Barnett Waddingham

BW SIPP LLP

Key Features

of the BWsmartSIPP

December 2008

BWsmartSIPP

Introduction

This document outlines the key features of the BWsmartSIPP section of Barnett Waddingham Self Invested Personal Pension (BWSIPP) to give you as much information as possible when deciding to set up a BWsmartSIPP.

Its Aims

- To allow you to save for your retirement in a tax efficient and flexible manner, at minimal cost.
- To give you access to a range of investments via a specialised on-line SIPP Dealing account with Selftrade (the trading name of Talos Securities Ltd) allowing you to manage your own BWsmartSIPP investments.
- To provide a tax free lump sum and an income for your life on retirement.
- To give you the opportunity to transfer your other registered pension schemes to the BWsmartSIPP.
- To provide a lump sum and/or pension income to your spouse or dependants on your death.
- To allow you access to the main section of BWSIPP so that you can invest in other assets, in place of, or in addition to the Selftrade assets. The main section will also allow you the flexibility to receive pension income, subject to Her Majesty's Revenue & Customs (HMRC) limits, without having to buy an annuity and while allowing you to continue to determine your own investment strategy beyond retirement.

Your Commitment

- To pay contributions either on a one off or regular basis or to transfer existing pension arrangements to your BWsmartSIPP.
- Not to take retirement benefits from your BWsmartSIPP until age 50 (age 55 from 6th April 2010).
- To manage your BWsmartSIPP investments within the Selftrade Dealing account and without advice from BW SIPP LLP.
- To review your contribution levels and investment strategy at regular intervals.
- To pay the BWsmartSIPP and Selftrade charges as set out in the BWsmartSIPP and Selftrade Terms and Conditions documentation.
- To notify us of any changes to your personal circumstances which may affect your BWsmartSIPP, including your eligibility for tax relief on your contributions.
- To comply with all relevant HMRC rules.

Risk Factors

Investments

- The value of your BWsmartSIPP may go down as well as up and is not guaranteed. Past performance is no guarantee of future performance.
- The size of your BWsmartSIPP fund and the benefits it can provide at retirement will depend not only on the return from the investments you choose but also on the contributions paid and the costs.
- If you cancel your BWsmartSIPP you will only receive back the value of the underlying investments which may be lower than the contributions you have paid.

Pension from your BWsmartSIPP

- The amount of your pension at the time you decide to take retirement benefits will depend both on the value of your investments and the return on annuities at that time. If you wish to draw an income from the fund instead of purchasing a pension, you must move to the main section of BWSIPP and be subject to that section's Terms and Conditions and fee structure. If you are considering this, please contact us for more information.
- If you take benefits earlier than you had planned or stop paying regular contributions your benefits may be lower than you expected.

Transfers

If you transfer funds into the BWsmartSIPP from another registered pension scheme you may:

- get less pension than you would have received if you had remained in the previous pension scheme e.g. due to the loss of any guarantees, higher charges or lower investment returns.
- be giving up the prospect of receiving a terminal bonus on with profit plans.
- suffer penalties and/or charges may be applied by the transferring scheme.

General

- The current favourable tax treatment of this type of plan may not be maintained in the future.
- The Government may legislate to change any aspect of pension schemes and their tax treatment.

Your Questions and Answers

GENERAL

What is BWsmartSIPP?

BWsmartSIPP is a section within BWSIPP. BWSIPP is a registered personal pension arrangement which benefits from the same favourable tax treatment as any other registered personal pension in the UK. However, unlike a conventional insurance company plan, the investment and administration are "unbundled". Members of BWsmartSIPP will only invest in the specialised SIPP Dealing account with Selftrade, but they will be able to move to the main section of BWSIPP at any time, and be subject to the BWSIPP terms and conditions and fee structure.

Who are Selftrade?

Selftrade is one of the UK's largest execution-only stockbrokers. Selftrade operate an electronic trading platform allowing BWsmartSIPP members access to a wide range of investment options, dealing over the internet or phone through their self select service. Details of the Selftrade SIPP Dealing account can be found at www.selftrade.co.uk.

How will my BWsmartSIPP investment operate?

We will pay your contributions and/or transfer payments into the BWsmartSIPP bank account, an account held with Bank of Scotland plc (BoS). All contributions and transfer payments must initially be paid to this account for audit trail purposes. No interest will be paid to your funds in this account. We will then arrange for a SIPP Dealing account to be set up for you with Selftrade and will delegate dealing authority to you allowing you to manage your Selftrade account.

