

# Glossary

This document is applicable to both BW SIPP and SIPP products

Note: Where we refer to 'us', 'our' or 'we', we mean BW SIPP LLP acting as the **operator**. This document is based on our interpretation of current legislation and **HM Revenue & Customs (HMRC)** practice, which may change in the future. If you have a disability or medical condition which makes it difficult for you to read this document, we can provide this in alternative formats including audio CD or tape, braille, large print and on coloured paper.



## Additional voluntary contributions (AVCs)

Contributions paid by an individual to his/her employer's **occupational pension scheme** over and above the basic or contractual contributions, which are required as a condition of membership.

## Adjusted income

An annual monetary amount that determines whether an individual will be subject to a tapering of their **AA** for a particular tax year. Broadly, the amount is calculated by adding the individual's total income from all sources to their pension contributions during a tax year. (See also **Threshold income**.)

## Anniversary date

Unless you or we notify otherwise, the annual anniversary of the date of the establishment of your **SIPP**.

## Annual allowance

(see also **Money purchase annual allowance**)

The Annual Allowance limits the amount of pension savings you can make each tax year that benefits from **tax relief**. It covers any contributions you make yourself and any contributions made on your behalf, including contributions by your employer.

The Annual Allowance is £60,000 for the tax year 2024/25 and from then on until the Government notifies otherwise.

You may be able to **carry forward** unused Annual Allowance from the previous three tax years. If you use **carry forward**, the full amount contributed by you (or a third party other than your employer) must be within your **Relevant UK Earnings** for the tax year in which the contributions are made.

If the total contributions made to your **SIPP** and any other pension schemes exceed the Annual Allowance and you're unable to use **carry forward**, the excess amount will be taxed at your marginal rate of income tax. This is called the **Annual Allowance charge**.

See also **Money Purchase Annual Allowance (MPAA)** and **Tapered Annual Allowance**.

## Annual allowance charge

The Annual Allowance charge is an income tax charge payable to **HMRC**. It can apply when contributions made during the same tax year exceed your **Annual Allowance** or the **Money Purchase Annual Allowance**. The charge is calculated by adding the excess contribution amount to your taxable income for the relevant tax year.

Tax is then charged at your marginal rate.

The **Annual Allowance charge** can be accounted for in your tax return, or you can ask for it to be paid directly to **HMRC** from your **SIPP**.

## Annuity

An **annuity** contract purchased from an **annuity** provider of your choice that provides you with an income for life in exchange for all or part of your **SIPP** funds and/or funds from other **registered pension schemes**. (See also **short-term annuity**.)

## Arm's length

The condition or fact that the parties to a transaction are independent and on an equal footing, or act as they would if they were independent buyers and sellers, with no shared interest. The concept of an **arm's length** transaction is to ensure that both parties in the deal are acting in their own self-interest, and are not subject to any pressure or duress from the other party.

## B

## Barnett Waddingham Flexible SIPP

Your **Barnett Waddingham Flexible SIPP** is a self-invested personal pension product, which is issued under the **scheme**.

## Beneficiary/ beneficiaries

As the **member**, you are the **beneficiary** of your **SIPP** until your death. After your death, the **beneficiaries** are the people or entities who will receive benefits from your **SIPP** and/or other **registered pension schemes**. **Beneficiaries** can include your **dependants** and persons or entities other than your **dependants** as well as other people or entities (**nominees**) you nominate to receive benefits from your **SIPP** on your death.

## Benefit Crystallisation Event

A Benefit Crystallisation Event (BCE) occurred when uncrystallised **SIPP** funds were used to provide pension benefits between 6 April 2006 and 5 April 2024. When a BCE occurred, the value of the benefits being taken (**crystallised**) were tested against the **Lifetime Allowance (LTA)**.

From 6 April 2024 **Relevant Benefit Crystallisation Events (RBCE)** replaced BCEs.

## Business day

Any day other than a Saturday, a Sunday, or a day which is a public holiday in England.



## Capped drawdown fund

An arrangement established before 6 April 2015 to pay income from a **self-invested personal pension scheme (SIPP)**, which is subject to the **maximum income limit**.

## Capped drawdown pension

Pension income paid from a **capped drawdown fund**.

## Carry forward

Unused **Annual Allowance** from the previous three tax years can be carried forward for use in the current tax year, if you were a **member** of a **registered pension scheme** during those tax years.

To make contributions using carry forward you still need to have sufficient **Relevant UK Earnings** in the current tax year. Earnings from previous tax years can't be carried forward.

If you trigger the **Money Purchase Annual Allowance** you won't be able to use carry forward for contributions to a money purchase pension scheme.

If you are subject to a **Tapered Annual Allowance**, the amount you can carry forward will be limited to any unused allowance from within your **Tapered Annual Allowance**.

## Client accounts

Common bank accounts in our name with **our chosen bank**, which are used collectively for all **scheme members**. There are different **client accounts** for different types of payment, such as making contributions and transfer payments in, buying and selling investments, making **drawdown pension** payments to **members**, collecting rental income and making payments to **HMRC**.

## Client money account

A common bank account in our name with **our chosen bank**, which is used collectively for all **scheme members**, in which cash is held as client money, in accordance with **FCA** requirements.

