Barnett Waddingham
Self Invested Pensions

BWSIPP KEY FEATURES

APRIL 2011

BARNETT WADDINGHAM SELF INVESTED PERSONAL PENSION

BWSIPP AIMS

- To provide you with a trust-based pension vehicle to save for your retirement in a tax-efficient and flexible manner.
- To allow you to contribute within HMRC limits with no imposed minimum contribution or fund level.
- To receive transfers of your other registered pension arrangements.
- To let you invest in a wide range of investments, including commercial property.
- To pay lump sums on retirement and/or death within HMRC limits.
- To pay income on retirement and/or death within HMRC limits or via annuity purchase.
- To enable you to transfer out to another registered UK pension scheme, or qualifying overseas equivalent.
- To assist you in a friendly and open manner, providing you and your adviser with a personal level of service to ensure you get the best out of your SIPP.
- To treat you fairly in all our dealings with you.

YOUR COMMITMENT

- To act as a co-trustee with our trustee company.
- To pay the BWSIPP charges as set out in the separate fee schedule (updated annually on 1 June).
- To determine the most suitable investment strategy for your BWSIPP funds, or delegate this to an appointed adviser.
- To pay the charges and fees associated with any investments you choose.
- To draw benefits no earlier than age 55, unless in serious ill-health.
- To review your contribution levels, investment strategy and income payments at regular intervals.
- To notify us of any changes to your personal circumstances which may affect your BWSIPP, including your eligibility for tax relief on your contributions.
- To be responsible for any direct property investment or unquoted investments and, where your SIPP is leasing premises to your business, to maintain rental payments to your SIPP.
- To comply with all relevant HMRC rules.

INTRODUCTION

This document outlines the key features of the BWSIPP to help you to decide whether the BWSIPP is right for you. If you have any further queries please contact us, we'd be happy to help.

BWSIPP

What is the BWSIPP?

The BWSIPP is a self invested personal pension ("SIPP").

What is a SIPP?

A SIPP is a type of pension plan that allows you to direct how your pension monies are invested; the SIPP is the overall pension wrapper and you decide how money that you contribute into that wrapper is invested. The different SIPPs available from different SIPP providers usually vary in terms of how they are structured (e.g. trust-based or contract-based), how much investment freedom they allow (e.g. full or restricted), what control you as a SIPP member can exercise (e.g. open architecture or restricted) and how the provider charges for the SIPP (e.g. transparent fees or percentage of fund).

What type of SIPP is the BWSIPP?

The BWSIPP is a trust-based SIPP, where you would act as a trustee of your own SIPP fund with our trustee company.

We impose few restrictions. This means that the BWSIPP is one of the most flexible pension wrappers available on the market – the only restrictions are those that are imposed by legislation provided that we are happy that what is being proposed will not impact on the smooth running of your SIPP.

We charge in line with a fee schedule which includes a core annual administration fee which is not based on the size of the fund. This means that the BWSIPP is more cost efficient for those with larger funds and typically we suggest a minimum fund of £50,000, though this is not mandatory.

There is also a lower cost option for those who are content with a more restricted investment choice – please contact us for details.

Who can have a BWSIPP?

The BWSIPP is available to UK residents and UK taxpayers of all ages, regardless of employment status. As noted above, the BWSIPP is generally not suitable if your pension fund is less than £50,000 and you should be aware that there are other pension products available in the market that might meet your needs as well as the BWSIPP.

Whilst we accept applications directly, it is preferable that you have an Independent Financial Adviser (IFA). As we are involved in less work if you apply via an IFA, the establishment fee is reduced to reflect this – although we may at your request pay the IFA fees from your fund.

YOUR QUESTIONS AND ANSWERS

RISK FACTORS

Investments

- The value of your BWSIPP may go down as well as up and is not guaranteed. Past performance is no guarantee of future performance.
- You can invest your BWSIPP in a wide range of investments with differing levels of risk. Specialist advice should be taken. This advice cannot be provided by BW SIPP LLP, and instead should be provided by a qualified and regulated independent financial adviser.
- The size of your BWSIPP fund at any given time will depend not only on the return from the investments you choose but also on the contributions paid and the costs, including those levied by the BWSIPP, by the providers of your selected investments and by any related parties.
- You should carefully consider the content of any key features document that may be issued by the product provider of any underlying investment.
- The investment returns on your BWSIPP from underlying investments may be lower than shown on any illustration you have received from the product provider.
- Some investments may be difficult to sell, for example commercial property and unquoted shares, and it may take time to realise the value of these investments.
- If you cancel your BWSIPP you will only receive back the value of the underlying investments less any costs, which may be lower than the contributions you have paid.