We will pay funds over to Selftrade twice a month, once they have been cleared through the BWsmartSIPP bank account and after any BW SIPP LLP fees have been deducted. Funds will normally be transferred on the 4th and 18th of each month, or the first working day following these dates, if later.

Selftrade will send you a pack with your account number and other information about using the SIPP Dealing service. Selftrade will also send you, separately, your Personal Identification Number (PIN). On receipt of your PIN you will be able to buy and sell the various investments; however, only BW SIPP LLP will be able to add or remove money from the Dealing account.

Your Selftrade Dealing account will be held in the name of BW SIPP Trustees Limited which is the sole Trustee of BWsmartSIPP.

Who can have a BWsmartSIPP?

You can have a BWsmartSIPP regardless of your employment status. You can make a transfer payment from another registered pension scheme (subject to certain restrictions) or make pension contributions.

What will my BWsmartSIPP cost?

BW SIPP LLP will receive a share of the commission income that Selftrade will receive for the Collective Investments they offer. On an ongoing basis, the costs incurred by BW SIPP LLP, for setting up and administering BWsmartSIPP, will normally be met from their share of this income.

If your initial investment is less than £50,000 we will charge a set up fee currently £290 plus VAT.

If the value of your investment in Selftrade's **Collective Investments** drops below £50,000 at **any** point in a relevant year, we reserve the right to charge a fee for the following year, currently £290 plus VAT. This is in addition to any income paid by Selftrade to BW SIPP LLP.

Please refer to the Selftrade Terms & Conditions of Business for specific details of the charges that will be applied by Selftrade to the funds via BWsmartSIPP.

What are Selftrade's Collective Investments?

Details of the Collective Investments that Selftrade offer can be found on the Selftrade website www.selftrade.co.uk. These include investment trusts, exchange traded funds (ETFs) and unit trusts and OEICs.

Please note that the other investments available through Selftrade including UK and International shares, bonds and covered warrants will be accessible through BWsmartSIPP subject to any restrictions Selftrade place on them. See Selftrade's Terms and Conditions for further information.

How will fees be paid?

If there is a set up fee it will be met from your initial investment before it is transferred to the Selftrade SIPP Dealing account. Any subsequent fees can be paid personally or can be met from cash held in either the BWsmartSIPP bank account or the Selftrade SIPP Dealing account. Otherwise your Selftrade investments will be realised to meet the fees.

We will not charge you a fee without providing a prior invoice.

Contributions

How much can I contribute?

UK legislation specifies the maximum that you can contribute each tax year, to all registered pension schemes (including buying life assurance under a pension plan) without incurring a tax charge. This is 100% of your earnings, up to a maximum limit known as the Annual Allowance.

The Annual Allowance for tax year 2008/09 is £235,000 gross (£188,000 net). Contributions to all of your registered pension schemes that exceed the Annual Allowance will be subject to a tax charge of 40% of the excess, regardless of the actual rate of tax that applies to you.

Your contributions to your BWsmartSIPP will be paid net of basic rate tax and we will reclaim any basic rate tax relief for which you are eligible from HMRC. This will be credited to the BWsmartSIPP bank account and once cleared, will be transferred to your Selftrade Dealing Account for you to arrange investment. You will need to make a declaration in your application that you are eligible for tax relief. If you are a higher rate taxpayer you will need to reclaim the balance of tax relief by completing a self assessment tax return.

How much can my Employer contribute?

Your employer can also make contributions to your BWsmartSIPP. However you will be taxed on any sum that takes your total contributions in each tax year above the Annual Allowance. Also, the eligibility of employer contributions for tax relief will be subject to local HM Inspector of Taxes being satisfied they are "wholly and exclusively" for the purpose of the employer's business.

Employer contributions are paid on a gross basis. Your employer may be entitled to receive tax relief on any contributions it pays, as a business expense, but relief can be spread in certain situations. You will not normally be taxed on these contributions provided they do not take your total contributions above the Annual Allowance.

You must tell us within 30 days if you are no longer entitled to tax relief on your contributions.

How can I pay regular contributions?

Regular contributions must be paid by cheque, standing order or bank transfer and can be increased or decreased at any time without penalty. When your salary increases you may want to consider increasing your contributions at the same rate, since they will not usually increase automatically.

What if I have no UK income or my earnings are less than £3,600?

You will still receive basic rate tax relief on all contributions paid into your BWsmartSIPP, up to £3,600 gross (e.g. a personal contribution would be paid net of basic rate income tax of £720 leaving you to pay £2,880 into your BWsmartSIPP).

Will I get tax relief on contributions made to my spouse's SIPP?