## Connected party/ies

**Connected parties** are certain relatives, trustees, partners and companies.

A person is connected to an individual if that person is the individual's spouse or civil partner, a relative of the individual, the spouse or civil partner of a relative of the individual, a relative of the individual's spouse or civil partner, or the spouse or civil partner of a relative of the individual's spouse or civil partner.

Relative is defined as brother, sister, ancestor or lineal descendant. Relative does not cover all relationships, in particular nephews, nieces, uncles and aunts.

A company is connected with another person if that person has control of the company or that person and persons connected with

him/her together have control of the company. In this context it means a person (and those connected with that person) being able to directly or indirectly control the affairs of a company. In practice, this is usually likely to mean the individual or persons connected with that individual holding more than 50% of the voting rights of a company, although the definition of control is wide-ranging and can extend beyond this.

A person is connected to any person he/she is in partnership with, and the spouse or civil partner of any person he/ she is in partnership with, and a relative of any person he/she is in partnership with.

Where a transaction takes place between your **SIPP** and a **connected party**, it must be made on **arm's length** terms.

## Crystallisation/crystallised

Pension benefits are crystallised when benefits are taken by moving funds into drawdown, buying an annuity, or taking certain lump sums.

Between 6 April 2006 and 5 April 2024, these events were treated as **Benefit Crystallisation Events (BCE)**. From 6 April 2024, this is replaced by **Relevant Benefit Crystallisation Events (RBCE)**, which only occur when a lump sum is tested against the **Lump Sum Allowance (LSA)** or **Lump Sum and Death Benefit Allowance (LSDBA)**.

Pension benefits in a **drawdown pension fund** are also sometimes referred to as crystallised benefits.



## Data

'Personal Data' and 'Sensitive Personal Data' as defined in the **Data Protection Act (DPA)** and 'Personal data' and 'special categories of data' as defined in the General Data Protection Regulation (GDPR).

## Data Protection Act (DPA)

The **Data Protection Act 2018** and any relevant regulations, as may be amended from time to time.

## Defined benefit scheme

An **occupational pension scheme** established by an employer for its employees' benefits, based on a proportion of pensionable salary for each year of pensionable service. Pensionable salary can be salary at retirement (known as 'final salary'), or the employee's average earnings over the whole period of membership of the **scheme** (a **Career Average Revalued Earnings (CARE) scheme**), or some other formula.

## Department for Work and Pensions (DWP)

The Government department responsible for welfare and pension policy.

## Dependant

Under pension legislation, **dependant** essentially means the following:

- a. your spouse or registered civil partner;
- b. any child of yours who is under 23, or who in our opinion is dependent on you, because of physical or mental impairment; or
- c. any other individual who, in our opinion, was financially dependent on you, or who had a relationship of mutual dependence with you, or who was dependent on you because of physical or mental impairment.

## Dependant's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension income to a **dependant** nominated by the **member** (or, where applicable, by the **operator**) before his/her death.

## Deposit account

A bank account that is used to hold cash on deposit as an investment of your **SIPP**.

## Drawdown pension

The **crystallisation** of funds in your **SIPP**, enabling the payment of income directly from your **SIPP**. **Drawdown pension** can be either **capped drawdown pension** or **flexi-access drawdown pension**, as applicable.



## Enhanced protection

Enhanced Protection was a means of protecting pension benefits built up before 6 April 2006 from the **Lifetime Allowance charge**.

From 6 April 2024, Enhanced Protection continues to provide protection, increasing the **Lump Sum Allowance (LSA)** to £375,000 and the **Lump Sum and Death Benefit Allowance (LSDBA)** to an amount based on the value of the individual's uncrystallised rights on 5 April 2024.

It's no longer possible to apply for Enhanced Protection.

## Execution-only

A **member** who does not have a financial adviser, and who makes all decisions relating to their **SIPP** themselves, does so on an **execution-only** basis.

## Expression of wishes

A notification by you to us as the **operator** of who you would like any remaining assets in your **SIPP** to be paid to, on your death.



## Financial Conduct Authority (FCA)

The **Financial Conduct Authority** (formerly the Financial Services Authority or FSA), or any replacement regulatory authority or authorities, is an independent, non-governmental funded body given statutory powers by the Financial Services and Markets Act 2000, (as amended by the Financial Services Act 2012), to regulate financial services business in the UK. The **operator** is authorised and regulated by the **FCA**, and its **FCA** registration number is 458323.

