

The IPM Personal Pension Scheme



Key Features

Self - Invested Personal Pensions

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This document is designed to provide you with clear information regarding your self invested personal pension (SIPP) so that you can make a fully informed decision whether you are making a contribution, considering a transfer value or wishing to take benefits from your savings. Please read this document carefully and ensure that you keep it in a safe place for future reference.

This document is based on our interpretation of current legislation and Her Majesty's Revenue and Customs practice as at April 2007 and should not be relied upon for detailed advice or as a statement of law.

Please remember that current tax benefits may change in the future which could affect the amount of benefits you receive.

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AIMS OF THE SIPP

The SIPP is designed with the following aims in mind:

- To offer you a way of saving for your retirement whilst enjoying generous tax treatment
- To give you and your adviser the ability to direct how the pension funds should be invested
- To provide you with a lump sum when you come to draw benefits from your SIPP providing you do this prior to your 75th birthday
- To provide you with a level of regular income when you come to draw benefits from the SIPP
- To provide a lump sum or regular income payments to your spouse/dependent upon death.

YOUR COMMITMENTS

To ensure the smooth running of your SIPP, you will be required to make the following commitments:

- To pay either a one off or regular contribution and / or transfer existing pension benefits to the SIPP
- To refrain from taking benefits from the Scheme until you reach your 50th birthday (this will increase to age 55 from 6th April 2010)
- To comply with the rules of the SIPP
- To determine the most suitable investment strategy for you and appoint those agents best placed to assist you in the pursuit of investment goals
- To decide the type of benefits you wish to take before your 75th birthday. A tax-free lump sum cannot be paid to you after this date
- To notify us immediately of any changes in your personal circumstances that may affect your SIPP membership, including the eligibility to continue to receive tax relief on contributions or to receive benefits
- To settle any fees that have risen in connection with the administration of your SIPP.

RISK FACTORS

Before you agree with your adviser that the SIPP is the best option for you, please consider the following risks:

- The size of your SIPP, the income and other benefits that it can provide are not guaranteed and does not necessarily reflect the amount that you have paid in to the SIPP
- You may incur a penalty when transferring benefits from existing arrangements to the SIPP as well as surrendering any guarantees for future income you may have from that arrangement
- You are not able to make contributions to the SIPP once you have reached age 75
- The value of investments held within your SIPP can go down as well as up. This should be remembered particularly when you are considering taking benefits from your SIPP
- The liquidity of your SIPP needs to be considered when a decision to take benefits is made. Certain investments such as commercial property may take significantly longer to sell than other investments and delay the payment of benefits to you
- The taking of income may erode the capital value of your SIPP. This may be the case if investment returns are poor and a high level of income is taken
- Future reviews of your income could see a fall in the annual amount of income you are able to take if you maximise the benefits available from your SIPP on an annual basis
- Whilst you are able to continue with your SIPP once you have reached 75 years of age, you should be aware that the amount you are able to receive as income from your SIPP will reduce
- The benefits payable on death at age 75 or over will be more restricted than in the event of death prior to age 75 and the remaining fund on your death may be subject to Inheritance Tax
- The favourable tax treatment of the SIPP is not guaranteed and could change in the future
- You should understand the key features and any charges that relate to the underlying investments that are held within your SIPP
- If you have applied for Enhanced protection then a contribution to your SIPP or any other pension arrangement you may have will see the protection revoked. This point will not be relevant in most cases
- A partial transfer of benefits to the SIPP may result in the loss of Enhanced protection. This point will not be relevant in most cases
- **IPM does not provide any investment or financial advice. If you are at all uncertain as to the suitability of a SIPP then please contact your adviser.**

GENERAL QUERIES ON THE IPM SIPP

This section looks to provide you with answers to any queries you may have concerning membership of the IPM Personal Pension Scheme (the SIPP).

What is a SIPP?

A Self Invested Personal Pension (SIPP) is a personal pension that has a self invested aspect which ultimately gives the client greater flexibility and control over their savings than conventional contracts.

The investment opportunities within a SIPP are typically greater than that of a personal pension offered by an insurance company, as you are not restricted to the funds offered by that one investment house. The SIPP also offers you greater choice and flexibility in how you wish to take your benefits.

What is the IPM Personal Pension Scheme?

This is the name we give to our SIPP.

