

An introduction to
The Rathbone SIPP



Take control of your financial future

Pensions – simple at last?

The Rathbone SIPP - an introduction

Pension legislation is constantly changing, introducing new rules that clients and product providers need to understand and adapt to. When it comes to retirement planning, flexibility is key - meaning that investors' retirement plans need to adapt to the changing landscape as well as changes in their own personal circumstances.

The Rathbone self invested personal pension (SIPP) is designed to enable investors to take advantage of the opportunities presented by the changing pension landscape.

It is provided by Rathbone Pension & Advisory Services Limited, part of Rathbone Brothers Plc, which, through its subsidiaries, is a leading, independent provider of investment and wealth management services for private clients and trustees.

Rathbone Pension & Advisory Services' specialist team has many years of experience in administering the Rathbone SIPP as well as dealing with all aspects of financial advice.

In addition, many people choose to appoint an investment manager to manage their SIPP assets as a bespoke, discretionary investment portfolio.

The Rathbone SIPP

The Rathbone SIPP is designed to provide individuals with greater control over the investment strategy of their pension fund than is offered by traditional pension products.

It also provides flexible retirement benefits to suit your lifestyle. It combines the traditional and new concepts in pension planning and, unlike many insurance based pensions, it provides a tailored, economic and transparent way of putting you in control of your future.

The Rathbone SIPP provides you with:

- a tax efficient way to save for your future;
- the ability to consolidate existing non-protected rights and protected rights pension plans into one arrangement;
- control and bespoke of the investment strategy of your pension fund;
- flexibility in your savings strategy to take account of changes to your lifestyle;
- the ability to choose how and when you can draw the benefits; and
- a simple and transparent charging basis.

(Protected rights is the term used to describe pension monies built up as a result of contracting-out of the State Second Pension (S2P), previously known as SERPS (State Earnings Related Pension Scheme)).

The Rathbone SIPP offers great flexibility for investors to consolidate their existing non protected and protected rights pension arrangements and take control of their investment strategy. It cannot, however, be used to continue to receive the regular ongoing 'contracting-out' rebate from the government should you remain contracted-out.

Before a Rathbone SIPP can be established we require you to appoint and maintain a financial adviser to ensure that the SIPP suits your requirements. Your financial adviser will personally help and advise you throughout the lifecycle of your SIPP.

Managing your investment

We understand the importance of effective investment management of your pension fund. That is why the Rathbone SIPP is structured to give you complete control over the investment strategy of your pension fund. You are not tied to any one company, investment house or type of investment.

Investment manager

You may choose to use an investment manager to manage some or all of your SIPP assets who may act for you on:

- a discretionary basis where you give them full discretion over the investments in your fund;
- an advisory basis where you approve each investment decision; or
- an execution-only basis where you make all the investment decisions and your manager provides an administration service.

Contributions and transfers from other pension funds will initially be invested in a designated bank account, pending investment. Investments can be made once an investment manager is approved and appointed.

All investments must be registered in the name of Rathbone Pension & Advisory Services (Trustees) Limited which is the trustee of your SIPP scheme.

Permitted investments

The Rathbone SIPP provides investment flexibility by allowing a wide range of investments including shares, fixed interest securities and collective investments. The Rathbone SIPP terms and conditions provide a detailed list of the investments permitted within the Rathbone SIPP but you should ask your financial adviser to check before undertaking any investment decisions.

Contributions, transfers and the lifetime allowance

Contributions

The limits on what individuals and their employers can pay into pensions have changed considerably over recent years. It is important that consideration is given to funding pension contributions due to the range of attractive tax reliefs available.

Individuals can contribute up to the Annual Allowance (or their earnings level, if lower) in the current tax year and receive tax relief at their marginal rate on these contributions. *(For details of the current Annual Allowance levels please refer to the Rathbone SIPP Key Features document)*. In addition it may be possible to utilise unused Annual Allowance from previous tax years.

If an individual (ie a child or non-working spouse) has low, or no earnings then it is still possible to make a contribution up to £3,600 per tax year.

Tax relief on contributions

Tax relief at the basic rate of tax is added to personal contributions, with any balance of tax relief being claimed back through an individual's self-assessment tax return.

As an example:

- If you wish to pay a gross contribution of £10,000 and basic rate tax is at 20%, you will only actually pay £8,000. We will reclaim the basic rate tax relief of £2,000 from HM Revenue & Customs and on receipt we will apply it to your SIPP fund.
- If you are a higher rate taxpayer you will be eligible to claim higher rate tax relief by notifying HM Revenue & Customs through your self-assessment tax return. This will be used to offset any tax due, or may even result in a refund.