Income Payments from your BWSIPP

- The level of income provided from your BWSIPP is not guaranteed. If you require security of income in your retirement, you should consider purchasing an annuity rather than drawing income directly from the BWSIPP.
- Income and lump sums for you and your dependants may be lower than expected if investment returns are poor, if you take benefits earlier than you had expected or if you stop paying regular contributions.
- Income may reduce from initial levels depending on investment performance, your own life expectancy and how much income you have taken previously. Future income levels will also depend on the level of BWSIPP charges and the charges and fees associated with the underlying investments.
- The cost of securing an income via annuity purchase cannot be guaranteed for the future. If you decide to purchase an annuity in the future, the level of pension income provided by the annuity may be lower or higher than the income payments you were receiving under the BWSIPP and/or the income which could have been provided initially.

Transfers

- If you transfer funds into the BWSIPP 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.
- You should be aware that by transferring from another provider you may be giving up the prospect of receiving a terminal bonus on with profit plans.
- The transferring scheme may reduce your transfer value by applying penalties and/or charges.
- If you are in income drawdown, your maximum annual pension might be reduced as a result of the transfer.

General

- The HMRC may legislate to change any aspect of registered pension schemes and their tax treatment.

PROTECTION

How is my BWSIPP money protected?

Typically all investments will be held jointly between our trustee company and you, as you would be a joint trustee of the assets in your own fund. This gives you a core level of protection and control, as it means you will always be involved in the sale or purchase of your assets. We may act as nominee for assets where there is a joint purchase, such as where there is a joint property purchase. In this case, we would be bound by a Declaration of Trust (agreed by all parties at the outset).

In addition, the investment provider might offer its own protection. For example, the Financial Services Compensation Scheme (FSCS) may offer protection for underlying investments. You would need to check with your financial adviser or the underlying investment provider in each instance.

Finally, the BW SIPP LLP is regulated by the Financial Services Authority (FSA) to establish and operate personal pension schemes. This means that we have to report regularly to the FSA on the business that we are conducting and hold minimum levels of reserves within our business. The operation of SIPPs is a regulated activity and the member is therefore protected under the FSCS.

TAX TREATMENT

How are pension schemes taxed?

Pension schemes are generally taxed using the "Exempt, Exempt, Taxed" (or EET) system. That is to say, there is tax relief on new money contributed, investments build up tax-free but distributions are taxed when they are made. This is a generalisation as explained below.

How is tax relief given?

There is tax relief granted but there are limits and allowances to restrict how much tax relief is given.

How are funds within pensions taxed?

Generally, funds are invested tax-free though there are some exceptions. Because of the tax-free nature, there is no Capital Gains Tax to pay on property or share sales, there is no income tax to pay on rental income or additional income tax to pay on franked dividend income (but the tax credits cannot be reclaimed) and bank interest accrues tax-free.

However, investment in property investment LLPs, residential property and tangible moveable property is subject to tax charges and there may be instances where tax charges and penalties apply – e.g. if your business fails to keep up its rental payments on a SIPP property.

Stamp Duty Land Tax (SDLT) and VAT apply as normal.

How are distributions from the fund taxed?

Most distributions are subject to income tax. A tax-free distribution can be made if death occurs before benefits have been drawn and usually 25% of the fund can be paid tax-free on retirement. Additional tax charges apply if the Lifetime Allowance (£1.8 million for 2011/12) is exceeded.

YOUR QUESTIONS AND ANSWERS

BWSIPP INVESTMENT CHOICES

What are my investment options in the BWSIPP?

The BWSIPP will allow you to invest in most assets and we try not to impose any restrictions, allowing as much as HMRC will allow. However, there are certain assets which we avoid for tax reasons, such as residential property and 'tangible moveable property' such as works of art, cars, plant and machinery etc.

