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Key Features of The Lifetime SIPP and The Hartley SIPP

The Financial Conduct Authority is a financial services regulator. It requires us, Hartley Pensions Limited, to give you this important information. You should read this document carefully so that you understand what you have bought, and then keep it safe for future reference.

Introduction

The Lifetime SIPP and The Hartley SIPP are both provided by Hartley Pensions Limited which is authorised by the Financial Conduct Authority (FCA) to operate Self Invested Personal Pensions (SIPPs).

What is the Structure of The SIPP?

The SIPPs were established under master trust deeds and sets of rules, copies of which can be made available on request. Hartley Pension Trustees Limited is the scheme trustee and as such holds title to the SIPP's investments. Hartley Pensions Limited and Hartley Pension Trustees Limited have entered into a Service Agreement with Hartley SAS Limited, whereby the day to day administration of the SIPP is delegated to Hartley SAS Limited. Hartley SAS Limited is also responsible for collection of all fees due to Hartley Pensions Limited. The Lifetime SIPP offered a range of starting points and you could choose on the SIPP application form from:

- **Elective SIPP:** This enables you to use a single fund manager who handles all the investments and provides valuations on a regular basis. We also offer the opportunity to add a second investment for an additional annual fee before the arrangement has to be upgraded to an Optimum SIPP.

- **Optimum SIPP:** This allows a much broader range of investments and the use of more than two fund managers and/or commercial property.

And the **Hartley SIPP** allows the use of more than two fund managers and/or commercial property.

Your Financial Adviser will be able to notify you of the costs involved in each option. You are able to switch between Elective and Optimum SIPPs if your requirements change – this does not involve setting up a new SIPP or incurring further establishment costs.

Who can have a Lifetime or Hartley SIPP?

The Lifetime SIPP and Hartley SIPP are now closed to new business. Hartley Pensions Limited does provide other SIPP's, please contact us if you would like information.

Who is responsible for managing the investments within the SIPP?

You will need to appoint a financial adviser that is authorised by the Financial Conduct Authority or investment manager of your choice to manage your investments within a SIPP. We do not provide any advice.

What can I invest in?

Your SIPP is allowed to invest in a wide range of investments, provided they do not give rise to any tax charge imposed by HM Revenue & Customs (HMRC) – you will be notified if such a charge could arise. Acceptable investments include equities, investment funds, unit trusts and cash on deposit with a bank or building society.

Our Investment Committee will consider and decide if an investment is suitable to be held within The SIPP.

How often is my SIPP valued?

For reporting and legislation purposes we require at least annual valuations on the chosen investments under your SIPP, triennial for commercial property, plus the availability of ad hoc valuations for events such as benefits calculations.

We are reliant on third parties to provide valuations. If you choose to invest in commercial property, you will be required to obtain and provide us with a valuation of the property every 3 years minimum, unless required sooner. If the property is intended to be sold to a connected party you will be required to obtain an up-to-date valuation of the property. If the property is intended to be sold to an unconnected party, a valuation is not required for the sale itself but you will still be required to obtain a valuation of the property every 3 years minimum should the sale be prolonged. The valuation must be carried out by a qualified member of The Royal Institution of Chartered Surveyors (RICS), and this member should be independent from you.

Fees incurred for obtaining the valuation can be paid or reimbursed from cash funds in the pension scheme upon receipt of an appropriate invoice and providing that sufficient funds are available.

In the event valuations are not provided, the value of the investment will be noted as NIL until an accurate valuation is made available.

Am I committed to making a certain level of contribution?
The SIPP offers total flexibility on the amount and frequency of contributions, subject to the limits set by HMRC for tax relief. You can make regular contributions, ad hoc payments, stop or reduce/increase contributions as your personal circumstances dictate at any time.

The purpose of this document is to summarise the key features of the SIPP. You should contact your authorised Financial Adviser or investment manager for more information on pension arrangements generally.