The **FCA** contact details are:




Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

 [www.fca.org.uk](http://www.fca.org.uk)  
 [consumer.queries@fca.org.uk](mailto:consumer.queries@fca.org.uk)  
 0800 111 6768

## Financial Ombudsman Service (FOS)

An independent, levy-funded body that considers complaints about advice between consumers and financial firms, which cannot be resolved by the firms in the first instance. The **FOS** contact details are:




The Financial Ombudsman  
Exchange Tower  
Harbour Exchange Square  
London  
E14 9SR

 [www.financial-ombudsman.org.uk/contact/index.html](http://www.financial-ombudsman.org.uk/contact/index.html)  
 [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)  
 0800 023 4567 or 0300 123 9123

## Financial Services Compensation Scheme (FSCS)

The UK's statutory compensation scheme for customers of authorised financial services firms. The **FSCS** may pay compensation if an authorised firm is unable to meet its obligations. The **FSCS** contact details are:

Financial Services Compensation Scheme  
10th Floor, Beaufort House  
15 St Botolph Street London  
EC3A 7QU

 [www.fscs.org.uk](http://www.fscs.org.uk)  
 [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk)  
 0800 678 1100 or 020 7741 4100

## Fixed protection

Fixed Protection was a means of protecting previously accrued pension benefits from the **Lifetime Allowance charge**.

There are three different levels of protection. They continue to apply following removal of the **Lifetime Allowance** from 6 April 2024.

### Fixed Protection (2012):

Provided an individual with a protected **Lifetime Allowance** of £1.8m.

Now increases the **Lump Sum Allowance (LSA)** to £450,000 and **Lump Sum and Death Benefit Allowance (LSDBA)** to £1.8m.

### Fixed Protection 2014:

Provided the individual with a protected **Lifetime Allowance** of £1.5m.

Now increases the **Lump Sum Allowance (LSA)** to £375,000 and **Lump Sum and Death Benefit Allowance (LSDBA)** to £1.5m.

### Fixed Protection 2016:

Provided the individual with a protected **Lifetime Allowance** of £1.25m.

Now increases the **Lump Sum Allowance (LSA)** to £312,500 and **Lump Sum and Death Benefit Allowance (LSDBA)** to £1.25m.

An individual may continue to make new contributions to their pension scheme from 6 April 2023 without losing Fixed Protection, provided the protection was successfully obtained before 15 March 2023.

You can't have Fixed Protection if you have **Primary Protection**, **Enhanced Protection**, or an earlier Fixed Protection option.

It's no longer possible to apply for **Fixed Protection (2012)** or **Fixed Protection (2014)**. Applications for **Fixed Protection 2016** must be submitted online at [www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#fixed-protection-2016-by-5-April-2025](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#fixed-protection-2016-by-5-April-2025).

## Flexi-access drawdown fund

An arrangement established under your **SIPP** to enable the payment of pension income directly from your **SIPP**, and which contains funds that are:

- designated for **flexi-access drawdown pension** for the first time on or after 6 April 2015;
- converted from a **capped drawdown fund**, including funds transferred to your **SIPP**, which are converted on transfer;
- derived from a pre-6 April 2015 **flexible drawdown fund**; and/or
- transferred from a **flexi-access drawdown fund** established under another **registered pension scheme**.

## Flexi-access drawdown pension

Pension income paid from a **flexi-access drawdown fund**.

## Flexible benefits/flexibly accessing benefits

Benefits which can be taken under the new pensions regime for **money purchase pension schemes**, which was introduced with effect from 6 April 2015. This gives individuals greater choice and flexibility about how they access their money purchase pension savings. In particular, individuals can choose to take a **flexi-access drawdown pension**, an **uncrystallised funds pension lump sum (UFPLS)**, or to convert a **capped drawdown fund** to a **flexi-access drawdown fund** and then take pension income from the converted fund.

An individual who takes benefits in any of these ways is **flexibly accessing benefits** under the new regime. Additionally, anyone who had a **flexible drawdown fund** that automatically converted to a **flexi-access drawdown fund** on 6 April 2015, is also **flexibly accessing benefits** under the new regime.

## Flexible drawdown fund/flexible drawdown

An arrangement established before 6 April 2015 to pay income from a **SIPP** that had no limits on how much income could be taken, but which was only available if certain conditions were met. If a valid declaration was accepted before 6 April 2015 that these conditions were met, the **flexible drawdown fund** converted automatically to a **flexi-access drawdown fund** on 6 April 2015.

## G

### General Data Protection Regulation

The **General Data Protection Regulation** (GDPR) was implemented in the UK from 25 May 2018 via the **Data Protection Act 2018**, which replaced the **Data Protection Act 1998**. The GDPR is a regulation in European Union (EU) law on data protection and privacy for all individuals within the EU and the European Economic Area (EEA). It also addresses the export of personal data outside the EU and EEA areas.

### Government Actuary's Department (GAD)

The Government department that provides actuarial services and analysis to the government and public sector, and produces tables for calculating the **maximum income limit**.

### Guaranteed annuity rate (GAR)

A feature usually associated with old style **annuity** plans. A **GAR** was written into the plan terms from the outset and guaranteed to provide a minimum **annuity** rate, but only on or after a set retirement date.

## H

### HM Revenue & Customs (HMRC)

The Government department that deals with the taxation of pension contributions and benefits.

## I

### Ill-health

To qualify for an **ill-health** pension, we must have received evidence from a registered medical practitioner confirming that you are, and will continue to be, incapable of continuing your current occupation, and that you have ceased to carry out that occupation.

### In specie

The transfer of the legal ownership of an asset other than cash, (for example, property or shares), without the undertaking of sell or buy transactions.