There is no limit to the number of investments you can have, though the more investments you select the higher the BWSIPP charges are likely to be.

EXAMPLE BWSIPP INVESTMENTS

- Stocks and Shares
- Unquoted shares (subject to HMRC restrictions)
- Unit trusts
- Open Ended Investment Companies (OEICs)
- Commercial property such as offices, shops, industrial units, warehouses, pubs, hotels & hotel rooms (restrictions apply)
- Syndicated commercial property investments
- Agricultural land

EXAMPLE NON-PERMITTED INVESTMENTS

- Residential property
- Classic cars
- Works of art
- Fine wine
- Yachts
- Plant & Machinery
- Loans to you or people connected with you
- Loans to companies connected with you
- Wind turbines
- Solar panels

If your BWSIPP enters into an investment transaction with yourself or someone connected with you, the transaction must be carried out on an arm's length basis. This means your BWSIPP can buy or sell or lease a property from/to you, your family or your business provided the transaction takes place at market value.

We reserve the right to turn down or sell any investment if it jeopardises the registered status of the BWSIPP.

Can my BWSIPP buy a property?

Yes, your BWSIPP can buy a commercial property (which must be at market value if from you or a person connected to you).

Residential property is usually not allowed due to the high tax charges except in a small number of situations or via certain syndicates such as Real Estate Investment Trusts (REITs).

If you require further information on property purchase please contact us.

Who pays the rent from commercial properties?

The tenant is responsible for paying the rent directly to your BWSIPP (or via an appointed managing agent) in line with the terms of the lease. If the tenant is connected with you, the rental value must be confirmed as a commercial market rate by a qualified independent surveyor.

Who can the trustees borrow from on my behalf?

Your BWSIPP can borrow from any lender of your choice (bank, company or individual) or from you personally, subject to the trustees' approval. Your BWSIPP may borrow up to 50% of the net value of your BWSIPP prior to the borrowing and prior to the purchase taking place. The limit includes any existing borrowing and will need to be enough to cover any VAT, SDLT or other expenses relating to the purchase. You also need to make sure your BWSIPP will have sufficient income to repay the borrowings.

How are stocks and shares held?

These are usually registered in the name of an authorised nominee company offered by most stockbrokers or wrap platforms.

Can I buy unquoted shares?

Yes. Many providers will not accept unquoted shares as the additional rules and restrictions associated with them are complex. However, we will guide you through the process and help determine the suitability of such shares with you.

Can I hold cash?

Yes. All BWSIPPs have a bank account established with Bank of Scotland. All contributions, transfers and investment income must initially be paid to this account. Other deposit takers of your choice that satisfy our due diligence can be used subject to an additional fee (unless they appear on our pre-selected list in which case set up will be free).

Should there be money kept in the BWSIPP bank account?

We do not stipulate a minimum balance. But you need to ensure that there are sufficient funds available to meet the day to day liabilities of your BWSIPP, for example for administration fees, mortgage payments and income payments.

What do I do when I want the trustees to make an investment transaction on my behalf?

You must contact BW SIPP LLP to give us your instructions, which in most cases will require your signature in a format agreed with the particular investment. Some investment platforms will allow you to place the investment deal directly with them if pre-agreed in advance with the trustees.

What happens to any rental, dividend or other income received into the BWSIPP bank account for me?

Where this money is not needed to meet income or mortgage repayments, you will need to give us instructions as to how you wish it to be invested, otherwise it will remain in the bank account.

Are there any other tax charges associated with investments?

Yes, if an unauthorised payment is made - e.g. if there is excessive borrowing, if investment transactions are not carried out at market rate or if rent is not paid when due by a connected tenant. We must report all unauthorised payments to HMRC and the tax charge on you personally would usually be 40% to 55% of the payment and your BWSIPP would be subject to a further minimum tax charge of 15% of the payment.

Also, the direct or indirect holding of taxable property, including 'tangible moveable property' can attract large tax charges.

How do I know what my BWSIPP is worth?

Every year we will send you a statement confirming the value of your BWSIPP on a specific day and detailing any contributions paid or transfers received in the previous 12 month period.

