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KEY FEATURES OF THE Income Drawdown & UFPLS (Uncrystallised Funds Pension Lump Sum) options of your *Solo*, *Solo+*, *Collective* or *Full* SIPP

Strong partnerships, better results

Moneyfacts SIPP 2023 Solo SIPP

Moneyfacts SIPP 2023 Solo SIPP +

Moneyfacts SIPP 2023 Collective SIPP

Moneyfacts SIPP 2023 Full SIPP

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Key Features of the income drawdown and uncrystallised funds pension lump sum (UFPLS) options of your Solo, Solo+, Collective or Full SIPP

The Financial Conduct Authority is a financial services regulator. It requires us, @sipp Limited, to give you this important information to help you to decide whether the income drawdown or UFPLS option of your Solo, Solo+, Collective or 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 list and Benefit Payment Form to ensure you understand the contract you are entering into. The document sets out the aims of the income drawdown and UFPLS options, your commitments under these options, risks you should be aware of and also includes a question and answer section.

The purpose of this document is to supply you with the information necessary to make an informed decision. We would strongly recommend you seek financial advice before deciding to proceed with either the income drawdown or UFPLS option. You can also receive free, impartial guidance from the government in relation to your retirement options by visiting www.pensionwise.gov.uk.

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 Income Drawdown and UFPLS Options

- To enable you to take a flexible retirement income which can be varied or stopped at any time (income drawdown) or to take cash sums when you want (UFPLS) from your Solo, Solo+, Collective or Full SIPP
- To allow you to receive a pension income without buying an annuity or until you choose to do so
- To enable you to take pension benefits in stages or all at once
- Where you take your pension benefits in stages, to provide any remaining benefits on your death and to allow you 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.

Your Commitment

- 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
- To take responsibility for the management of the investments within your Solo, Solo+, Collective or Full SIPP. Investment decisions can be made by you or your financial adviser or discretionary fund manager
- To understand the need to review, make further decisions about, or take further actions during the life of your Solo, Solo+, Collective or Full SIPP.

Risk Factors

- Any illustration provided is only an indication of what you might get back based on certain statutory assumptions
- 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. There is no guarantee that the income drawdown or UFPLS options will provide the same or more income than if you bought an annuity
- Rising prices (inflation) will reduce the purchasing power of your pension capital and income in the future. There is no guarantee the growth in your pension saving will match or exceed the rate of rising prices
- If you are transferring pension benefits from another registered pension scheme for the purposes of utilising the income drawdown or UFPLS option it may be you are giving up valuable guarantees or protections that the Solo, Solo+, Collective or Full SIPP cannot match. We recommend that you seek financial advice before proceeding with a transfer.

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
- If income drawdown/UFPLS amounts taken and charges exceed investment performance over the same period the capital value of your SIPP will be eroded
- Certain investments which may be held by your 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 Solo, Solo+, Collective or Full SIPP to meet a liability an investment may have to be sold when markets are low to facilitate payment of the liability
- There could be a delay in receiving your benefits if some of your investments cannot be sold quickly.

Income Withdrawal Risks

- Unlike an annuity, future income drawdown and UFPLS amounts are not guaranteed as this depends on the level of income withdrawals taken as well as investment performance and charges
- If you do not regularly review the level of income withdrawals taken these may not be sustainable over time
- The higher the level of income drawdown and UFPLS amounts taken, 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
- High amounts of income drawdown and UFPLS taken could lead to your pension savings being exhausted completely. This would mean your pension savings could not be called upon to provide you with an income in your later years
- The above factors could potentially impact on the sustainability of your retirement income and your ongoing standard of living in retirement
- Accessing retirement benefits or taking further income amounts may impact on means-tested benefits.

Taxation Risks

- Income drawdown and taxable UFPLS amounts you receive will be added to any other income you receive and this determines what, if any, rate of tax you pay. By receiving income drawdown or UFPLS amounts you could pay a higher rate of tax if you exceed your current tax band
- If you transfer from an existing registered pension scheme, it is possible that you may lose some tax free cash protection from that scheme
- The favourable tax treatment of pension savings could change in the future.

Questions And Answers

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

- Income can be taken as:
  - guaranteed income (purchase of an annuity)
  - income that is not guaranteed (capped or flexi-access drawdown income and/or pension commencement lump sum or UFPLS)
  - or a combination of both.

When can I buy 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.

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?" found in the Key Features of your Solo, Collective or Full SIPP.

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 of electing for the drawdown option.

How will my income be taxed?

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

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

How will my income be taxed?

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

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 the beneficiaries may choose:
  - A lump sum
  - Guaranteed income (purchase of an annuity)
  - Income that is not guaranteed (flexi-access drawdown)
  - A combination of these.
- Where death occurs before age 75, any lump sum (subject to the Lump Sum and Death Benefit Allowance) or income drawdown 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 drawdown is paid from uncrystallised funds it must be paid out or designated within two years of your death and tested against your lifetime allowance, where death occurs before age 75

What is Pension Wise?

You now have more options on what you can do with your pension savings. We 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 are the charges?

- **SIPP Administration:** We charge fees to cover the cost of administering your Solo, Solo+, Collective or Full SIPP. In addition to the set-up and annual administration fee, we will apply a fee where the income drawdown or UFPLS option is selected. Please refer to the Fee Schedule and the Terms and Conditions for fuller 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 Solo, Solo+, Collective or 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.

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 exercising the option to take income drawdown or UFPLS, for the first time only. Once income drawdown or UFPLS is established the set up fee is due and will not be refunded, should your cancellation rights subsequently be exercised
- Where you exercise your cancellation right in respect of income drawdown or UFPLS, you will be required to pay back to your SIPP the benefits received.

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/pensionwise

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 46290.

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/products/investments.

Should any firm, authorised by the FCA, 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 £85,000 per person per firm.

Data Protection

The Solo, Solo+, Collective and Full SIPPs are 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.

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