The aims of your SIPP

- To enable you to save for your retirement in a tax efficient way.
- To allow you to choose from a wide range of investment opportunities, to build up your pension fund.
- To allow you to make your own investment decisions, in conjunction with your adviser(s), even if you are drawing an income.
- To provide a retirement income, or to take a lump sum payment in lieu of part of such income.
- To give you the option of choosing when you draw benefits and being able to take the benefits in stages, if desired.
- To provide your beneficiary with a lump sum, pension income or combination of both, on your demise.
- Flexibility on payments into the scheme to reflect changes in your personal and financial circumstances.
- To receive transfers of existing pension schemes into the SIPP including benefits accrued from contracting out of the second state pension scheme.

Your commitments are

- To inform us if your pension contributions to all your pension arrangements in a given tax year exceed your annual earnings for that tax year.
- To complete such paperwork as is requested in connection with the on going administration and the subsequent arranging of investments.
- To wait until you are 55 or over before taking your retirement benefits. If you are diagnosed with serious ill health you may have the right to claim your retirement benefits before age 55.
- To accept that your contributions may need to be reviewed if you want your pension to keep up with your income as you approach retirement.
- To settle all initial and on going annual fees and charges in respect of your SIPP promptly.
- Appoint a suitable Financial Adviser/Investment Manager to take on the responsibility of managing the investments within your SIPP.
- To comply with our Trust Deed & Rules and those agreed with any third party connected to the SIPP. The Trust Deed & Rules can be obtained from us upon request.

Risk factors
Many things could happen to affect the level of your pension at retirement. Any illustration you may receive is an indication only, based on statutory assumptions, which SIPP providers must adhere to.

- The fund and benefits it provides are not guaranteed. They are dependent on the future investment performance and market conditions at the point of your retirement.
- The benefits payable could be lower than anticipated if:
  - Investment growth is not as expected or in line with the initial expectations.
  - You decide to take your pension earlier than your original selected retirement age.
  - You are unable to maintain an initial level of contributions.
  - You draw a higher pension income than anticipated causing a greater reduction in the fund value, unless the fund performance is higher than expected. High withdrawals of income are unlikely to be sustainable during the income drawdown period. This could also reduce any eventual annuity you may buy.
  - Changes to legislation or tax rules:
- You many not hold sufficient cash deposits for the benefit payments and fees which could result in investments needing to be surrendered when markets are low.
- It may take time to sell some investments within the scheme.
- The risks associated with your SIPP may increase for certain categories of underlying assets as chosen by you or your Investment Manager. You should also be familiar with the content of the key features that may be issued by the product provider of any underlying investment.
- The charges under your SIPP may increase more than assumed in earlier illustrations.

- The favorable tax treatment for HMRC registered pension schemes may change in the future.

- The longer you wait before buying an annuity from an insurance company, the more income you draw from the SIPP. The funds eventually available to purchase an annuity may be at risk from underlying investment performance.

Transfers In

If you are planning to transfer the value of other pension benefits into your SIPP, it is recommended that you seek advice from your Financial Adviser or Investment Manager before doing so. You will need to be made aware of any potential loss of valuable benefits for you and your dependents, and possible guarantees, written into the terms of the pension being transferred.

All Defined Benefit transfer requests, or transfers with 'Safeguarded Benefits', will require full financial advice before the transfer can be accepted.

Contributions

- Your Financial Adviser or investment manager will advise you regarding your eligibility to invest in a SIPP.

- Provided you are subject to UK income tax your personal contributions to the SIPP are paid net of basic rate tax and your SIPP administrator reclaims tax in accordance with rules set by HMRC on your behalf and remits the tax reclaimed to your SIPP. The limit on personal contributions on which tax relief can be claimed is the higher of £3,600 gross or 100% of your UK relevant earnings.
  - If you are subject to higher rate income tax you will be able to reclaim further tax through your self assessment tax return.
  - If you are employed, as opposed to self employed, contributions by your employer are permitted. Such payments to your SIPP are made gross, without any tax deduction.
  - The annual allowance will be reduced for those with 'adjusted incomes' of over £150,000. For every £2 of income over £150,000 per annum, £1 of the annual allowance will be lost with a maximum reduction of £30,000. The annual allowance will not fall below £10,000 and is capped at £40,000.

  - If you have taken flexible benefits which include income from your SIPP and you want to continue paying contributions the annual allowance is restricted to £4,000 per annum on any future tax relievable contributions, this is known as the Money Purchase Annual Allowance (MPAA).