The IPM Personal Pension Scheme (the SIPP) is a registered pension scheme as laid down in Chapter 2 Part 4 of the Finance Act 2004. The Pension Schemes Tax Reference is 00605673RE.

The SIPP trustee is I.P.M. SIPP Administration Limited. I.P.M. Personal Pension Trustees Limited will act as bare trustee to the SIPP. The provider to the SIPP is the Bank of Scotland. The SIPP is operated under a Trust Deed and Rules a copy of which should be provided to you by your adviser along with this document.

Who are I.P.M. SIPP Administration Limited?

I.P.M. SIPP Administration Limited (IPM) is a specialist pension administration organisation who will provide you with the full range of administration services necessary to operate the SIPP. IPM is authorised and regulated by the Financial Services Authority (FSA) as the operator of the SIPP to provide self-invested personal pension administration services.

IPM has been providing SIPP administration services since 1999. Since then, it has consistently enjoyed both significant client and financial growth year on year, despite the fact IPM does not advertise within the industry or national press.

What happens when I establish a SIPP with IPM?

Once in receipt of your application, IPM will allocate you with a membership number. This number is specific to you and will be quoted on all correspondence issued and investments placed on your behalf.

You or your adviser will then be issued with a written acknowledgement of your application which will include an acceptance schedule and a cancellation notice (see **Can I change my mind once I have established a SIPP?**) IPM will then commence work on your behalf as directed by you or your adviser.

Is the SIPP right for me?

IPM is not regulated to provide financial advice. Before applying for membership of the SIPP, IPM strongly recommends that you contact an independent financial adviser to see if the SIPP suits your individual needs.

In addition, IPM will not provide assistance in making a decision whether or not to transfer from one pension scheme to another. Before embarking upon any form of financial undertaking such as pension planning, IPM strongly suggests that you seek independent financial advice.

Am I eligible to establish a SIPP?

There are no eligibility criteria to meet if you wish only to transfer existing pension benefits from a UK registered pension scheme to the SIPP.

However if you want to pay contributions into your SIPP you are only eligible to receive tax relief subject to the appropriate limits (see contributions section) providing that you:

- are below the age of 75 when the contribution is paid
- satisfy the 'relevant UK individual' criteria

What is a Relevant UK Individual?

You satisfy the Relevant UK Individual criteria providing that you meet one of the following:

- you are resident in the UK for tax purposes
- you have relevant UK earnings in the current tax year*
- you were a UK resident sometime in the previous five tax years* and when you established your SIPP
- you, your spouse or civil partner has earnings from overseas Crown employment subject to UK tax

**Note: a tax year runs from 6 April of one calendar year to 5 April of the next.*

Can I change my mind once I have established the SIPP?

Along with confirmation that your SIPP is established with IPM, you will receive a notice detailing your cancellation rights to the contract.

You will have 30 calendar days from the issuance of this cancellation notice during which you have the right to change your mind and send the cancellation notice back to IPM. Your SIPP will then be cancelled. During this period you will not be able to make any investments or receive benefits from your SIPP unless you waive the right to this cancellation period.

Note: if you do change your mind and cancel your SIPP then work may have already been undertaken by IPM to arrange the transfer of existing benefits to the SIPP. Any monies received in this respect will then have to be returned to the previous scheme provider if you cancel the SIPP. This could result in a decrease in the value of your funds due to either charges being incurred or movement in the market your monies were previously invested into.

CONTRIBUTIONS

Can I contribute to the SIPP?

Yes as long as you are below the age of 75 and are a relevant UK individual (as detailed above)

How much can I contribute?

In each tax year you are able to contribute and receive tax relief on:

- up to £3,600 (including tax relief) regardless of your earnings
- OR
- up to 100% of your relevant UK earnings for the tax year concerned (including tax relief) or the annual allowance if lower

These limits apply to contributions made to all pension arrangements you have, not just your SIPP.

All personal contributions paid to the SIPP are paid net of basic rate tax, currently 22%.

Note: the annual allowance is a limit on all contributions made on your behalf to all registered pension schemes in any one tax year. The annual allowance has been set as £225,000 for 2007/8 rising to £255,000 in 2010/11. Please consult your financial adviser for further information.

Note: if you are a member of a defined benefits arrangement such as a final salary scheme as well as the SIPP then the benefits accrued in this arrangement need to be taken into consideration when calculating your maximum contribution for a tax year. Please consult your financial adviser for further information.