Contributions paid on behalf of your spouse would be net of basic tax. We will reclaim basic rate tax from HMRC and credit it to your spouse's SIPP bank account. You cannot claim higher rate tax relief on these contributions.

When will the tax relief be credited to the BWsmartSIPP bank account?

This depends upon when the contribution is paid but is usually between 6 and 11 weeks after the contribution is received. Once the tax relief has been credited to the BoS account, we will transfer it to your SIPP Dealing account on the following transfer date.

Can I pay contributions if I have Enhanced Protection?

If you or your employer pays contributions you will lose your Enhanced Protection. (Note - Enhanced Protection is available to individuals with sizeable pension assets at 5 April 2006 who wish to protect themselves from certain tax charges which may apply thereafter.)

Can I pay contributions in the form of property or shares?

Not as a member of BWsmartSIPP. But you will be able to do this if you move to the main section of BWSIPP. If you are considering this you should seek specialist financial advice.

Can I stop my contributions at any time?

Yes, your contributions can stop or start at any time. However, you need to ensure you have sufficient funds available to meet any commitments you have arranged through your BWsmartSIPP.

Can I contract out of the State Second Pension through my BWsmartSIPP?

No, this is not allowed. BWsmartSIPP will not accept future National Insurance rebates for those who wish to contract-out on an on-going basis. However, it is possible to transfer in the pension rights which have built up in the past from being contracted-out under another pension arrangement (see below "Can I transfer in Protected Rights?")

Transfers

Can I transfer existing pension benefits into my BWsmartSIPP?

Yes, provided these are from another UK registered pension scheme and you have not commenced income drawdown in the transferring scheme. If you have, you will need to join the main section of BWSIPP and be subject to that section's Terms and Conditions and fee structure.

Transfers will normally be accepted on an 'execution only' basis. This means that no advice will be given by BW SIPP LLP and that it is solely your responsibility to check that any transfer of funds into BWsmartSIPP will lead to comparable benefits to the ones being forgone. In transferring on an execution only basis, you accept full responsibility for your decision to transfer and you will seek advice in relation to the suitability of the transfer, as necessary. We will require a letter from you stating that you are aware of the consequences of the transfer and that no advice has been given by BW SIPP LLP.

There is no tax relief on transfers from a registered pension scheme and they do not count towards the Annual Allowance.

To transfer existing pension benefits, please complete the transfer section of the BWsmartSIPP application form and we will contact the transferring scheme for further information.

Can I transfer in Protected Rights?

Yes, this is now allowed (prior to October 2008, this was not possible).

Certain regulatory restrictions apply to the treatment of Protected Rights funds on death, as outlined later in this document. Also, if Protected Rights funds include rights that arise out of a divorce settlement (known as "Safeguarded Rights") certain restrictions apply to the drawing of retirement benefits by the member. The Government has announced its intention to abolish the restrictions on Safeguarded Rights in April 2009 and all the remaining restrictions on Protected Rights in 2012. Further details are available on request.

Can I transfer my BWsmartSIPP to another pension arrangement?

Yes, you can transfer all or part of your BWsmartSIPP to another UK registered pension scheme. The transfer will normally be in the form of a cash payment.

If you wish to transfer your SIPP to an overseas scheme please contact us for more information.

The transfer will always be made direct to the trustees or administrator of the receiving scheme.

Investments

Can my BWsmartSIPP buy a property?

No, but if you join the main section of BWSIPP and become subject to that section's terms and conditions, you would be able to. If you are considering this, please contact us for more information.

How are the investments cashed in to pay fees or other costs?

Any fees due to us will firstly be taken from new contributions held in the BWsmartSIPP bank account, pending transfer to your Selftrade Dealing account. If there is no or insufficient money in the BWsmartSIPP bank account we will disinvest funds from your Selftrade Dealing account.

How do I know what my BWsmartSIPP is worth?

Every year we will send you a statement confirming the value of your BWsmartSIPP on a specific day and detailing any contributions paid or transfers received in the previous 12 month period. In addition you will be able to obtain values directly from Selftrade at any time.

Benefits

What is the maximum amount of benefit I could have?

There is no limit on the overall value of your BWsmartSIPP. However, if the total value of all your registered pension schemes exceeds the Lifetime Allowance (£1.65 million for tax year 2008/2009) then a tax charge may apply on the excess amount above the Lifetime Allowance.

What is the Lifetime Allowance?

This is the maximum amount you are allowed to accumulate in all your pension arrangements by HMRC before any tax payments are levied. Your BWsmartSIPP will be assessed against the Lifetime Allowance when you take benefits and again when you buy an annuity or reach age 75. Each time you take new benefits a portion of the Lifetime Allowance is used up.