The default pension input period for the SIPP is 6 April to 5 April – this means contributions are treated as being made in the tax year.

Is there a limit to my SIPP?

The maximum you can take from all your pension arrangements without incurring special tax charges is called the Lifetime Allowance (LTA) and is currently set at £1,000,000.

You may have to pay tax on the value of the excess over the LTA when you take your benefits. You may have taken steps to avoid this tax charge by applying for HMRC protection; if you think you have HMRC protection on your pension you should speak with your adviser, especially before you pay funds into your SIPP.

Every time you take benefits from the plan in the form of a benefit crystallisation event, some of your LTA is used up. Checks against the LTA are carried out at various points, including:

- Whenever you use part of the fund for tax-free cash and start income withdrawal and/or pension purchase and annually thereafter.

- At age 75 (if funds are still invested in the plan).

- When funds used for income drawdown are used to purchase a pension.

Special tax charges apply to any further benefits once all the LTA is used. Currently the tax charge is 55% where the excess over the LTA is taken as a lump sum or 25% where the excess is taken as pension (pension payments will attract Income Tax).

Retirement Benefits

You can drawdown up to 25% of your SIPP tax free from the age of 55 as a Pension Commencement Lump Sum (PCLS), but the remaining pot must form a 'drawdown plan'. From 2028 the age you can withdraw a PCLS will rise to 57 years.

After taking a PCLS, you can opt to have complete flexibility (known as 'flexi-access') as to how you drawdown from your drawdown plan (i.e. any combination of lump sums or monthly payment), but each drawdown will be taxed at your normal income tax rate, whether you take further lump sums or a monthly income. As soon as you take any money from your SIPP a restriction on any future tax relievable money purchase contributions to your pot applies of £4,000 a year.

Alternatively, you can take money direct from your pot without having to put the money into a drawdown plan and 25% of this sum will be tax free. This is called an 'uncrystallised funds pension lump sum' ('UFPLS'). You can take one or more UFPLS payments and these can be regular or irregular payments. Payment of a UFPLS will trigger a restriction on any future tax relievable money purchase contributions to your pot to £4,000 a year.

You can also take up to three small pots of up to £10,000. 25% will be tax free and 75% will be subject to marginal rate income tax in the same way as UFPLS. Taking small pot payments does not trigger a restriction on future tax relievable money contributions to your pot.

Taking money from your pot may erode the capital value of your SIPP and could result in a lower income than anticipated in the future. You should take advice from an FCA-authorised financial advisor or suitably qualified tax advisor as to the best method to take your SIPP benefit in your particular circumstances, before making any such decisions.

After I have taken PCLS, does my pension still benefit from tax relief?
Yes. If you are in flexi access-drawdown, until you drawdown from your drawdown plan, you receive tax relief on contributions to your pension up to your annual personal allowance.

What happens if I am in capped drawdown?
If you had started to take payments from your pension prior to the April 2015 pension freedoms, your pension is designated as capped drawdown. This will mean that you are allowed to take income from your pension up to a certain limit each year. You are entitled to keep your pension as capped drawdown or if you wish to have more freedom, you can convert to a flexi-access drawdown arrangement meaning that there would be no capped income limit. You will need to consider implications such as the Money Purchase Annual Allowance and a different charging structure.

Do you offer annuities?
No. If you are looking to purchase an annuity, you must transfer all or part of your pension to an annuity provider.

Is SIPP income subject to National Insurance?
No.

What happens to my SIPP if I die?
When we are notified of your death by your personal representative, we will ask for a copy of your death certificate. We will carry out due diligence on the beneficiary and then discuss options with him or her. Please note that the trustee retains ultimate discretion over the distribution of your pension, despite a beneficiary being named.

If you die before you reach the age of 75, your beneficiary can choose:

1. to take a tax-free lump sum or transfer the SIPP into their own name or an external pension scheme. If you die after the age of 75, your beneficiary can choose to take the whole pot as a lump sum but this will be subject to a tax charge at the marginal rate of the beneficiary; or

2. to transfer the SIPP into a SIPP of their own or take a regular income from the deceased's pension through what is called pension drawdown, which will be taxed at the beneficiary's normal rate of income tax; or

3. to elect to take periodical lump sums. These payments will be treated as income, therefore would be taxable at the beneficiary's normal rate of income tax. The SIPP must be kept open but transferred to the name of the beneficiary and all normal charges e.g. administration fees will apply.

