the type of annuity you choose, is a one-off decision that cannot be reversed. Your circumstances may change in the future meaning your choice of annuity is no longer right for you.
- The pension available to you from the annuity market may be low when you choose to purchase the annuity.
- You are not able to transfer your benefits from one insurance company to another once an annuity has been purchased.
- You may not benefit from future growth in your fund after you have purchased an annuity.
- Your date of death may mean you are cross-subsidising the pension being paid to annuitants who live longer than you.
- Annuity rates vary continuously as a result of a complex set of factors. This makes the timing of your annuity purchase important.

2 Your benefit options

Lump sum

One of the retirement benefits available from your SIPP is a lump sum (currently tax-free). This is known as a pension commencement lump sum.

You can have a pension commencement lump sum up to the lower of:

- 25% of the value of the fund you use to provide your benefits; and
- 25% of your unused lifetime allowance.

You may be able to receive a lump sum greater than this if you have registered with HMRC for protection of your fund or lump sum rights. If you hold lump sum protection, when you decide to take benefits you should provide details on our Benefit Form together with a copy of your protection certificate. You will not be able to take more than 25% of the value of any protected rights as a pension commencement lump sum.

You cannot take a pension commencement lump sum with the intention of using some or all of it, to fund a large increase in pension contributions. This is known as “recycling” your lump sum and will result in significant tax charges being imposed on the value of the lump sum.

Income drawdown

When you have received a pension commencement lump sum from your SIPP, if you do not choose to purchase an annuity, the funds remaining in your SIPP will be used to provide you with income drawdown benefits. These benefits will be provided either as pension (or capped) drawdown, or flexible drawdown. You must meet certain requirements to qualify for flexible drawdown.

Drawdown pension (capped drawdown)

Your fund remains invested and you draw a pension up to the maximum level set by HMRC. The maximum annual pension is currently 100% of the annuity you could have bought from your pension fund, based on a single life annuity rate provided by the Government Actuary’s Department. There is no minimum pension, so you can elect not to take any, if you wish.

If you decide to take a pension you can choose to take this regularly, or you can choose to take one-off payments to suit your own circumstances. This gives you the flexibility to vary, or stop, the pension you take from your fund to suit your immediate requirements.

The maximum pension available from your drawdown fund will be reviewed every three years until you reach age 75, and annually from then on. Until you are 75 you can elect to have the maximum pension reviewed at any anniversary of the date your fund was put into income drawdown. You must tell us that you wish to do this before the relevant anniversary.

We do not allow the purchase of short term annuities from your drawdown fund, but you can choose to purchase a lifetime annuity from your drawdown fund at any time.

If you purchase an annuity from your drawdown fund a further test against the lifetime allowance will be carried out, except where the drawdown commenced before 6th April 2006 and further drawdown funds have not been added to it since.

If you transfer drawdown benefits into your SIPP these will be held separately from all other funds in your SIPP. They will retain their own maximum pension and, normally, review period. However, if the transferred drawdown benefits have yet to be reviewed from the pre-6 April 2011 limits they may be subject to an earlier review.

Where your SIPP holds both protected rights and non-protected rights in a single arrangement then the pension paid from your SIPP must be taken proportionately from each.

2 Your benefit options (cont)

Flexible drawdown

Flexible drawdown is an option allowing you, if you meet certain conditions, to draw funds from your SIPP without any annual limits.

The flexible drawdown option is only available to you if you are able to meet a Minimum Income Requirement (MIR). In order to meet the MIR you must have secure retirement income of at least £20,000 per annum. Income from state pensions and lifetime annuities qualifies for the MIR, but drawdown pension income and non-retirement income does not.

Additionally, if you make a contribution to any pension scheme (or accrue benefits in a final salary scheme) whilst in flexible drawdown, you may incur significant tax charges.

Lifetime annuity

Purchasing a lifetime annuity involves passing your pension fund to an insurance company who, in return, agree to provide a pension income to you for the rest of your life and, if you choose, a pension income for your spouse or partner when you die.

In general, with annuities there are no HMRC set limits, within which you must choose the level of pension to take each year. Instead each insurance company decides what level of pension they are willing to provide to you depending on your own circumstances, the amount to be used to purchase the annuity and the type of annuity you select. The annuity offered by insurance companies can vary considerably and so it is important that you shop around to obtain the best deal.