### Individual protection 2014

Individuals could apply for **individual protection 2014** if their total pension savings on 5 April 2014 were more than £1.25 million, provided that they did not have existing **primary protection**. Their **LTA** will be equal to the value of their total pension savings on 5 April 2014, subject to a maximum of £1.5 million. It is no longer possible to register for **individual protection 2014**.

## Individual Protection (2014 and 2016)

**Individual Protection** was a means of protecting previously accrued pension benefits from the **Lifetime Allowance charge**.

There are two different levels of protection. They continue to apply following removal of the **Lifetime Allowance** from 6 April 2024.

### Individual Protection 2014:

Provided the individual with a protected **Lifetime Allowance** of up to £1.5m.

Now increases the **Lump Sum Allowance (LSA)** of up to £375,000 and **Lump Sum and Death Benefit Allowance (LSDBA)** of up to £1.5m.

### Individual Protection 2016:

Provided the individual with a protected **Lifetime Allowance** of up to £1.25m.

Now increases the **Lump Sum Allowance (LSA)** of up to £312,500 and **Lump Sum and Death Benefit Allowance (LSDBA)** of up to £1.25m.

If your pension savings on 5 April 2016 were more than £1m, you can still apply for **Individual Protection 2016**. Applications must be submitted online at [www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#apply-for-individual-protection-2016-by-5-april-2025](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#apply-for-individual-protection-2016-by-5-april-2025).

It is no longer possible to apply for **Individual Protection 2014**.

**Individual Protection 2016** is not available if you already have **Primary Protection** or **Individual Protection 2014**.

## Investment account

An account that is opened for the purpose of buying and selling investments within your **SIPP**, and which is held as an asset of your **SIPP**.

## Investment committee

An internal Barnett Waddingham committee to whom we have delegated authority to decide whether to accept, decline or add any reasonable conditions to any investment requested by you.



## Joint property purchase

Your **SIPP** can jointly purchase a property with another individual's **SIPP**, other individuals or companies, you personally, or another third party. This is not the same as a **syndicated property**.



## Legislation and regulation

The rules and regulations of the **FCA**, and any statutes, statutory instruments and other legislation that apply to us and to the **scheme**. Where **legislation and regulation** are amended, references to **legislation and regulation** are to be construed as incorporating those amendments.

## Lifetime allowance (LTA)

Up to 5 April 2024, this was the maximum amount of pension savings that you could build up without incurring a **Lifetime Allowance charge**.

The Lifetime Allowance (LTA) was replaced from 6 April 2024 with the following allowances:

- **Lump Sum Allowance (LSA)**
- **Lump Sum and Death Benefit Allowance (LSDBA)**
- **Overseas Transfer Allowance (OTA)**

## Lifetime allowance charge (LTA charge)

Previously a tax charge that was applied to any pension benefits you **crystallised** that exceeded your **Lifetime Allowance**. This was abolished on 6 April 2023.

## Lump Sum Allowance

From 6 April 2024, the **Lump Sum Allowance (LSA)** limits the amount of pension savings that can be taken as a tax-free lump sum when a **Relevant Benefit Crystallisation Event (RBCE)** occurs. Where a lump sum exceeds your available LSA, the excess amount will be taxed at your marginal rate of income tax.

The LSA is set at £268,275. You may be entitled to a higher LSA if you hold a relevant **Lifetime Allowance** protection.

The LSA applies when you take benefits as a **Pension Commencement Lump Sum (PCLS)** or **Uncrystallised Funds Pension Lump Sum (UFPLS)** payment from your **SIPP**.

Where **LTA** was used up to 5 April 2024, this will reduce an individual's available LSA. After that date, the LSA will be reduced where a **Relevant Benefit Crystallisation Event (RBCE)** occurs.

If you hold **Fixed Protection**, **Individual Protection**, **Primary Protection** or **Enhanced Protection** you could be entitled to a higher LSA.

## Lump Sum and Death Benefit Allowance

From 6 April 2024, the Lump Sum and Death Benefit Allowance (LSDBA) limits the amount of pension savings that can be taken as a lump sum when a **Relevant Benefit Crystallisation Event (RBCE)** occurs. Where a lump sum exceeds your available LSDBA, the excess amount will be taxed at your, **or your beneficiaries'** marginal rate(s) of income tax.

The LSDBA is set at £1,073,100. You may be entitled to a higher LSDBA if you hold a relevant **Lifetime Allowance** protection.

The LSDBA applies when you take benefits as a **Pension Commencement Lump Sum (PCLS)**, **Uncrystallised Funds Pension Lump Sum (UFPLS)** or **Serious Ill-Health Lump Sum** payments from your **SIPP**.

Where **LTA** was used up to 5 April 2024, this will reduce an individual's available LSDBA. After that date, the LSDBA will be reduced where a **Relevant Benefit Crystallisation Event (RBCE)** occurs.

If you hold **Fixed Protection**, **Individual Protection**, **Primary Protection**, or **Enhanced Protection** you could be entitled to a higher LSDBA.



## Maximum income limit

The maximum annual amount of income that you can take from a **capped drawdown fund** (currently 150% of the basic income derived from **GAD** tables for the relevant drawdown year). This is recalculated every three years up to age 75 and annually thereafter, in line with **GAD** rates (although annual reviews can be requested before age 75). The **GAD** rate used for those aged 85 and over is the **GAD** rate for an 85 year old.

