

Select SIPP

Taking pension benefits guide

(Applicable from 6 April 2011)

Please read this guide in conjunction with the Alliance Trust Savings Handbook and the appropriate Key Features documents. Alliance Trust Savings does not give advice. If you are unsure whether to take your pension benefits, what option to choose, or the consequences of your choice, you should seek independent advice from a financial adviser. Definitions of terms used can be found in the glossary at the end of this guide.

Your pension benefit options – a summary

You can take your benefits from your Select SIPP in a number of ways:

- purchasing an annuity
- income withdrawal
- drawdown pension
- flexible drawdown
- lump sum

Purchasing an annuity

An annuity is purchased from an insurance company, and is designed to provide you with an income stream for life.

You can purchase an annuity with all or part of the balance of your Account from which you have not already taken pension benefits. While we do not offer annuities, we do arrange to purchase them for you on your instructions.

You can choose the type of annuity that you would like us to purchase, and instruct us to make the purchase.

You can select your preferred annuity provider, and you can give us the general parameters that you would like to include in your annuity – for example, whether or not to include a spouse or civil partner pension, and whether annuity payments should increase each year.

The amount of the annuity that will be paid to you will depend on the available value of your Account at your pension date, as well as the annuity rates applicable at the time.

Income withdrawal

You can decide to take pension benefits, using all or part of your Select SIPP, in the form of drawdown pension or flexible drawdown. The amount of income you can withdraw under drawdown pension will depend on your age.

If you decide to take protected rights benefits as well as non-protected rights benefits, you cannot proportionally take more from the protected rights benefits than the non-protected rights benefits. It is not possible for benefits to be taken only from the protected rights account whilst deferring benefits from the non-protected rights account.

Drawdown pension

This allows the investments you hold in your Select SIPP to remain invested as you withdraw an income. You can choose the level of income you require, subject to a maximum annual limit. The maximum annual income limit is based on 100% of a single life annuity, which could have been bought by your drawdown pension fund. There is no minimum income requirement.

The maximum annual limit is set by the government, and is reviewed every three years up until age 75 and annual thereafter. You can make a request for your own maximum income limit to be recalculated in advance of any of your income withdrawal anniversary dates.

If you moved into drawdown prior to 6 April 2011 there will be transitional rules to move onto the new basis. If you are under 75 on 6 April 2011 the new withdrawal limits and triennial reviews will apply only from the date of the next income withdrawal review.

In practice, this will be the earliest of the following events after 5 April 2011:

- the 5th anniversary of the most recent review; or
- following a 75th birthday: the first anniversary of the most recent review; or
- following a transfer to another drawdown provider: the first anniversary of the most recent review

If you have phased your benefits your maximum income will be calculated on pre 6 April 2011 basis until the next relevant review date.

Flexible drawdown

This operates in a similar way to the drawdown pension option although with no upper limit on the amount of income that you can take. Please note it is not possible due to Work and Pensions regulations to use flexible drawdown for protected rights funds.

You can only access the flexible drawdown option if you can provide a declaration that you:

- 1) meet the minimum income requirement threshold where you are already in receipt of a £20,000 gross per annum secured lifetime pension income. The income that counts towards the £20,000 threshold is any of the following:
 - a) Scheme pension or dependants' scheme pension provided by a registered pension scheme.
 - b) Lifetime annuity or dependants' annuity made by a registered pension scheme
 - c) Payments under an overseas pension scheme which if the scheme were a relevant non-UK scheme would fall within paragraph (a) or (b).
 - d) Payments of a social security pension. This covers the basic state pension,

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additional state pension, widow's pension, industrial death benefit, widowed mother's allowance and widowed parent's allowance or such substantially similar payment from a country or territory outside the UK.

- e) Payments under the financial assistance scheme which are payable until the member's death.
- f) Payments made under that scheme in anticipation of, and on account of, payments falling within paragraph (e).

and

- 2) No contributions are paid to any money purchase registered pension scheme and you are not an active member of a defined benefit scheme or cash balance arrangement in the tax year you make the declaration.