You will need to make a number of choices regarding the type of annuity you wish to purchase. These will include:

- Level or escalating pension income – choosing an escalating annuity will help to protect your income against inflation, but because your income will increase in the future, the starting level of the annuity will be lower. There can be substantial differences between escalating and level annuities. When considering this you must balance the option of rising future long term income levels against lower initial income levels. You should consider factors such as your health, how long you might be receiving a pension and the long term effect of inflation.
- Type of escalating annuity – if you choose to purchase an escalating annuity you will have flexibility over the level of escalation. You can usually choose for income to increase by a fixed percentage, such as 3% per annum, or by the rate of inflation (RPI). Some insurance companies may restrict the RPI increase to an upper limit. This is called limited price indexation (LPI) and provides protection as long as the long term rate of inflation is not more than the upper limit.
- Investment-linked income – these annuities offer the potential for income to increase if investments go up. This is balanced against the risk that, if investments fall, the annuity income may fall.
- Single life or joint life – A proportion of your annuity can be paid on your death to your surviving spouse. This is called a joint life annuity. The level of spouse's pension is usually expressed as a percentage of your annuity income. The benefits under a single life annuity will end on your death. As the benefits under a joint life annuity could continue for longer than under an annuity on your life alone the level of income will be lower.
- Guarantee periods – provision of a guarantee period means that, if you die during the period of the guarantee, the income due for the remainder of the guarantee will be paid. In some circumstances this may be paid as a lump sum. If not, the income will be paid as a continuing pension.
- Enhanced annuity – depending on your personal circumstances you may be eligible to receive an increased annuity. A number of factors will affect whether this is available to you. Two of the most common are your/your family's health history and where you live.
- Payment frequency and timing – if you choose to take your annuity annually in advance the pension will be lower than if you choose to take your annuity in arrears, or monthly.

3 Making your choice

If you decide that the time is right to take benefits from your pension fund, either through income drawdown or by purchasing an annuity, you must complete our Benefit Form.

This tells us how much of your pension fund you wish to use to provide benefits (“crystallise”) and how you want those benefits to be paid.

The Benefit Form asks you about your available lifetime allowance and any protection you may have for those benefits.

Before we can pay any benefits to you, you may need to provide us with evidence of your age. We will advise you if this is the case.

Once the Benefit Form has been submitted the next steps will depend on whether you have chosen income drawdown or annuity purchase.

Income drawdown - drawdown pension

We will work out the level of your lump sum and maximum pension benefits and confirm these to you. The lump sum will be paid to you by cheque and, if you have chosen to take a pension, the payments will be set up in accordance with your instructions.

Your pension payments will be taxed using the emergency tax code on a Month 1 basis until we receive confirmation of your tax code from your tax office. It is your responsibility to arrange for your tax office to provide this information to us.

Once your pension payments have been set up, it is the responsibility of you and/or your adviser to ensure that sufficient cash is held in your SIPP to fund the payments.

Income withdrawal - flexible drawdown

Flexible drawdown will work in a very similar way to a drawdown pension. You will also need to provide us with confirmation that you are able to satisfy the Minimum Income Requirement from secure retirement income.

Once you have done this, payments are taxed in the same way as drawdown pension payments.

If you withdraw your whole fund using flexible drawdown your SIPP will be closed.

Annuity purchase

We will liaise with you, and the insurance company, so that the annuity can be purchased as quickly as possible.

You must provide us with a copy of your annuity quotation so that we can satisfy ourselves that an annuity is being purchased.

Funds must be sent to the insurance company as cash making it important that you and/or your adviser arrange the sale of sufficient investments held in your SIPP. Annuity rates change daily and your individual quote will only be guaranteed for a limited period. It can take some time for the proceeds from the sale of investments to reach us. You must consider the time it will take for cash to be available when arranging your annuity.

Where your SIPP holds income producing investments, such as dividend paying equities, you must also consider the time it will take for this income to be paid to your SIPP. If you use all of the funds in your SIPP to purchase an annuity and we subsequently receive investment income it is unlikely that we will be able to pay this across to the insurance company. It is equally important to ensure that all tax relief in respect of contributions and investment income has been paid into the SIPP.

If you are not sure whether the time is right to take benefits, or which option which is right for you, you should speak to your financial adviser.

4 Receiving your pension

How often can I take my pension?

Income drawdown

If you wish to receive a regular pension from your SIPP, you can do so monthly, quarterly, half yearly or annually. All regular pensions are paid on the 22nd of the month.

You can also request one-off pension payments although there is an additional charge for doing so.

Annuity

If you purchase an annuity the pension frequency will be agreed with the insurance company at the point of purchase.

Will the pension payments be taxed?

Income drawdown

Yes. The payments are taxed as pension income under the PAYE system. Your pension will initially be taxed using the emergency tax code on a Month 1 basis. We will change the tax code if we receive a tax coding notice from HMRC. You must arrange this via your tax office.