Do I have to choose a beneficiary to receive my SIPP if I die?
No. Clients normally choose a beneficiary e.g. a spouse or a child. This is not legally required but we strongly recommend that you do tell us of your wishes to help ensure we consider paying the correct beneficiaries.

Your right to change your mind
Upon receipt of a request to transfer benefits from another scheme to the SIPP you will be issued with a Cancellation Notice allowing you 30 days to change your mind. Please note that if you change your mind regarding any transfer into the SIPP it may not be possible to return the transfer value to the scheme you transferred from, as this may be dependent on its terms and conditions. Should this happen you will need to arrange for an alternative pension provider to accept the transfer value. Charges will however still be payable due to the work already undertaken in respect of the transfer to your SIPP.

Please note that the transfer cancellation can not be waived.

Having accepted a quotation of retirement benefits provided by us at the point you are looking to take benefits from your SIPP, you will be issued with a Cancellation Notice allowing you 30 days to change your mind. If you do decide to cancel the commencement of your benefits from the scheme within the 30 day period then you will be obliged to return any payment received in respect of this transaction.

All refunds made will be net of any adviser fees already paid.

Fees
The SIPP annual fees are taken annually in advance on the SIPP anniversary date. Ad hoc fees are shown on the SIPP's full fee schedule, which is available from your Financial Adviser or directly from Hartley Pensions Limited. All fees are subject to VAT and may increase with RPI. The SIPP fees are not based on the fund value or performance of the investment.

The annual fee covers:

- Professional responsibility and independent Trustee of the scheme.
- Ongoing responsibility as scheme administrator.
- Routine administration of the SIPP including carrying out non reportable transactions, routine record keeping, regular advice to The Pensions Regulator and general technical and administration queries.
- Preparing and filing the Registered Pension Scheme event report and Registered Pension Scheme Return.
- Ongoing negotiations with and ad hoc reporting to HMRC, including audit requests.
- Individual returns to HMRC.
- Issuing of Statutory Money Purchase Illustration statements as required by the DWP pension legislation.
- FCA reporting.
- Revisions to the Trust Deed and Rules required as a result of a change in legislations or HMRC practice.
- Facilitating the purchase and sale of assets on behalf of the scheme.
- Reclaiming Tax Relief from HMRC on personal contributions, when applicable.

Please ensure that you have sufficient funds available in the RBS account to settle the fees due. You will be required to retain a minimum of £1000 in the Royal Bank of Scotland bank account to cover ongoing fees. Hartley Pensions Limited reserves the right to disinvest funds should fees be left unpaid.

Any changes to The SIPP fees will be announced 30 days prior to these changes coming into effect.

Financial Services Compensation Scheme
Hartley Pensions Limited is covered by the Financial Services Compensation Scheme (FSCS). A SIPP Investor may be entitled to compensation from the FSCS if we can not meet our obligations. For further details please see the FSCS website http://www.fscs.org.uk/consumer.

Complaints
For further information or if you have any cause for complaint about the service you have received please contact:

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5th Floor
25 Marsh Street
Bristol
BS1 4AQ

Tel: 0117-316-9991 E-mail: admin@hartleysas.co.uk

If you are unsatisfied with our response, you can contact the Financial Ombudsman at:

Financial Ombudsman Service, Exchange Tower,
Harbour Exchange Square, Isle of Dogs, London E14 9GE

Tel: 0800 023 4 567
Email: complaint.info@financialombudsman.org.uk
Web: www.financial-ombudsman.org.uk

Disclaimer
The information provided in this Key Features Document is based on our understanding of current legislation, practice and taxation, and is subject to change as tax laws and legislation may change over time.

In the case of a dispute, the Law of England and Wales will apply and by completing the SIPP Application Form you have agreed to this.

Nothing in this Key Features Document should be taken as us giving any sort of investment advice.

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Further information can be found at: www.pensionwise.gov.uk