You can request an up-to-date valuation at any time, at which point we will contact all of the investment providers for up-to-date values. There may be a delay in collating this information and there would be an additional charge for attending to this.

Can BW SIPP LLP give me advice on my investments?

No, neither BW SIPP LLP, Barnett Waddingham LLP nor BW SIPP Trustees Limited can provide you with regulated investment or financial advice concerning your BWSIPP. But we are happy to work with your advisers to implement any decisions you have made.

YOUR QUESTIONS AND ANSWERS

CONTRIBUTIONS

How much can I pay in each year?
Generally, you can make gross personal pension contributions of up to 100% of your relevant UK earnings each tax year. You should bear in mind that the tax effectiveness of pension contributions is restricted if you contribute more than your available Annual Allowance (see section on Pension Allowances).

The maximum personal contribution applicable to you depends on a number of personal factors and how much you should actually contribute depends on your own circumstances and so you might wish to seek independent financial advice before contributing. We will process contributions on the assumption that you have already considered their tax effectiveness.

Your employer can also make contributions within HMRC limits.

How do I receive tax relief?
Your personal contributions to the BWSIPP are paid net of basic rate tax and by making the contribution you declare that you are eligible to receive basic rate tax relief. If you are under 75, we will reclaim basic rate tax relief from HMRC. This will be credited to the BWSIPP bank account and invested in line with your wishes.

EXAMPLE
Your relevant earnings are £30,000 gross. You make monthly contributions of £200. We will treat this as a net contribution and claim £50 tax relief from HMRC. Your gross monthly contribution would therefore be £250.

Tax relief is not available if you are 75 or over.

What if I am a higher rate taxpayer?
If you pay more than basic rate tax, you can claim the balance of tax relief by completing a Self Assessment tax return or by contacting your tax office.

What are relevant UK earnings?
For most people, this is employment income taxable in the United Kingdom and income which is chargeable under Schedule D. The full definition is set out in the BWSIPP Membership Application.

How much can my employer pay in?
Your employer can also make contributions to your BWSIPP and these are not limited to your earnings. Employer contributions are paid on a gross basis and so there is no tax relief for us to reclaim. Tax relief on employer contributions is given by allowing contributions incurred wholly and exclusively for the purposes of the employer's business to be deducted as an expense and so reducing the amount of the employer's taxable profit. Tax relief can be spread over a number of years in certain situations.

What other factors do I need to bear in mind?
You must tell us within 30 days if you are no longer entitled to tax relief on your contributions. You may make single contributions or set up regular contributions. Contributions are not tax efficient if you are over age 75.

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?
Provided you are a relevant UK individual – i.e. you pay tax in the UK – you will still receive basic rate tax relief on all personal contributions paid into your BWSIPP 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 BWSIPP).

Will I get tax relief on contributions made to a child's or spouse's BWSIPP?
Contributions paid on behalf of a child or spouse would be net of basic tax and tested against their earnings (or £3,600 if higher). We will reclaim basic rate tax from HMRC and credit it to the child's or spouse's BWSIPP current account. You cannot claim higher rate tax relief on these contributions.

When will the tax relief be credited to my bank account?
This depends upon when the contribution is paid and when BWSIPP receive the payment from HMRC, but is usually between 6 and 11 weeks after the contribution is received.

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

Yes, but you should seek specialist financial advice regarding this. Contributions of this type are only tax efficient if documented in a certain way. There are additional costs involved with this type of contribution compared to making cash contributions.

Can I stop my contributions at any time?

Yes, your contributions can stop or start at any time without penalty. However, you need to ensure you have sufficient funds available to meet any regular investments or other commitments you have arranged through your BWSIPP.

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

No, this is not allowed. The BWSIPP 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 "Can I transfer in Protected Rights?" later).

Are there any special circumstances when I should not contribute to my BWSIPP?

Whether you or your employer should pay into your BWSIPP is usually a matter for you or your IFA to decide depending on your circumstances. However, it is worth reminding you that if you have certain forms of protection from the Lifetime Allowance then this protection might be lost if you make contributions to the BWSIPP or any other registered pension schemes.

ANNUAL ALLOWANCE

What is the Annual Allowance?