You will receive an advice slip confirming your gross pension, tax and net pension shortly after each pension payment. We will also send a P60 to you annually confirming the pension and tax that have been paid in each tax year.

Annuity

If you purchase an annuity with all or part of your SIPP the annuity will also be taxed under the PAYE system. The insurance company should give you further information on this.

Can I change the level of pension I am taking?

Income drawdown

Yes. We will advise you of your maximum annual pension and you are free to vary the amount of pension, or stop taking a pension at any time.

Annuity

If you purchase an annuity you will establish the level of pension with the insurance company at the point of purchase. The level of pension can be set up to remain level or to vary over time.

5 Death benefits

When you die your benefits will be paid out to your beneficiaries. The benefits will be paid either as a lump sum or as an ongoing pension, although the option of a lump sum is not available in all circumstances. The options, and tax treatment of those options, are as follows:

Benefits other than protected rights under the SIPP

Death benefits will be paid as a lump sum or may be used to provide pension benefits for a spouse, civil partner or dependant, either under income drawdown or by annuity purchase.

Death benefits are payable at the discretion of A J Bell Management Limited, as the Scheme Administrator of your SIPP.

You may nominate the individuals you wish to receive benefits and your wishes will be taken into account. You may complete a new nomination at any time.

Lump sums paid on death are normally free of any IHT but we cannot guarantee that this will be the case. Any lump sum death benefit paid from a drawdown fund will be subject to a tax deduction of 55% (2011/12). Lump sum death benefits paid from funds of individuals who died aged 75 or above will also be subject to tax of 55% regardless of whether they have started to draw benefits.

Protected rights death benefits

Where you are survived by a spouse or civil partner the protected rights must be used to provide a pension for your spouse or civil partner, either by the purchase of an annuity or through a drawdown pension.

If you are not survived by a spouse or civil partner the protected rights will be used to provide lump sum benefits to beneficiaries nominated by you or, in the absence of any nomination, to your estate. A J Bell Management Limited does not hold any discretion over who will receive lump sum death benefits from protected rights so it is important that you update your nomination whenever your circumstances change.

Lump sum payments from protected rights that are uncrystallised or in drawdown may be subject to IHT. You can take steps, such as making your nomination irrevocable, which may reduce the tax liability. Before considering this you should seek specialist IHT advice. If you wish to make your nomination irrevocable please contact us and we will send you the appropriate documents.

Lump sum payments from drawdown funds will be subject to the deduction of a 55% tax charge (2011/12) before payment.

Lifetime annuity – protected rights and non-protected rights

The death benefits payable, if any, will depend on the agreement you reached with the insurance company when you purchased the annuity.

These might include the continued payment of a pension to your spouse/dependant through a joint life annuity, or the payment of a lump sum if your annuity payments are guaranteed.

For protected rights, if you have a spouse or civil partner you must purchase a joint life annuity from those benefits.

6 Charges

There are a number of additional SIPP charges that may apply when you decide to take benefits. These are:

Set up income drawdown, including payment of any lump sum benefit	£150
Additional fund designation to an existing income drawdown fund	£150
Income withdrawal, including PAYE	£15 per month
Income withdrawal reviews	£150 per review
Flexible drawdown registration	£75
Annuity purchase	£75
Closing your SIPP through flexible drawdown or trivial commutation	£75
Payment of death benefits	Time/cost basis

All fees are subject to VAT in addition (currently 20%).

Note: The annual income withdrawal charge will become payable immediately funds are designated to provide income drawdown, even if you elect to take "nil" income.

Your insurance company will confirm details of any charges explicitly involved in the provision of your annuity. Typically, the charges for annuities are made implicitly through a reduction in the annuity rates available to their customers.

7 Miscellaneous SIPP questions

Is there a limit on the amount of my benefits?

There is no limit on the benefits that may be provided from your SIPP.

However, if the value of your pension savings, under all registered pension schemes, is more than the lifetime allowance (currently £1.8 million but will drop to £1.5 million from 2012/13) there will be an additional tax charge called the lifetime allowance charge.

If the excess funds are paid as a taxable pension the lifetime allowance charge is 25% of the excess fund used to provide the pension. If the excess funds are paid as a lump sum the lifetime allowance charge is 55% of the excess. We will deduct the tax from your SIPP before benefits are paid to you, or you purchase an annuity, and pay the tax to HMRC.

If you have registered with HMRC for protection of your pension savings, this may reduce or eliminate any lifetime allowance charges.

Can I cancel my decision to take benefits?