Transfers

It is possible to establish your Rathbone SIPP for the sole purpose of consolidating some or all of your previously accumulated pension arrangements under one convenient plan. Although we can accept such transfer values, you should consider the benefits that you may be giving up. *Prior to transferring any plans we require that you seek financial advice to ensure that transferring it to a Rathbone SIPP is suitable for you.*

Lifetime allowance

If the combined value of your Rathbone SIPP and your other pensions exceed the Lifetime Allowance when you start taking your pension, then they may be subject to a tax charge. *(For details of the current Lifetime Allowance levels please refer to the Rathbone SIPP Key Features document)*.

It may be that you have been able to protect your pension fund against the Lifetime Allowance tax charge. If not, then any part of your combined fund(s) exceeding the allowance will be taxed at 55% if taken as capital and 25% if taken as income.

Because of the benefits of tax relief on contributions and implications of the tax charges (when your contributions or fund exceed the Annual and Lifetime Allowances) we require that you seek advice from a financial adviser to get the most out of your Rathbone SIPP.

Benefits

Pensions now offer a number of options for how and when you can take your pension benefits. The Rathbone SIPP is designed to provide complete flexibility so that you can use the options to maximise benefits from your pension fund.

Retirement flexibility

You do not need to retire or even stop working to draw benefits from your SIPP fund, as long as you meet the minimum retirement age of 55 (or lower if you already have a protected retirement age).

There is now no limit on the age when you have to take your tax free lump sum or any pension benefits. You can choose to defer this indefinitely.

When you decide to take one or more of the benefits from your pension fund this is known as a *crystallisation event* where, for example, you can elect to take part as a tax free lump sum and use the remaining balance to provide an income.

At the time of taking benefits (or at death if later) there will be a test against the Lifetime Allowance and, you should consider the implications of this with your financial adviser.

Retirement benefits

When you decide to take benefits from your pension fund you will have a number of options:

Tax free cash

Normally you will be entitled to receive up to 25% of your total pension fund(s) (or the value of the benefits being taken) as a tax free lump sum (also referred to as a *pension commencement lump sum*), subject to an overall limit of 25% of the Lifetime Allowance. In some cases individuals may have applied for a form of protection (from HMRC) for their tax free cash entitlement, in which case it could be higher than these amounts.

The remaining fund

The remainder of your fund, after taking your tax free cash, must be used to provide taxable pension income. This must either be:-

A Secured pension:

This takes the form of an Annuity which provides a guaranteed income, payable by an insurance company, for as long as you live and can, if you choose, be:

- a flat or increasing amount and payable to a spouse or partner on your death.
- linked to a with profit or unit linked fund, giving you a participation in the growth.
- *Impaired or Enhanced*, meaning it pays out a higher pension on the grounds of current or past health problems.
- a **short term** annuity, where you can use all or part of your pension fund to buy an annuity for up to five years.
- a **capital protected** annuity where a lower income is paid out but on death a lump sum is paid to dependants equal to the cost of the annuity, minus the income paid.

Or,

Income withdrawal (Capped drawdown):

This is where you can choose whether to take an income each year from the SIPP fund, up to a maximum level. The maximum level roughly equates to a single life annuity rate and is set at the outset and then reviewed at three yearly intervals up to age 75 and then annually thereafter.

Or,

Income withdrawal (Flexible drawdown):

This is where you can demonstrate you meet certain criteria, including being in receipt of a *Minimum Income Requirement*, then you can draw out more than the maximum income level available under Capped drawdown. There is no limit on how much can be drawn out of the pension, but any amount taken will be taxed as earned income.

The Minimum Income Requirement is defined by HMRC. For more details please refer to the Key Features document of the Rathbone SIPP.

Death benefits

The treatment of your pension fund on death can vary:

Prior to drawing benefits

In the event of death before drawing benefits (a *crystallisation event*) the whole of the non-protected rights fund, up to the Lifetime Allowance, can be paid as a lump sum to your nominated beneficiaries. This lump sum (under current law and practice) will be tax free, assuming you were under the age of 75 and will not form part of your estate for inheritance tax purposes. After age 75 a tax charge of 55% will apply but the funds will still not form part of your estate for inheritance tax.

Amounts in excess of the Lifetime Allowance, paid as a lump sum, will normally be subject to a 55% tax charge, or used to provide a taxable pension. In some cases individuals may have applied for a form of protection to protect their funds against the Lifetime Allowance charge.