The tax relief available on pension contributions is valuable and costly to the Government. They therefore restrict how much relief an individual can obtain each year by setting an Annual Allowance. Contributions to defined contribution schemes, such as the BWSIPP, and accrual within defined benefit (or final salary) and cash balance schemes are tested against the Annual Allowance. If the allowance is exceeded, then the excess is added to your taxable income.

As such, the Annual Allowance restricts how much you might want to contribute to your BWSIPP (as well as the restriction of 100% of UK relevant earnings that applies to personal contributions).

The Annual Allowance for 2011/12 is £50,000 and it is expected to remain at this level for several years.

What if I haven't used my full Annual Allowance in previous years?

You are able to carry forward any unused Annual Allowance covering the previous three tax years provided that you were a member of a registered pension scheme during those tax years.

EXAMPLE

If you contributed £20,000 in 2008/09, £30,000 in 2009/10 and £40,000 in 2010/11, you are able to carry forward £60,000 of unused Annual Allowance for 2011/12.

If you contributed £70,000 for 2011/12 this would be allocated as £50,000 against the 2011/12 tax year and £20,000 against the unused allowance for 2008/09 (the earliest year).

For 2012/13 you would have £30,000 of unused allowance, as the remaining unused allowance for 2008/09 is lost due to the three year timescale, leaving just the unused allowances for 2009/10 and 2010/11.

YOUR QUESTIONS AND ANSWERS

BENEFITS

When can I take benefits?

The normal minimum pension age (NMPA) set by the HMRC is age 55 (unless you have already protected a lower NMPA prior to 6 April 2006, for example professional footballers were allowed to take benefits from age 35 prior to this date).

If you are in ill health, you may be able to take benefits earlier.

There is no maximum age, though certain benefits are affected if you have not drawn a lump sum by age 75.

What options do I have?

Your pension fund can provide benefits in a number of ways, including a tax-free lump sum known as Pension Commencement Lump Sum (PCLS), a lifetime annuity, Drawdown and Flexible Drawdown. (A taxed lump sum is also an option if you have funds in excess of your available Lifetime Allowance.)

You can also draw you benefits in stages, a process known as Phased Retirement.

How much can I take tax-free?

As a tax-free Pension Commencement Lump Sum (PCLS), you will usually be able to take up to 25% of your BWSIPP fund (subject to you having sufficient available Lifetime Allowance).

Different rules might apply on the amount of your PCLS if you have protected lump sum rights, which might mean that you can have more or less than 25% of your fund. It is usually up to you to notify us if you have protected lump sum rights.

The PCLS is paid tax-free but there may be an additional tax charge levied by HMRC if you recycle this lump sum to increase your normal pension contributions.

What is a lifetime annuity?

A lifetime annuity is a contract with an insurance company that will pay an income for your lifetime. It provides certain security over the income rather than the flexible, but not guaranteed, future benefits provided by Drawdown or Flexible Drawdown. There may be additional benefits attached to the annuity such as a continuing income for your surviving spouse.

You can purchase an insured annuity at any time from age 55 with all or part of the value of your BWSIPP. You would choose the insurance company, and we strongly recommend that you seek independent financial advice. Annuity purchase will trigger a check against the prevailing 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, civil partner or dependant
(c) to be paid for a minimum term
(d) your current health.

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

Do I have to buy an annuity by age 75?

No. This is no longer a requirement under legislation or the BWSIPP, though at age 75 a test will be made against the Lifetime Allowance if you have not yet crystallised your fund (drawn any benefits).

What is normal Drawdown?

Drawdown is a system for providing you with income from the pension fund once you have crystallised your fund and taken your tax-free PCLS (if any).

Under Drawdown, you are provided with a maximum amount of income that you may withdraw from your fund during your drawdown year. You do not have to draw anything from the fund should you wish, but you are not allowed to draw more than the maximum. We control the payments from the fund and make sure that you do not exceed the permitted maximum in any one drawdown year.

The annual maximum is worked out with reference to tables provided by the Government Actuary’s Department (often referred to as GAD tables). These tables take account of your age and sex as well as investment conditions and aim to mimic the single life annuity rates for level income. The maximum must be reviewed every three years up to age 75 and annually thereafter.

