

HD SIPP - Key Features Document



In Association with



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Key Features of the HD SIPP

Its Aims

- To provide a tax efficient way to save for your retirement
- To give you control over your pension fund investments. You can make investment decisions on your own or via your choice of Independent Financial Advisor
- You can invest in a broad range of investments
- To allow you to take an income while still benefiting from investment performance and avoiding being locked into one particular pension rate
- To provide a regular income or pension when you retire, or a tax-free lump sum and a smaller regular income or pension subject to certain restrictions
- To give you a choice before or after your 75th birthday but after age 50 (55 from April 2010) of taking a regular income or pension, or remaining invested
- To provide a tax-free lump sum and a smaller regular income or pension before your 75th birthday
- To provide a regular income or pension or a lump sum for your dependant(s) on your death

Your Commitment

- You will make regular and/or single contributions within HM Revenue & Customs limits and/or transfer in funds from other pension plans.
- There is no commitment on your part to continue making contributions and there is no penalty for reducing or stopping contributions.
- You must normally wait until you have reached the age of 50 before being able to access your benefits (increasing to age 55 from 6th April 2010).
- You must use your SIPP to buy an annuity by the time you reach the age of 75 or from age 75 you will receive an 'Alternatively Secured Pension'.

Risk Factors

- The growth of your pension fund will largely depend on the performance of your chosen investments.
- The value of your investments is not guaranteed and could go down as well as up.
- The wide and varied range of investments and markets you can choose to invest in means that they may have different risks attached to them. If unsure you should seek professional advice on selecting investments.
- Some investments may take longer to sell than others and you may not be able to realise your investment when you choose to.
- As well as investment growth, your SIPP benefits will depend on how much you have paid in, how much is deducted for charges, annuity rates and taxation.
- Your planned benefits may not be achieved if you have to reduce or stop payments to your SIPP.

- Where charges are deducted from the fund, this will impact on the overall value of your fund.
- High income withdrawals are unlikely to be sustainable if investment returns are low during the withdrawals period which will affect how much is available for annuity purchase.
- Higher levels of income withdrawals could mean less would be available to provide for your dependant or to buy an annuity.
- 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.
- If you have not bought an annuity by your 75th birthday you must do so then, at the rates available at the time – unless you opt for the purchase of an Alternatively Secured Pension.
- The longer you leave it before buying an annuity, the greater risks you bear of lower levels of income if you live longer than expected.
- Charges may turn out to be higher than expected as they may be revised in the future.

Questions and Answers

What is a Self-Invested Personal Pension?

- A Self-Invested Personal Pension (SIPP) is a personal pension which allows you to save in a tax-efficient manner for your retirement.
- You and/or your employer can make single or regular contributions; if you have previous pension arrangements, you may transfer them into your SIPP.
- Being Self-Invested, you make your own investment decisions, or you may appoint an investment adviser (who must be suitably authorised).
- You can invest in a wide range of investments (although the Trustees have taken the decision to exclude commercial property.)

What are the tax advantages?

- All contributions qualify for tax relief at your highest marginal rate. (Subject to HMRC restrictions)
- Your pension fund is free from UK income and capital gains taxes except that tax may not be reclaimed on UK dividends or interest payments.
- On your death, your accumulated fund can normally be paid free of inheritance tax.
- These tax advantages are based on our current understanding of the legislation and may change in the future.

What are the tax advantages?

- The fund up to the maximum lifetime allowance can normally be paid to your estate or to nominated beneficiaries free of tax.
- Any fund over the lifetime allowance would be subject to a tax charge at the rate of 55% payable by your personal representatives.
- If you have dependents who rely on you financially the fund can be used to purchase an annuity to provide income for them or they can opt to take a drawdown from the SIPP.