Can my employer contribute to the SIPP?

Your employer is able to make contributions on your behalf. However please note that any employer contribution is paid to the SIPP as a gross payment.

Example: If your earnings for the current year are £50,000 and your employer makes a contribution to your SIPP of £55,000 then no tax charge will apply. Please note that this payment will not impact upon a member's ability to contribute 100% of earnings as a personal contribution. The member would still be able to make a net contribution of £39,000 (£50,000 Gross) in addition to the employer contribution.

Any contributions whether employer or employee in excess of the annual allowance will result in a personal tax charge.

Do I have to contribute to my SIPP?

No. You can establish the SIPP with a single transfer from an existing pension scheme.

How do I make a contribution to the SIPP?

IPM is happy for you to make a contribution using a number of methods:

- Sending a cheque to IPM's offices made payable to 'IPM Personal Pension Trustees Limited – your membership number'
- Establishing a standing order for regular contributions to your SIPP
- Arranging a telegraphic transfer to IPM

In all cases IPM would request that if you are making a contribution to your SIPP, particularly by telegraphic transfer, that you notify IPM before the payment is submitted.

What tax relief is my contribution able to receive?

Personal contributions made to the SIPP are able to receive 22% of the amount you contribute as basic tax relief. If you are a higher rate tax payer then you may receive an additional 18%.

Example: if you make a personal contribution to the SIPP of £7,800 then the basic rate tax relief you are able to receive will be £2,200. If you are a higher rate tax payer, you will be entitled to an additional £1,800. This will be paid to you outside of your SIPP.

Where does my money go?

Upon establishment of the SIPP, IPM will open your own trustee Bank of Scotland account. This account will be in the name of IPM Personal Pension Trustees Limited but will have your membership number in the account name in order to identify that the monies in the account are yours.

All contributions paid into the SIPP by you or on your behalf will be placed in this account and will remain there until we receive written instruction from you or your adviser in regards to investment or paying benefits. This account pays an interest of 0.75% below the base rate at all times.

The Bank of Scotland will issue either you or your adviser with a statement of this account on a monthly basis so that you can keep a record of payments both in and out of your SIPP.

Who reclaims the tax relief on my behalf?

This responsibility is split into two roles. For all contributions eligible to tax relief, IPM will make a reclaim on your behalf of 22% of your contribution value directly from Her Majesty's Revenue & Customs (HMRC)

If you are a higher rate tax payer, you can reclaim the additional 18% to which you are entitled through your self assessment tax return.

How long will it take for IPM to receive my tax relief?

Dependent upon receipt of the contribution, the tax reclaim process typically takes six to eight weeks to be received. This will need to be taken into consideration when making preparations for investments and taking benefits from the SIPP.

Can I amend the amount I pay as a regular contribution or stop all together?

Yes – without charge. The SIPP offers you the flexibility to make contributions as frequently as you wish and of any amount although if you contribute in excess of the prescribed limits then tax charges could apply.

TRANSFERS

Can I transfer existing pension arrangements to the SIPP?

Yes - you are able to transfer any UK registered pension scheme to your SIPP. There is no minimum amount that you need to have in order to transfer to your IPM SIPP nor is there a restriction on the amount of transfers you can make.

The transfer of existing benefits to a SIPP is not a decision that should be taken lightly and IPM strongly recommends that you seek advice from an independent financial adviser before making the necessary arrangements to transfer.

Note: at present you are unable to transfer protected rights/ contracted out benefits to your SIPP with IPM. If you are unsure as to whether the benefits you have consist of protected rights/ contracted out monies, please contact your adviser.

I have taken a lump sum from an existing arrangement and am currently receiving income too. Can this arrangement still be transferred to my IPM SIPP?

Yes. IPM can accept transfers into your SIPP even though you have commenced income withdrawal from the transferring scheme, provided that the rules of the transferring scheme permit such a transfer. Please note that IPM must apply the same maximum permitted income as calculated by your previous scheme administrators as well as the same pension year and review date.

Where will the monies received on my behalf be placed?

As with contributions, your monies will be placed into your individually designated Bank of Scotland account pending further instructions.

Can I transfer my SIPP away from IPM?

Yes. You are able to leave the Scheme at any time and transfer your benefits to an alternative registered pension scheme. IPM will levy an administration fee to cover the time spent arranging the transfer.