On the first occasion you choose to take income drawdown benefits from your SIPP, you will have the right to cancel this option within 30 days of the date you take benefits. You will have to return any pension commencement lump sum or income that has been paid to you.

You can exercise your right to cancel by writing to us at:

A J Bell Platinum SIPP,
A J Bell Management Limited,
Trafford House,
Chester Road,
Manchester M32 0RS.
Fax: 0845 40 89 200
E-mail: platinumsipp@ajbell.co.uk

quoting your name and SIPP reference number.

7 Miscellaneous SIPP questions (cont)

If you do not exercise your cancellation rights, you will not be able to cancel your choice to take drawdown benefits at a later date. You will be able to transfer your benefits to another registered pension scheme or purchase an annuity.

Cancellation rights are also available if you purchase an annuity. The insurance company will provide more details.

Will you pay any benefits not described above?

Most forms of authorised benefit payment are covered in this Benefits Guide. We cannot be compelled to make a payment that is not authorised by Finance Act 2004. Both the recipient of any unauthorised payment, and the scheme, would be subject to very significant tax charges.

If all of the benefits you hold under registered pension schemes are, in total, valued at less than £18,000 you may be able to take your benefits as a taxable lump sum. Please contact us for further information.

Can you provide advice regarding my benefit options?

Neither A J Bell Management Limited nor A J Bell (PP) Trustees Limited can provide any advice in relation to:

- Whether you should buy an annuity, enter drawdown pension or flexible drawdown, or defer your benefit decision;
- The level of pension benefits you should take from your SIPP;
- Whether you should transfer pension benefits into, or out of, your SIPP;
- Any investment, tax or financial services related matters.

If you need advice, or are unsure regarding your benefit options, you must contact your Adviser. Your Adviser will provide you with details of the cost of the advice.

What if I have a complaint?

Customer satisfaction is very important to us and if you do have any cause to complain about the services provided there are clear procedures laid down by the Financial Services Authority to ensure that your complaint is dealt with fairly.

Please contact us in the first instance at:

A J Bell,
A J Bell Management Limited,
Trafford House,
Chester Road,
Manchester M32 0RS.
Tel: 0845 25 05 609
Fax: 0845 40 89 200
E-mail: platinumsipp@ajbell.co.uk

If you are not satisfied with our response, you may refer your complaint to the Pensions Ombudsman, if your complaint concerns the administration of your SIPP.

Help is also available from The Pensions Advisory Service (TPAS) who can advise you on how to complain and may be able to sort the matter out, without the need for the Ombudsman to get involved. The address for both the Pensions Ombudsman and TPAS is as follows:

11 Belgrave Road,
London SW1V 1RB.
Tel: 0845 601 2923

All other complaints may be referred to:

The Financial Ombudsman Service,
South Quay Plaza,
183 Marsh Wall,
London E14 9SR.
Tel: 0845 080 1800

7 Miscellaneous SIPP questions (cont)

Making a complaint will not affect your right to take legal proceedings.

What if I have any further questions?

You must contact us at the following address or by e-mail platinumsipp@ajbell.co.uk.

A J Bell Platinum SIPP,
A J Bell Management Limited,
Trafford House,
Chester Road,
Manchester M32 0RS.

IMPORTANT

Full details of the legally binding contract between you and A J Bell Management Limited are included in the A J Bell Platinum SIPP Terms & Conditions, as amended from time to time. A copy can be obtained by calling A J Bell Platinum on 0845 25 05 609.

The law of England and Wales will apply in all legal disputes.

If you would like a copy of this or any other item of our literature in large print, Braille or in audio format, please contact us on 0845 25 05 609 or by e-mail: platinumsipp@ajbell.co.uk.

All our literature and future communication to you will be in English.

8 Regulatory

A J Bell includes A J Bell Holdings Limited and its wholly owned subsidiaries A J Bell Management Limited, A J Bell Limited and A J Bell Securities Limited.

A J Bell Management Limited is authorised and regulated by the Financial Services Authority. A J Bell Securities Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

Sippdeal, Sippdealxtra and Sippcentre are platforms provided by A J Bell Management Limited. A J Bell Platinum SIPP is provided by A J Bell Management Limited. A J Bell Platinum SSAS is provided by A J Bell Limited.

The companies listed in the adjacent table are all registered in England and Wales at Trafford House, Chester Road, Manchester M32 0RS.

Company	Company Number	VAT Number
A J Bell Holdings Limited	4503206	833 5478 13
A J Bell Management Limited	3948391	759 3531 03
A J Bell Limited	3091664	639 0316 44
A J Bell Securities Limited	2723420	918 4226 21