## Member

Any person who has completed an application for membership of the **scheme**, and has been admitted as a **member** of it by the **operator**.

## MoneyHelper

**MoneyHelper** is the new consumer brand from the **Money and Pensions Service**, bringing together the services previously provided by The Pensions Advisory Service and the Money Advice Service. They also provide the **Pension Wise** service.

**MoneyHelper** offers a single place for people to go to be clear on their money and pension choices.

 [moneyhelper.org.uk](https://moneyhelper.org.uk)

## Money and Pensions Service

The **Money and Pensions Service (MAPS)** is a body sponsored by the Department for Work and Pensions to ensure people have access to information and guidance to make effective financial decisions.

**MAPS** provides the **MoneyHelper** and **Pension Wise** services.

The Money and Pensions Service contact details are:

Money and Pensions Service  
Holborn Centre  
120 Holborn  
London  
EC1N 2TD

 [moneyandpensionsservice.org.uk](https://moneyandpensionsservice.org.uk)

 [contact@maps.org.uk](mailto:contact@maps.org.uk)

 01159 659570

## Money purchase annual allowance

The **Money Purchase Annual Allowance (MPAA)** reduces the maximum amount you can contribute each tax year in total to your **SIPP** and all other **money purchase pension schemes** you're a member of.

The Money Purchase Annual Allowance is £10,000 (gross) for the tax year 2024/25 until the government notifies otherwise, for all contributions paid into **money purchase pension schemes**.

The **Money Purchase Annual Allowance Annual Allowance** will apply to you if:

- you take pension income from a **flexi-access drawdown fund** (including income paid from a **short-term annuity**).
- you convert a **capped drawdown** fund to a **flexi-access drawdown fund** and then take pension income from that fund.
- you draw more pension income from a **capped drawdown fund** than the **maximum income limit**.
- a valid declaration was accepted before 6 April 2015 that you met the **flexible drawdown** conditions.
- you take an **Uncrystallised Funds Pension Lump Sum (UFPLS)**.
- you receive a payment from an **annuity** which allows, or could be varied to allow, income to decrease.

Payment of a **Pension Commencement Lump Sum (PCLS)** without any payment of income from a **flexi-access drawdown pension fund** will not trigger the **MPAA**.

If you are subject to the **MPAA**, you'll be liable to pay the **Annual Allowance charge** on any contributions made to **money purchase pension schemes** that are in excess of the **MPAA**. You won't be able to use **carry forward** to reduce any **Annual Allowance charge** for these contributions. You can still contribute the remaining portion of your overall **Annual Allowance**, and **carry forward** any unused **Annual Allowance** from previous tax years, for contributions to a **Defined Benefit scheme**.

## Money purchase pension scheme

Under a **money purchase pension scheme**, an individual pays money into a retirement fund, which is invested, for example, in the stock market. The value of the resulting pension is not guaranteed, as it is directly linked to the performance of the underlying investments.

A **money purchase pension scheme** can be one of several types of pension **scheme** including a **SIPP**, a **personal pension scheme**, an **occupational pension scheme** and a **small self-administered scheme (SSAS)**. It is also known as a 'defined contribution **scheme**'.



## Nominee

A person who is not a **dependant**, and who is nominated by a **member** (or, where applicable, the **operator**), to receive benefits from the **member's SIPP** on the **member's** death. The **operator** can only consider a **member's nominees** or **dependants** to receive pension income, and can only nominate a **nominee** in the absence of any known **dependants** of the **member** or **nominees** and charities that were nominated by the **member**.

## Nominee's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension income to a **nominee** nominated by the **member** before his/her death (or, where applicable, by the **operator**).

## Non-standard investments

Investments that are neither regulated nor quoted in the UK including, but not limited to, Unregulated Collective Investment Schemes (UCIS), unquoted shares and commodities. They are sometimes referred to as 'alternative investments' or 'esoteric investments'.

## Normal Minimum Pension Age

The earliest age (currently 55 but rising to 57 on 6 April 2028) when you can take pension benefits, except on grounds of **ill-health**, serious ill- health, or if you have a right to a protected early retirement pension age.



## Occupational pension scheme

A pension **scheme** established by an employer to provide **retirement benefits** for its employees.

## Open market option (OMO)

Your right to purchase an **annuity** from any **annuity** provider offering you the best choice.

## Operator

BW SIPP LLP (company number OC322417). The **operator** is the administrator of the **scheme**, and is responsible for carrying out all the duties and functions required by the **FCA**, **HMRC**, and **legislation and regulation** relating to the day-to-day running of the **scheme**.

## Our chosen bank

Bank of Scotland, or such other bank or banks that we may select from time to time.

## Overseas Transfer Allowance

The **Overseas Transfer Allowance (OTA)** was introduced from 6 April 2024. It limits the amount of pension savings that can be transferred to a **Qualifying Recognised Overseas Pension Scheme (QROPS)** before becoming taxable.

If a transfer to a QROPS exceeds an individual's available **OTA**, the excess amount will be subject to the **Overseas Transfer Charge (OTC)** of 25%.