Where you have *Protected Rights* benefits then the death benefits are treated slightly differently:

- If you have a spouse or civil partner then the protected rights must be used to provide an income to that person.
- If you have no spouse or civil partner, the protected rights benefits can be paid to any nominated beneficiaries less the tax charge. This may also be liable to inheritance tax.

Post drawing benefits

If an annuity (*Secured Income*) has been purchased, the death benefits will be the contractual benefits contained within the annuity.

If Capped drawdown pension or Flexible drawdown have been selected then the following options are available:

- A surviving spouse, civil partner or dependant may choose to:
 - i) purchase an annuity with the fund; or
 - ii) continue with an income withdrawal arrangement: or
 - iii) take the fund as cash, subject to a tax charge of 55%.
- If there is no surviving spouse, civil partner or dependants then the fund, less the 55% tax charge, can be paid to your nominated beneficiaries. If a nominated beneficiary is a registered charity then the fund can normally pass to the charity, free of any tax charges.

Financial advice

The options available to clients at retirement and the position on death benefits is complex and it is essential to seek professional advice. This will help to ensure you have the most suitable arrangement, taking into account any tax charges and other regulations which can change from time to time.

Tax

You should always consult your legal and/or financial adviser about how tax may impact your retirement plans, particularly as tax treatments will depend upon your individual circumstances. For example, inheritance tax could be payable on pension funds in certain circumstances. The way the Rathbone SIPP (and all other pension arrangements) is taxed may also change in the future.

Risk warnings

The value of investments held within your SIPP and the income from them can fall as well as rise. You may get back less than the amount you have invested.

Administration

An essential part of our service is the provision of sound and efficient administration including:

- Preparation and completion of all documentation to establish your SIPP.
- Provision of an interest bearing trustee bank account.
- Acting as the Rathbone SIPP scheme trustee and complying with all trustee requirements.
- Arrangements for receipt of contributions and recovering basic rate tax on your personal contributions.
- Providing certificates to support contributions and tax relief claims
- Setting up administration record systems for your fund.
- Maintaining scheme records.
- Processing transfer payments and in specie transfer of assets into and out of the fund.
- Where possible, obtaining repayment of tax deducted at source on investment income for your fund.
- Providing you with financial projections which illustrate the effect of time, investment performance and costs on your pension value
- Provision of annual statements, detailing assets, contributions and transfer payments received into your fund, and amounts of tax recovered from HM Revenue & Customs.

Please refer to our separate SIPP Schedule of Charges for information regarding our fee structure.

The Rathbone SIPP is provided by and administered by Rathbone Pension & Advisory Services Limited. Rathbone Pension & Advisory Service Limited is a wholly owned subsidiary of Rathbone Brothers Plc. Other subsidiaries within the group include Rathbone Investment Management Ltd.

This booklet is based on the Rathbone SIPP Terms & Conditions and our understanding of legislation and HM Revenue & Customs practice at the time of writing. Legislation and HM Revenue & Customs practice may change from time to time.

The Rathbone SIPP is an investment for the purposes of the Financial Services and Markets Act 2000 and the rules made for the protection of investors by that act will apply.

We are a participant in the UK Financial Services Compensation Scheme, which provides a measure of protection where an investment firm is unable to meet its obligations to its client to an amount of 100% of the first £50,000 (or currency equivalent) so the maximum compensation is £50,000. More information about this scheme and on your eligibility to benefit from the protection provided by the scheme is available on request or from the Financial Services Compensation Scheme, whose address is 7th Floor, Lloyd's Chambers, 1 Poultry Street, London, E1 8BN.

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The Rathbone SIPP is recognised as a registered pension scheme by HM Revenue & Customs.

This document is intended to give a brief introduction to some of the features of the Rathbone SIPP. It should not be relied upon as advice or a comprehensive guide on your retirement options. Specific professional advice should always be obtained which considers your particular circumstances. The options available under the Rathbones SIPP are subject to the terms of its trust deed and rules.

This document is a brief guide to the Rathbone SIPP. It does not include the full terms and conditions. For more detailed information about the SIPP, please refer to the trust deed and scheme rules together with the Rathbone SIPP key features and Rathbone SIPP terms and conditions which govern the Rathbone SIPP. Copies of these documents are available from our administration department. Please contact: The Pensions Administration Manager, Rathbone Pension & Advisory Services Ltd, Port of Liverpool Building, Pier Head, Liverpool L3. Telephone +44 (0) 151 236 6666.

Contact details

For more information about the Rathbone SIPP please contact the Pensions Administration team at:

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