Once you have used up your Lifetime Allowance any subsequent benefits taken will be subject to a Lifetime Allowance Charge. This is 25% of the excess above the Lifetime Allowance if the funds are taken as regular income, and the income is also subject to Income Tax. If the funds are taken as a lump sum the effective Lifetime Allowance Charge is 55%. We must deduct this charge before paying any benefits.

If you have pension funds accrued before 6 April 2006 and have registered for protection this may reduce or eliminate any Lifetime Allowance charge that may have been payable.

When can I take benefits?

You can take retirement benefits from age 50 (age 55 from April 2010) but no later than age 75. If you are in serious ill health, or in a recognised qualifying occupation, you may be able to take benefits earlier.

Can I have a lump sum?

You will usually be able to take up to 25% of your BWsmartSIPP fund (subject to you having sufficient available Lifetime Allowance) as a tax free lump sum and this must be paid before your 75th birthday.

If you have registered with HMRC for enhanced or primary protection or have a protected lump sum then different rules apply on the amount of your tax free lump sum and you should seek specific confirmation.

The lump sum is normally tax free. There may be an additional tax charge levied by HMRC if you use this lump sum to increase your normal pension contributions.

How are my benefits provided?

Normally by purchasing an insured annuity with all or part of the value of your BWsmartSIPP. This can be done at any time from age 50 (age 55 from 6 April 2010). You will choose the insurance company. Annuity purchase will trigger a check against the prevailing Lifetime Allowance (see "What is the Lifetime Allowance?"). You will be able to select an annuity taking account of some or all of the following:

(a) to provide level or increasing income payments

(b) to provide an annuity for your life only or to include a provision for your spouse or partner

(c) to include a guarantee period on your death

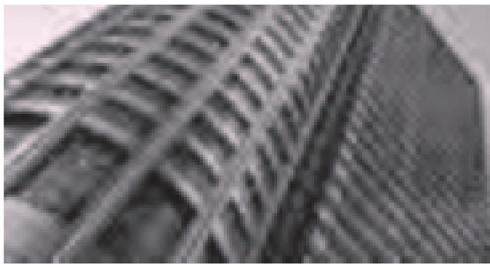
If you purchase an annuity with the full value of your BWsmartSIPP, your BWsmartSIPP will terminate.

Do I have to purchase an annuity when I reach age 75?

As a member of BWsmartSIPP you must purchase an annuity by age 75. However, if you wish to draw a pension from your fund instead of purchasing an annuity, you will need to join the main section of BWSIPP and be subject to that section's terms and conditions and fee structure.

Will my pension be subject to tax?

Yes, if you are a UK taxpayer, it is treated as earned income and taxed under the PAYE system.



Death Benefits

What happens if I die before taking benefits?

If you die before taking benefits, the whole of the value of your BWsmartSIPP up to the Lifetime Allowance will be realised and the full cash value can be paid to your beneficiaries. This payment would normally be free of Inheritance Tax (IHT). Alternatively, a pension can be paid to your financial dependants. When deciding the recipients of your death benefits the Trustees will take into account any wishes you have expressed to them. You may notify BWsmartSIPP, in writing, of your nominated beneficiaries at any time. Any value above the Lifetime Allowance will normally be subject to a deduction for tax.

Is my BWsmartSIPP written under trust?

Yes, BWSIPP is written under trust and the BWsmartSIPP section has as its sole Trustee, BW SIPP Trustees Limited.

Further Information

On acceptance of your application form you will become a member of the BWsmartSIPP section of BWSIPP. The BWSIPP is registered under part 4 of the Finance Act 2004. It is governed by trust deed and rules which we recommend you read. Please be aware that Stakeholder Pension Schemes are also available in the market and might meet your needs at least as well as the BWsmartSIPP.

Your Cancellation Rights

Once we accept your application you will have 30 days to cancel your BWsmartSIPP. Cancellation may be exercised by writing to us, at the address given later. You will receive the value of the underlying investments which may be lower than the contributions paid. Once the cancellation period has ended we cannot cancel your BWsmartSIPP and you will have to take benefits in line with current HMRC rules.

We will not request transfer payments from other registered pension schemes or place any investments until the cancellation period has ended or you confirm to us in writing you wish to waive your cancellation rights. For transfers from certain types of registered pension schemes we are not able to waive your cancellation rights even in you ask us to.