By way of example, the current maximum amounts that could be drawn each year for various individuals is shown below, assuming a fund of £100,000 and the yield rate of 4% applicable on 6 April 2011.

Age	Male	Female
55	£5,500 p.a.	£5,200 p.a.
60	£5,900 p.a.	£5,700 p.a.
65	£6,600 p.a.	£6,200 p.a.
70	£7,500 p.a.	£7,100 p.a.
75	£9,000 p.a.	£8,300 p.a.
80	£11,500 p.a.	£10,500 p.a.

What is Flexible Drawdown?

Flexible Drawdown enables you to draw funds from your pension fund without any annual maximum limit. As there are no limits, there is no HMRC requirement for regular reviews which means that we do not have to obtain valuations on your fund nor check that you are not exceeding your maximum. All payments are taxed at your marginal rate.

Flexible Drawdown is only available for individuals who declare that they meet the following Flexible Drawdown criteria:

(a) During the tax year that you make the declaration, you have made no pension contributions and will not do so.

(b) At the point that you make the declaration, you are not an active member of any defined benefit or cash balance pension arrangement.

(c) During the tax year that you make the declaration, you have secure pension income of no less than £20,000 per annum.

Secure income includes annuity income, state pension benefits and overseas equivalents of these.

Are benefits that I receive directly under Drawdown or Flexible Drawdown subject to tax?

Yes. Benefit payments are treated as earned income and taxed under the PAYE system.

You can choose ad hoc or regular payments to suit your individual circumstances. Ad hoc payments can be requested by you throughout the year, but we have one fixed payment date per month.

Can I receive benefit payments "in specie"?

Yes, though they are taxed in the same way as though they are paid in cash and there needs to be a proper valuation of the assets being used as payment so that the appropriate tax can be calculated. Transfers will also be subject to the usual tax charges where relevant, such as SDLT and VAT. In specie payments are subject to additional fees.

Can BW SIPP LLP give me advice on what benefits to take?

No, neither BW SIPP LLP, Barnett Waddingham LLP nor BW SIPP Trustees Limited can provide you with regulated investment or financial advice concerning your BWSIPP. Your usual BW SIPP LLP consultant will be able to detail the various benefit options available to you, but they will not be able to advise which option is the best for your personal circumstances. We are happy to work with your advisers to implement any decisions you have made.

TRANSFERS

Can I transfer existing pension benefits into my BWSIPP?

Yes, provided these are from another registered pension scheme. They can be transferred even if you have commenced income drawdown in the transferring scheme provided the transferring scheme is agreeable.

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 BWSIPP Membership Application and we will contact the transferring scheme for further information.

Can I transfer in Protected Rights?

Yes. Certain regulatory restrictions apply to the treatment of Protected Rights funds on death, as outlined later in this document. However, these restrictions are due to be removed from April 2012.

If you are already drawing an income from the Protected Rights being transferred, the transfer will force you to take at least a proportional level of income from the rest of your BWSIPP fund.

Can I transfer the actual investments held under another SIPP to my BWSIPP?

Yes, usually an "in specie" transfer is possible, but you should check with us first as not all investments can be transferred directly.

Can I transfer my BWSIPP to another pension arrangement?

Yes, you can transfer all your BWSIPP to another UK registered pension scheme or to a Qualifying Recognised Overseas Pension Scheme (QROPS). The transfer can either be in the form of a cash payment or an "in specie" transfer of the BWSIPP assets to the new scheme. A partial transfer is also possible in certain circumstances.

If you wish to transfer your BWSIPP 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.

Can BW SIPP LLP give me advice on whether to transfer?

No, neither BW SIPP LLP, Barnett Waddingham LLP nor BW SIPP Trustees Limited can provide you with regulated investment or financial advice concerning your BWSIPP. We are happy to work with your advisers to implement any decisions you have made.

YOUR QUESTIONS AND ANSWERS

LIFETIME ALLOWANCE

Is there a limit on the amount of funds I can accrue?

There is no limit on the overall value of your BWSIPP. However, if the total value of all your registered pension schemes exceeds the Lifetime Allowance (£1.8 million for 2011/12) then a tax charge may apply on the excess amount above the Lifetime Allowance.