Contributions

- You and/or your employer can pay tax relievable contributions up to the Annual Allowance in each year
- The tax relief on personal contributions is limited to the higher of 100% of earnings (up to the Annual Allowance) or £3,600 per annum. The Annual Allowance starts at £215,000 for 2006/07 and will rise gradually to £255,000 in 2010/11. Future limits will be set at 5-yearly intervals
- Contributions to all schemes to which the individual is a member need to be taken into account when testing against the Annual Allowance. There will be a tax charge against contributions made in excess of the Annual Allowance which is payable by the member.
- The Trustees of the Self Invested Pension Plan do not take responsibility for confirming whether a contribution will qualify for tax relief.
- Evidence of your estimated earnings for the tax year will be required within 30 days of receiving the contribution. This can be any of the following: P60 for previous tax year / Payslip / Employer's letter confirming salary / Copy tax return / Copy of latest trading accounts / Accountant's estimation of profits.
- Contributions can be paid in the following ways and you should deduct basic rate tax if you are contributing personally:
 - Cheque made payable to "The HD SIPP"
 - Chaps / BACS payments
 - Standing Order
 - An in-specie contribution of assets (which will require an independent valuation)
- NB: Contributions paid directly from an employer should be paid gross.

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

- You can choose to start taking an income if you are between the ages of 50 and 75 (55 from 6th April 2010).
- Income can be taken as: Secured Income (purchase of an annuity); Unsecured Income (income withdrawal); Or a combination of both.
- You must have started to take income by the age of 75 or you will be required to take an Alternatively Secured Pension

What is unsecured income?

It is an option for anybody over the age of 50 (age 55 from 6th April 2010) and under the age of 75 to defer buying an annuity (secured pension) whilst still receiving an income from the SIPP fund.

What is Alternatively Secured Pension?

It is an option for those aged 75 and over who have decided not to buy an annuity whilst still receiving an income based on factors determined by rules laid down by HMRC. The purchase of an annuity can be deferred until a later time.

How much income can I take?

You can choose to take income up to the maximum limit based on factors the Government Actuary's Department determines. This is shown in your Pension Income Withdrawal illustration. This limit will be recalculated every five years. You can receive the income monthly, quarterly, half yearly or yearly.

When can I buy an annuity?

You can choose to use some or your entire fund to purchase an annuity at any time from age 50 (age 55 from 6th April 2010). You can choose the annuity provider to purchase the annuity from.

What happens to the plan if I die after I have received pension benefits?

- Where the fund has been used for phased unsecured pension, the remaining fund can be paid out as a lump sum free of tax.
- Where there are funds from unsecured pension benefits the trustees can choose to: - buy a pension for your spouse, civil partner or dependant or allow pension withdrawals in respect of your spouse, civil partner until they reach age 75 and then buy an annuity or receive an Alternatively Secured Pension or
- allow a dependant child to take income withdrawals if they are in full-time education until they reach the age of 23 or pay the remaining fund as a cash sum, less a 35% tax charge, to your spouse, civil partner, dependant or anyone nominated by you.

Who will administer my plan?

HD Administrators LLP will administer your plan.

What are the charges?

Please refer to the HD Administrators LLP Application Form or SIPP Explained brochure for the current fee structures.

When will I receive a valuation of my fund?

You will receive a valuation of your fund at the anniversary of the establishment of your SIPP. Ad-hoc valuations can be requested at any time. Please note that there may be a fee charged for an ad-hoc valuation.

Can I transfer my plan?

Yes, you may transfer your plan to another registered pension scheme at any time, either in-specie or in cash. Please refer to the HD SIPP Explained brochure for the charges involved.

Can I change my mind?

You have the right to cancel your SIPP within the first 30 days after the application is received by the administrators. You will be reminded of this right when the SIPP is established if you do not waive your rights within the application form. If you wish to cancel your SIPP you will need to provide the administrators with written confirmation and return this to them within 30 days of receiving the reminder from them.

If you cancel your SIPP your funds will be returned to you, any funds transferred into the SIPP during this period will be kept on deposit in your Pension Fund Account.

Each time you apply to transfer an existing pension into the SIPP you have a right to cancel the transfer. Each transfer can be cancelled separately up to 30 days after you receive our reminder. If you elect to cancel, we will try to return the full value of the transfer payment at the cancellation date to the original pension provider. However, the transferring scheme may not be willing to accept your transfer back, in this situation you may choose to elect to transfer to another pension provider.

The cancellation period is also in respect of contributions and Income Drawdown. A reminder will be sent with each of these events to you, which again allows 30 days in which you may change your mind.

In certain circumstances, at the advice of your financial advisor, you may choose to waive the right to have this 30 day cancellation period - you will need to indicate in the application form if you wish to take this option.

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Details are correct as at time of print. (July 2008)

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