## Panel

A pre-approved list of investment providers, including discretionary fund managers, platform providers, **execution-only** providers, fund supermarkets, and providers of other investment products that have passed our due diligence requirements and have agreed an application process with us. A list of our **panel** investment providers can be seen on our website ([www.barnett-waddingham.co.uk/flexiblesipp](http://www.barnett-waddingham.co.uk/flexiblesipp)). It is subject to change from time to time.

## Pensions Advice Allowance (PAA)

The Pensions Advice Allowance payment allows members and beneficiaries of the **SIPP** to take £500 from their scheme to redeem against the cost of retirement financial advice, without incurring an unauthorised payment tax charge. This option can be used no more than once in a tax year and up to a maximum of 3 times in total.

## Pension Commencement Excess Lump Sum

From 6 April 2024, Pension Commencement Excess Lump Sum (PCELS) is a new lump sum option replacing the Lifetime Allowance Excess Lump Sum.

## Pension commencement lump sum (PCLS)

A tax-free **lump sum** available when you **crystallise** benefits in your **SIPP**. You can usually take up to 25% of the amount being **crystallised** as a Pension Commencement Lump Sum (PCLS) subject to your available **Lump Sum Allowance (LSA)** and **Lump Sum and Death Benefit Allowance (LSDBA)**.

If you are entitled to a protected **lump sum**, the amount you could be paid may be more or less than 25% depending on the type of protection that applies.

When you take benefits in excess of your **Lump Sum Allowance (LSA)** or **Lump Sum and Death Benefit Allowance (LSDBA)**, the **PCELS** will be taxed at your marginal rate of income tax.

## Pension input period (PIP)

Contributions made during a pension input period are added together to work out whether the **Annual Allowance** or **Money Purchase Annual Allowance** has been exceeded.

Since 9 July 2015, all **pension input periods** have been aligned with the tax year.

## Pension review date

The date that the funds in your **SIPP** are valued for the purpose of calculating the **maximum income limit**. This is done every three years up to age 75, and annually thereafter, in line with **GAD** rates (although annual reviews can be requested before age 75).

## Pension sharing

The provision of a percentage share of a pension scheme **member's** pension benefits to an ex-spouse or civil partner on divorce, or dissolution of a civil partnership.

## Pension Wise




**Pension Wise** is a free and impartial service from **MoneyHelper**, a government backed organisation. They offer guidance face-to-face, over the phone, and online. You can access the service and book an appointment at [moneyhelper.org.uk/pensionwise](https://moneyhelper.org.uk/pensionwise) or by calling 0800 280 8880.

## Pensions Ombudsman

An independent organisation who resolves disputes and determines complaints by pension scheme **members** and **beneficiaries** against scheme trustees, managers, administrators and employers about the way a pension scheme is run.

The **Pensions Ombudsman's** contact details are:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

 [www.pensions-ombudsman.org.uk](https://www.pensions-ombudsman.org.uk)  
 [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
 0800 917 4487

## Personal pension scheme

A **personal pension scheme** which provides for an individual plan or policy for the participant and to which the individual and/or his employer can contribute. Benefits are based on the amount contributed and investment return achieved.

## Primary protection

Individuals with pension benefits of more than £1.5m on 5 April 2006 could apply for Primary Protection.

Up to 5 April 2024, Primary Protection provided an increased **Lifetime Allowance** and could also protect **lump sum** entitlements.

Primary Protection continues to apply from 6 April 2024, increasing the **LSA** to £375,000. The **LSDBA** is also increased with £1.8m applied to the enhancement factor provided by HMRC to determine an individual's protected allowance.

It is no longer possible to apply for **Primary Protection**.



## Qualifying recognised overseas pension scheme (QROPS)

An overseas pension scheme that satisfies certain **HMRC** requirements so that it can accept transfers from UK **registered pension schemes**.



## Recognised overseas pension scheme (ROPS)

An overseas pension scheme that satisfies **HMRC** requirements. Unless the scheme also meets the **HMRC** requirements to be a **QROPS**, it will not be able to accept transfers from a UK **registered pension scheme**.

Individuals transferring pension benefits from a ROPS to a UK registered pension scheme can apply to HMRC for an enhancement to their **LSDBA**. The deadline for individuals to apply for an enhanced **LSDBA** is 5 April 2025.

## Registered pension scheme

A pension scheme that has been registered with **HMRC** under Chapter 2 of Part 4 of the Finance Act 2004, in order to qualify for certain **tax reliefs**.

## Relevant Benefit Crystallisation Event (RBCE)

From 6 April 2024 the **Lifetime Allowance** was replaced by the **Lump Sum Allowance (LSA)**, **Lump Sum and Death Benefit Allowance (LSDBA)** and the **Overseas Transfer Allowance (OTA)**.

When certain **lump sums** are paid, they are tested against your available **LSA** and/or **LSDBA**. This is known as a Relevant Benefit Crystallisation Event.