What is the Lifetime Allowance?

This is the amount in your pension fund which is allowed by HMRC before any additional tax payments are levied. Your BWSIPP 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.

Is everyone subject to the Lifetime Allowance?

Some people are exempt from the Lifetime Allowance or have an enhanced Lifetime Allowance. These people will typically have a certificate issued by HMRC confirming their status, which would have resulted either from registering significant pension savings with HMRC when the Lifetime Allowance was introduced in 2006 or from having pension rights credited to them following a divorce. These people will have either Enhanced Protection with lump sum protection, Primary Protection or a Lifetime Allowance Enhancement Factor applicable to them.

The Lifetime Allowance is due to reduce from £1.8 million to £1.5 million on 6 April 2012. Anyone (other than those with Enhanced Protection or Primary Protection) is able to register with HMRC for Fixed Protection which will allow their benefits to be tested against £1.8 million instead of £1.5 million until such time as the Lifetime Allowance exceeds £1.8 million. Registration needs to occur by 6 April 2012 and Fixed Protection is lost if further pension rights are built up on or after 6 April 2012.

Are there any other tax charges?

Yes, if an unauthorised payment is made - e.g. if there is excessive borrowing, if investment transactions are not carried out at market rate or if rent is not paid when due by a connected tenant. We must report all unauthorised payments to HMRC and the tax charge on you personally would usually be 40% to 55% of the payment and your BWSIPP would be subject to a further minimum tax charge of 15% of the payment.

Also, the direct or indirect holding of taxable property, including 'tangible moveable property' can attract large tax charges.

DEATH BENEFITS

What happens to my fund on death?

Your fund is not lost on death: it will be used to provide for your dependants and beneficiaries as determined by BW SIPP LLP after consulting with your surviving family and/or your legal representatives. This could include, for example, an income for your surviving spouse, and/or a lump sum for your children. If there are no dependants you also have the option of donating to charity. The taxation position on lump sum payments depends on whether you have already crystallised your fund at the time of death (ie started taking benefits).

What happens if I haven't yet crystallised my fund?

Provided you were under age 75 on your death, BW SIPP LLP could make tax-free lump sum payments to your beneficiaries (people who were financially dependent on you or who you have nominated in writing). There would be no Inheritance Tax (unless there are no beneficiaries in which case BW SIPP LLP would make payment directly to your estate).

BW SIPP LLP could instead allocate all or some of the fund to provide an income for your dependant(s), which could include a spouse, a civil partner, a child under age 23, someone dependent due to physical or mental impairment or someone considered financially dependent on you. The dependant would have the same options as you to receive the income (lifetime annuity, Drawdown or Flexible Drawdown if applicable).

What happens if I have crystallised my fund?

BW SIPP LLP could still make lump sum payments to your beneficiaries (people who were financially dependent on you or who you have nominated in writing) but BW SIPP LLP would first have to deduct 55% tax. There would be no Inheritance Tax to pay.

BW SIPP LLP could instead allocate all or some of the fund to provide an income for your dependant(s), in similar fashion to that noted above.

What happens if I have only crystallised part of my SIPP (phased drawdown)?

In this case, the death benefits will be treated separately for those funds that have not provided you with benefits and those funds that have begun to provide you with benefits, as per the above two answers.

What happens if I die after age 75?

BW SIPP LLP could still make lump sum payments to your beneficiaries (people who were financially dependent on you or who you otherwise nominated in writing) but BW SIPP LLP would first have to deduct 55% tax. There would be no Inheritance Tax to pay. BW SIPP LLP could make a Charity Lump Sum payment, which would not be subject to tax.

BW SIPP LLP could instead allocate all or some of the fund to provide an income for your dependant(s), in similar fashion to that noted above.

How do BW SIPP LLP decide who benefits and by how much?

When deciding the recipients of your death benefits BW SIPP LLP will take into account any wishes you have expressed to them. BW SIPP LLP will usually also consult with your surviving family and/or legal representatives.

What if I have transferred in Protected Rights benefits?

If you have a surviving spouse or civil partner, then funds represented by Protected Rights must be used to provide an income to that person.