Terminating your Plan

After your cancellation period has expired, the law does not allow you to cash-in your BWsmartSIPP. You can stop your contributions and/or transfer your BWsmartSIPP to another registered pension scheme by writing to BW SIPP LLP at the address given later. Your BWsmartSIPP will terminate when BW SIPP LLP has no further liability because your funds have all been paid out.

Charges and expenses

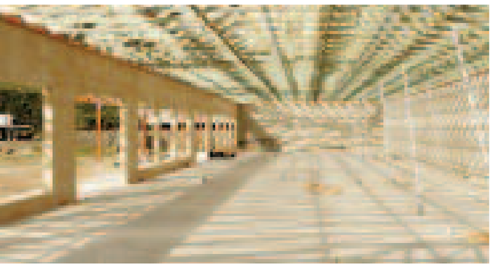
All charges are payable annually in advance unless stated otherwise. If there are insufficient funds available to meet these expenses, investments will be realised. There will also be charges associated with the investments you have chosen.

Charges apply until your BWsmartSIPP terminates, even if you are not paying any contributions.

Can BW SIPP LLP provide me with advice about my investment options under my BWsmartSIPP?

Neither BW SIPP LLP, Barnett Waddingham LLP nor BW SIPP Trustees Limited can provide you with regulated investment or financial advice concerning your SIPP. We are happy to work with your advisers to implement any decisions you have made.

If you do not have an existing investment adviser and wish to consider appointing one, our sister company Barnett Waddingham Investments LLP may be able to help. Please ask for further details if you are interested.



Tax

The BWsmartSIPP is registered with HMRC under Part 4 of the Finance Act 2004.

This means that you will pay your contributions net of basic rate income tax. BW SIPP LLP will recover the basic rate income tax on your behalf directly from HMRC whether you pay income tax or not.

If you are a higher rate income tax payer, you obtain the extra relief through your self assessment tax return.

Contributions paid by your employer are treated as a tax relievable business expense and are paid gross.

Most investments within a registered pension scheme are free from capital gains tax.

At retirement up to 25% of your fund may be taken as a pension commencement lump sum, which is usually tax-free. Your pension is taxable as earned income.

The Government may however change the tax position at any time.

Law

The parties to contracts under English law are entitled to choose the law which will apply. The law of England will apply to your BWsmartSIPP unless you have agreed otherwise with BW SIPP LLP before the BWsmartSIPP is issued. The BWsmartSIPP, and all communications in relation to it, will be in the English Language.

Queries and Complaints

If you would like further information please contact BWsmartSIPP LLP at the address given later

If you have a complaint, please write to the compliance officer in the first instance at: BW SIPP LLP, Cheapside House, 138 Cheapside, London, EC2V 6BW

If your complaint concerns the administration of your SIPP you may be referred to: The Pensions Advisory Service, 11 Belgrave Road, London, SW1V 1RB

Should you be dissatisfied with our response to your complaint you may have the right to refer it either to the Pensions Ombudsman or the Financial Ombudsman Service depending upon the nature of your complaint.

BW SIPP LLP

BW SIPP LLP is the administrator and operator of the BWSIPP. It is a limited liability partnership (Registered No OC322417). Its Registered Office is situated at Cheapside House, 138 Cheapside, London, EC2V 6BW.

BW SIPP LLP is a wholly owned subsidiary of Barnett Waddingham LLP. The main business of Barnett Waddingham LLP is the provision of actuarial consultancy services and pension scheme administration.

BW SIPP LLP is authorised and regulated by the Financial Services Authority.

BW SIPP Trustees Limited

BW SIPP Trustees Limited, is a subsidiary of Barnett Waddingham LLP and acts as the Trustee of the BWSIPP.

You can contact us at the office below

BWsmartSIPP, Barnett Waddingham LLP, 163 West George Street
Glasgow, G2 2JJ
Tel: 0141 243 4400 Fax: 0141 243 4432
Email: Glasgow.sipp@barnett-waddingham.co.uk

Bank of Scotland plc

Bank of Scotland plc provides the bank account for the BWsmartSIPP. Initially all cash is cleared through the bank account with BoS before it is transferred to your Selftrade Dealing account. No interest is payable on the BoS account.

Trust Deed and Rules

This Key Features Document sets out, briefly, the most important provisions of the BWsmartSIPP and is based on our understanding of current law and HMRC practice. Full details of all the terms as they will actually apply to you are, however, set out in the Trust Deed and Rules, and Terms and Conditions documentation copies of which are available on request.

See details of Barnett Waddingham's SIPP on:

www.BWsipp.co.uk

BW SIPP LLP is authorised and regulated by the Financial Services Authority