## Relevant UK earnings

**Relevant UK earnings** are:

- a. employment income such as salary, wages, bonus, overtime, commission chargeable to tax under section 7(2) Income Tax (Earnings and Pensions) Act 2003 (ITEPA);
- b. income immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner acting personally in a partnership) chargeable under Part 2 Income Tax (Trading and Other Income) Act 2005 (ITTOIA) (trading income);
- c. patent income within the meaning of section 579 ITTOIA, or amounts on which tax is payable under section 587 or 593 ITTOIA, or amounts on which tax is payable under section 472(5) of the Capital Allowances Act 2001 or paragraph 100 of Schedule 3 to that Act, in each case where the recipient alone or jointly devised the invention for which the patent in question was granted;
- d. income which is chargeable under Part 3 of ITTOIA and is immediately derived from the carrying on of a UK or an EEA furnished holiday lettings business (whether individually or as a partner acting personally in a partnership); and
- e. general earnings from an overseas Crown employment which are subject to tax in accordance with section 28 of ITEPA.

**Relevant UK earnings** are to be treated as not being chargeable to income tax if by virtue of section 2(1) Taxation (International and Other Provisions) Act 2010 (double taxation arrangements), they are not taxable in the United Kingdom. To the extent that they are not chargeable in this way, they will also not count towards the annual limit for relief.

## Relevant UK individual

An individual is a **relevant UK individual** for a tax year if they:

- a. have **relevant UK earnings** chargeable to income tax for that tax year; or
- b. are resident in the United Kingdom at some time during that tax year; or
- c. were resident in the UK at some time during the five tax years immediately before the tax year in question and was also resident in the UK when he/she joined the pension scheme; or
- d. have for that tax year general earnings from overseas Crown employment subject to UK tax as defined by section 28 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA); or
- e. are the spouse or civil partner of an individual who has for the tax year general earnings from overseas Crown employment subject to UK tax (as defined by section 28 of ITEPA).

For an individual within b. to e. above, who does not have **relevant UK earnings**, the maximum **member** contribution is the basic amount (£3,600 (gross) for the 2024/25 tax year and from then on until the Government notifies otherwise).

## Residential property

HMRC rules provide that **residential property** can be in the UK or elsewhere, and is:

- a building or structure that is used or suitable for use as a dwelling;
- any related land that is wholly or partly the garden for the building or structure;
- any related land that is wholly or partly grounds for the **residential property** and which is used or intended for use for a purpose connected with the enjoyment of the building;
- any building or structure on any such related land;
- in limited situations a hotel, or similar accommodation, will be counted as **taxable property** though this will only be where it provides accommodation rights such as timeshare; or
- a beach hut.

Your **SIPP** cannot hold **residential property** as an investment, unless it is classified by **HMRC** as a type of **residential property** which is not to be treated as such.

## Retirement age

The age you choose to take your **retirement benefits** which cannot be earlier than the **normal minimum pension age** (unless you have a right to a protected early retirement pension age).

## Retirement benefits

The benefits that can be taken from your **SIPP** or other **registered pension schemes**; namely a **PCLS**, **drawdown pension**, an **UFPLS** or the purchase of an **annuity** or a **short-term annuity**.



## Salary sacrifice (or salary exchange)

An arrangement between an employer and an employee where the employee waives part of his/her salary in exchange for a corresponding employer contribution to a pension scheme.

## Scheme

The Barnett Waddingham Self Invested Personal Pension is a **registered pension scheme** and is established and governed by a **trust deed and rules**.

## Self-invested personal pension scheme (SIPP)

A **personal pension scheme** which allows the individual to have more control over the manner in which the assets are invested. **SIPPs** permit a wide range of investments and offer flexible retirement options.

## Serious ill-health

Serious ill-health is when you have a medical condition that means you're expected to live for less than a year. If this applies, you may be able to take all of your **uncrystallised funds** as a Serious Ill-Health Lump Sum regardless of your age, as long as you have some remaining **LSDBA**.

If you're under age 75, the lump sum will be paid tax-free. If you've reached age 75, it will be taxed as pension income at your marginal rate of income tax.

You won't be able to take any **drawdown pension funds** this way, although they can still be withdrawn as a **drawdown pension**.

Evidence from a registered medical practitioner will be needed before you can take a Serious Ill-Health Lump Sum.

## Short-term annuity

A temporary **annuity** that runs for up to five years, and allows you to draw an income and to defer buying an **annuity**.

## Small self-administered scheme (SSAS)

A particular type of trust-based **occupational pension scheme** that is often used by business owners as a means of saving for retirement, whilst retaining control over the use and investment of pension scheme monies. Generally, all **SSAS members** are trustees.

## Statutory drawdown pension illustration

Annual illustration issued to **personal pension scheme members** who are taking **drawdown pension**, giving forecasts of the effects of drawing certain levels of pension over various periods, allowing for certain levels of growth of the **member's** fund in those periods. It also provides a forecast of the level of **annuity** that might be bought.

## Statutory money purchase illustration (SMPI)

Annual illustration issued to **personal pension scheme members** giving forecasts of benefits at the date of issue, and at retirement, of their **uncrystallised** funds.