Is my BWSIPP written under trust?

Yes, you act as co-trustee with the Asset Trustee, BW SIPP Trustees Ltd.

Can additional trustees be appointed on my death?

You can nominate somebody on the BWSIPP Membership Application, or notify BW SIPP LLP at a later date that you wish a replacement trustee to be appointed on your death. We can arrange this by way of additional Deed.

FURTHER INFORMATION

MEMBERSHIP

On acceptance of your application form you will become a member of the BWSIPP. The BWSIPP is registered under Chapter 2 of Part 4 of the Finance Act 2004. It is governed by a Trust Deed and Rules dated 6 April 2011 which is available on request and which we recommend you read.

YOUR CANCELLATION RIGHTS

Once we accept your application you will have 30 days to cancel your BWSIPP. 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 BWSIPP and you will have to take benefits in line with current HMRC rules.

We will not request irreversible transfer payments from other registered pension schemes or place any irreversible 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 if you ask us to.

If you take income drawdown you have 30 days at that time to change your mind and send the cancellation notice and any lump sum and income you have received back to us. Your election to take income drawdown will be cancelled at that time.

TERMINATING YOUR PLAN

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

CHARGES AND EXPENSES

Our charges are specified in our separate fee schedule. The fee schedule is available on request or by visiting www.bwsipp.co.uk. If there are insufficient funds available to meet expenses and you have not settled our fees by other means, investments will be realised as decided by BW SIPP LLP in their absolute discretion. There will also be charges associated with the investments you have chosen. Charges apply until your BWSIPP terminates, even if you are not paying any contributions, or have insufficient funds in your BWSIPP to meet the fees.

CAN BW SIPP LLP PROVIDE ME WITH ADVICE ABOUT MY BWSIPP?

Neither BW SIPP LLP, Barnett Waddingham LLP nor BW SIPP Trustees Limited can provide you with regulated investment or financial advice concerning your BWSIPP. 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.

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 BWSIPP unless you have agreed otherwise with BW SIPP LLP before the BWSIPP is issued. The BWSIPP, and all communications in relation to it, will be in the English Language.

COMPLAINTS

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 you are not satisfied with the way your complaint has been handled you have the right at any time to contact 'The Pensions Advisory Service' (TPAS). You may also have the right to refer the matter to the Pensions Ombudsman, although it is usual to refer your case to TPAS in the first instance who will be able to assist you further. Also, depending upon the nature of your complaint you may be able to refer it to the Financial Ombudsman Service.

BW SIPP LLP

BW SIPP LLP is the Scheme Trustee, 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 Ltd is a subsidiary of Barnett Waddingham LLP and acts as the Asset Trustee of the BWSIPP.

For more details on BWSIPP see www.bwsipp.co.uk www.bwsipp.co.uk

Amersham
Chalfont Court, Hill Avenue, Amersham HP6 5BB
Tel: 01494 788100 Fax: 01494 788800
Email: amersham@bwsipp.co.uk

Bromsgrove
Silver Springs House, 2 Topaz Way
Birmingham Road, Bromsgrove B61 0GD
Tel: 01527 300 000 Fax: 01527 300 090
Email: bromsgrove@bwsipp.co.uk

Cheltenham
St James's House, St James's Square, Cheltenham GL50 3PR
Tel: 01242 538500 Fax: 01242 538501
Email: cheltenham@bwsipp.co.uk

Glasgow
163 West George Street, Glasgow G2 2JJ
Tel: 0141 243 4400 Fax: 0141 243 4432
Email: glasgow@bwsipp.co.uk

Leeds
West Riding House, 67 Albion Street, Leeds LS1 5AA
Tel: 0113 394 3700 Fax: 0113 394 3760
Email: leeds@bwsipp.co.uk

Liverpool
Port of Liverpool Building, Pier Head, Liverpool L3 1BW
Tel: 0151 235 6600 Fax: 0151 235 6640
Email: liverpool@bwsipp.co.uk

London
Cheapside House, 138 Cheapside, London EC2V 6BW
Tel: 020 7776 2200 Fax: 020 7776 3800
Email: london@bwsipp.co.uk

General queries
Email: info@bwsipp.co.uk

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