You should also consider that if you sell any or all of the investments to make the transfer the respective investment managers may make a charge.

INVESTMENTS

What can my IPM SIPP invest in?

IPM does not operate any in house investment funds therefore you are free to choose an investment strategy which best suits the investment objectives agreed by you and your adviser.

Items that you can invest in within your SIPP include:

- unit trusts, open ended investment companies and investment trusts
- stocks and shares quoted on any recognised stock exchange
- insurance company funds
- commercial property including agricultural land

Note: IPM is not authorised to provide investment advice and therefore cannot comment, recommend or confirm whether a particular investment is suitable for your requirements. IPM recommends that all investment decisions should be made with the assistance of an independent financial adviser.

How can I make my chosen investment?

You can provide an application form directly to IPM with a written instruction for an investment to be made on behalf of your SIPP. This submission can also be made on your behalf by your appointed adviser. Once IPM has received the instruction to invest along with all accompanying paperwork and assuming there are sufficient funds available within the SIPP, the investment can be made. For investments made by cheque, IPM will complete the application form, transfer the funds from your designated bank account to the cheque payments account and issue the cheque together with the investment application as instructed. For investments made via telegraphic transfer, upon receipt of the necessary bank details IPM will forward the monies to the specified investment house directly from your account.

The above procedure does not necessarily apply for all investments, for example the purchase of a commercial property. In the event of any investments of this nature, please contact the offices of IPM for guidance.

Note: IPM will require the appointment of an investment administrator to oversee the placing and on-going monitoring of any investment made in your SIPP. This role can be performed by your adviser, a stockbroker or an investment management firm regulated by the FSA.

How are my investments held?

All investments made on your behalf within the SIPP are done so in the name of IPM Personal Pension Trustees Limited and are designated using your unique membership number.

The type of investment you wish to make will determine how the investment is held. For example, for all stocks and shares IPM will insist that these are purchased via a stockbroker who will hold the assets in their nominee account. It is however possible for any insurance company fund/ unit trust investments to be purchased directly from the investment house.

What investments will IPM not accept into the SIPP?

Whilst aiming to accommodate all client requirements, there are a number of investments IPM has made the decision not to hold due to the tax charges they generate. These investments include:

- unquoted shares where the company concerned is connected to the underlying SIPP holder
- direct holdings in residential property
- fine wine and antiques
- classic cars

Any non-standard investments should be referred to IPM for consideration at the earliest opportunity.

Is the growth of any of my investments within the SIPP subject to Capital Gains Tax?

No. The SIPP is a tax efficient wrapper and this benefit includes being exempt from Capital Gains Tax.

RECEIVING BENEFITS FROM THE IPM SIPP

When can I start to draw benefits from my SIPP?

You are able to receive benefits from age 50. This will increase to age 55 as from 6 April 2010.

What can I expect to receive from my SIPP?

When you elect to take benefits from your SIPP, you are generally able to take 25% of the value of your SIPP as a tax free lump sum*. This is paid directly to your designated personal bank account.

Once you have taken a lump sum, you are then eligible to receive income from your SIPP. This income withdrawal is known as unsecured pension (USP). IPM will calculate for you the maximum amount you are able to receive on an annual basis using figures issued by the Government Actuarial Department (GAD) and your age as of the date you are drawing benefits. This maximum limit is at the rate of 120% of the figure calculated using the GAD tables and is reviewed every five years. At this point a new maximum annual income limit will be provided to you. Please be aware that the new limit may well be higher or lower than your previous maximum income.

You can elect to waive your right to the tax free lump sum if you wish and just receive income from the SIPP. Alternatively, you can take your maximum lump sum entitlement and elect to receive no income.

** Note – if you have transferred benefits to your SIPP from an occupational pension arrangement or have applied for transitional protection, your lump sum percentage might not be 25%. Please contact your adviser for further details.*

How often can I receive income from my SIPP?

The SIPP offers you the flexibility to receive income on a monthly, quarterly, half annual or annual basis. You are also able to amend the frequency and the amount of income you receive at anytime providing you do not exceed the maximum annual pension you are entitled to in any one pension year.

Is the income from my SIPP subject to tax?

Yes. All income from the SIPP will be taxed in accordance with your pay as you earn (PAYE) tax coding. The tax on income received from the SIPP is deducted at source and paid to HMRC on your behalf.