## Successor

A person nominated by a **beneficiary** (or, where applicable, the **operator**) to receive benefits from the **beneficiary's Barnett Waddingham Flexible SIPP** on the **beneficiary's** death. The **operator** can only consider a **beneficiary's successors** to receive pension income, and can only nominate a **successor** in the absence of any **successors** or charities that were nominated by the **beneficiary**.

## Successor's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **beneficiary**, who dies leaving unused funds in a **dependant's flexi-access drawdown fund** or a **nominee's flexi-access drawdown fund**, to enable the payment of pension income to a **successor** nominated by the **beneficiary** before his/her death (or, where applicable, by the **operator**).

## Syndicated property

An investment by your **SIPP** in a share of a commercial property, which is owned and managed through a syndicate property manager. Typically, this is via an investment fund, and not a direct ownership of the property itself. This is not the same as a **joint property purchase**.

## T

### Tangible moveable property (TMP)

Things that can be touched and moved. This includes, but is not limited to, assets such as art, antiques, jewellery, fine wine, classic cars and yachts.

### Tapered Annual Allowance

If you're a high earner, your **Annual Allowance** may be reduced (tapered) to restrict the amount you can contribute to a pension each year and receive **tax relief**.

Whether you're subject to tapering will depend on whether your income exceeds limits set by the Government for your adjusted income and threshold income.

The **Annual Allowance** will be reduced for individuals with adjusted income of more than £260,000 for the tax year 2024/25 and from then on until the Government notifies otherwise.

### Tax relief

The maximum contributions you can make each tax year that receive tax relief is the higher of 100% of your **relevant UK earnings** for the tax year, or £3,600 (including tax relief). This includes any contributions made on your behalf by any third party, except contributions made by your employer as these are paid gross.

Barnett Waddingham currently reclaim £20 tax relief from **HMRC** for each £80 (net) that you contribute to your **SIPP**. If you pay income tax above the basic rate you may be able to claim additional tax relief through a self-assessment tax return, or directly from **HMRC**.

Once you reach age 75, you will no longer be eligible for tax relief on your contributions.

If the total contributions made in a tax year exceed the **Annual Allowance**, the **Annual Allowance charge** may be applied to reduce the amount of tax relief you can benefit from.

### Taxable property

Property held by a **SIPP** that is subject to tax charges by **HMRC** – in particular, **residential property** and most **tangible moveable property**.

### The Pensions Regulator (TPR)

The UK regulator of work-based pension schemes. **TPR's** principal aim is to prevent problems developing, and its statutory objectives include promoting and improving the understanding of the good administration of work-based pensions to protect **member** benefits.

**TPR's** contact details are:

 [www.tpr.gov.uk](https://www.tpr.gov.uk)

The Pensions Regulator  
Napier House  
Trafalgar Place Brighton  
BN1 4DW

The **Annual Allowance** will be reduced by £1 for every £2 of adjusted income that an individual has over £260,000, with a maximum reduction of £50,000. The value of pension contributions is taken into account when assessing whether an individual's adjusted income exceeds £260,000, which means that an individual with threshold income of less than £260,000 (but subject to a minimum of £200,001) could be caught. Individuals with threshold income of £200,000 or less will not have their AA tapered.

## Transfer in

A transfer of the value of pension benefits from another pension **scheme** to your **SIPP**; either in cash, or **in specie**.

## Transfer out

A transfer of part or the whole of your **SIPP** funds to another **registered pension scheme** or to a **QROPS**; either in cash, or **in specie**.

## Trust deed and rules

The legal document which establishes the **scheme** and sets out how it is governed.

## Trustee

BW SIPP Trustees Limited (company number 03011174), is a non-trading company set up to act as a bare trustee of the **scheme** and is referred to in the **trust deed and rules** as the 'asset trustee'. Its sole purpose is to hold the **scheme** assets for the benefit of the **scheme members**. The **trustee** is not responsible for the day-to-day running of the **scheme** and as such is not regulated under the Financial Services and Markets Act 2000.



## Unauthorised payment

A payment that is not authorised by **HMRC**, made to or in respect of a **member**, or to or in respect of an employer, by a pension **scheme**. **Unauthorised payments** are subject to tax charges and are not permitted by the **scheme**.

## Uncrystallised

Pension funds which have not yet been **crystallised** - i.e. no **retirement benefits** have been taken, (other than an **uncrystallised funds pension lump sum**, which is paid from **uncrystallised** funds).

## Uncrystallised funds pension lump sum (UFPLS)

A **lump sum** payment paid from **uncrystallised funds**. Uncrystallised Funds Pension Lump Sum payments are tested against your available **LSA**. You can only take one if you haven't already used all of your **LSA** and **LSDBA**.

You can usually take up to 25% of the UFPLS that will usually be tax-free, with the remainder taxable as pension income at your marginal tax rate. The tax-free amount may be less than 25% depending on how much of your **LSA** and **LSDBA** you have remaining.

Taking an **UFPLS** will trigger the **Money Purchase Annual Allowance**.

If you would like to discuss anything relating to the Barnett Waddingham Self Invested Personal Pension please contact us as follows:

 0344 443 0100

 [sipp@barnett-waddingham.co.uk](mailto:sipp@barnett-waddingham.co.uk)

[www.bwsipp.co.uk](http://www.bwsipp.co.uk)

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