What happens when I reach age 75?

Once you have reached the age of 75, IPM will contact you to ask as to whether you wish to move from USP to alternatively secured pension (ASP). ASP works on the same principal as USP however there are some significant differences:

- you are no longer able to contribute to the SIPP
- the maximum income you can receive will reduce from 120% of the GAD calculated figure in USP to 90% in ASP
- you are then required to take a minimum income, 55% of the figure calculated using the GAD tables
- your maximum income will be reviewed on an annual basis as opposed to five yearly and no reference is made to your current age at the date of this review
- all entitlement to a lump sum must be exercised by age 75 otherwise this entitlement will be lost

If I retire from my pension scheme, does this mean I have to retire from my employment?

No. You are able to continue day to day employment and receive benefits from your SIPP. There is no link between your SIPP and your employer.

What other options do I have?

Should you feel that USP or ASP is not the right option for you, you have the option of purchasing an annuity with an insurance company.

Note: the decision of when to draw benefits from your SIPP should be given very careful consideration. As with all major decision concerning your SIPP, the advice of an independent financial adviser should be sought before any action is taken.

DEATH BENEFITS

What happens if I die before I commence drawing benefits from my SIPP?

There are basically two options available in this scenario. Generally, the whole of the fund can be paid as a trustee discretionary payment without the deduction of tax. Neither is the lump sum subject to tax in the hand of the beneficiary(s)*

Alternatively, the fund can be used to provide a pension to the spouse/ dependent of the deceased. Such payments can either be paid directly from the SIPP or by purchasing an annuity with the accumulated fund.

** - to avoid any tax liability, the recipient(s) of such a payment must be at the discretion of the SIPP trustee.*

What happens if I die before age 75?

If you die after starting to receive benefits then the options are almost identical as if you died before taking benefits. The only difference is when your nominated beneficiary(s) elects to receive a lump sum from the SIPP, this will be subject to a tax charge of 35% of the payment made.

The option of providing an income for a spouse/ dependent does not change.

What happens if I die after age 75?

If you have a dependent at the time of your death, a dependents pension must be provided to your dependent from your remaining funds. This will be paid in the either directly from the SIPP or from the purchase of an annuity.

If there are no dependents as of the date of your death, then two options are available to you:

- pay the value of your SIPP as a lump sum to a nominated charity
- pay a lump sum from your SIPP to a person/organisation that is not a charity. Please note that this option will see your funds liable to an extremely high rate of taxation

Note: the maximum annual pension that a spouse/ dependent is able to receive will be recalculated in accordance with their age when they take over the SIPP. The spouse/ dependent may not necessarily be entitled to the same maximum annual pension as the SIPP holder who has just died.

WHAT OTHER INFORMATION IS AVAILABLE CONCERNING THE IPM SIPP?

As well as this key features document, you can expect to receive the following from IPM when requesting an application pack:

- Terms of Business
- Fee Menu
- Application Guide
- IPM Application Form
- Investment Adviser Agreement
- Investment Administrator Agreement

Other documents including a copy of our Trust Deed and Rules, Benefit Crystallisation Event form and our property purchase pack are available upon request.

IPM reserves the right to amend our Terms of Business or any other documents we may issue. Should this affect you, we will contact you.

Office hours are 9am – 5pm Monday to Friday. Please note that IPM does not operate a call centre approach and we aim to turn all correspondence around in a 24-48 hour turnaround time. This is dependent on the nature of the work involved.

COMPLAINTS

How do I make a complaint?

If you have any cause for complaint about the service that you have received in respect of the administration of your SIPP, please write in the first instance to the Managing Director of I.P.M. SIPP Administration Limited at our registered address. We have a leaflet which details our complaints procedure; if you would like a copy please ask.

Should you feel that your complaint has not been handled in a satisfactory manner then you are able to contact the Financial Ombudsman Service at the following address:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Phone: 0845 080 1800/ 020 7964 1000

Email: complaint.info@financial-ombudsman.org.uk

Website: www.financial-ombudsman.org.uk

Complaining to the Ombudsman does not affect your legal rights.

When you receive advice from a qualified financial adviser, they should recommend a product that is suitable for you. You have a legal right to redress if, at any time, it is shown that you have bought a recommended product that was not suitable for your needs at that time. Any redress would be decided by the Financial Ombudsman Service.

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