The full details of the secured pension income that meets that counts towards the £20,000 minimum income requirement are:

- a) Pension paid as 'scheme pension' from a registered pension scheme that has 20 or more people receiving a pension.
- b) Any pension paid from a defined benefits (also known as final salary) part of a registered pension scheme is a scheme pension.
- c) Where a scheme pension is paid from either a money purchase arrangement or a cash balance arrangement and the scheme pension is provided from an annuity policy the pension counts towards the £20,000 minimum income requirement even if the pension scheme has less than 20 people getting a pension.
- d) Pension paid from a registered pension scheme as a lifetime annuity where the annuity either will pay the same amount each year or the amount can increase.
- e) Pension paid using a lifetime annuity where the amount you get each year varies, and can go down, can be counted towards the minimum income requirement. But the amount that

is included is the minimum amount payable each year under the contract e.g. an investment linked annuity without a guarantee is excluded from being a source of secured pension income.

- f) Pensions from an overseas pension scheme that would be one of the types of pensions listed above if paid from a registered pension scheme. An overseas pension scheme is a pension scheme set up outside the UK that is not a registered pension scheme and meets certain conditions set by regulations.

Any drawdown pension or dependants drawdown pension does not count towards the income threshold.

Once you have utilised the flexible drawdown option any further contributions that you pay or have paid on your behalf to any registered pension scheme you will be liable to an annual allowance tax charge.

Once the flexible drawdown option is accessed, a flexible income payment will be allowed which is not subject to the maximum annual limit of 100% of a single life annuity. Any income under the flexible drawdown option is taxed as earned income.

Lump sum

Can I take a lump sum when I take pension benefits?

Yes, you can take a pension lump sum, tax free, of up to the lower of:

- 25% of the value taken to provide pension benefits, or
- 25% of the lifetime allowance.

Please bear in mind HM Revenue & Customs (HMRC) has introduced tax charges to help prevent lump sum payments being 'recycled' back into a pension scheme as a contribution. If you are receiving a lump sum and are unsure whether the recycling rules affect you, please take professional advice.

Trivial lump sum

In most cases, if you are aged 60 and over, it may be possible to obtain the value of all your pension funds in a lump sum if the total value of your pension entitlements from all sources is deemed to be 'trivial'. The trivial limit is calculated as 1% of the Lifetime Allowance (see below), and is £18,000 for the 2011/12 tax year.

Please note that if you choose to receive the value of your pension funds as a lump sum, part or all of your lump sum payment may be subject to income tax.

When can I take pension benefits?

You can take pension benefits at any time from the age of 55, even if you have not retired. You can take pension benefits by purchasing an annuity or by withdrawing an income in the form of Income Withdrawal.

Do I need to give up work if I take pension benefits?

No.

When do I select a date for taking pension benefits?

When you open your Select SIPP you must inform us of the date you anticipate when you would like to take pension benefits on the application form. This date is known as your pension date.

Can I change my pension date?

Yes. You can change this date at any time by contacting us in writing.

Can I take pension benefits in stages?

Yes. You can take pension benefits from your Select SIPP at different times. Funds held in your Select SIPP not yet used to provide benefits will be called uncrystallised funds. Funds used to provide you with pension benefits, e.g. drawdown pension, will be called crystallised funds.

Do I need to sell investments before my pension date?

You may need to. It is your responsibility to think ahead as to when you may need to realise all or part of your fund to enable you to purchase an annuity, take payments in the form of income withdrawal, or take a pension lump sum. You may also wish to rearrange the investments held in your Select SIPP to take account of your changing circumstances. You will find information on available investments at www.alliancetrustsavings.co.uk.

Will you contact me nearer my pension date?

Yes. We will contact you at least four months before your pension date to remind you about your options. You must tell us whether or not you are going to take benefits on your pension date and, if so, whether you are purchasing an annuity or exercising income withdrawal.

You will also have to provide details of other pension arrangements as we are required to test your total pension benefits against the lifetime allowance.

Points to consider before taking pension benefits

Before taking pension benefits it is important to consider whether there will be a lifetime allowance charge.

What is the lifetime allowance?

This is an overall ceiling on the amount of tax privileged pension benefits that you can draw. The lifetime allowance applies to all your pension benefits from all sources.

This is an overall ceiling on the amount of tax privileged pension benefits that you can draw. The lifetime allowance applies to all your pension benefits from all sources. The lifetime allowance for 2011/12 is £1.8m. When you decide to take your pension benefits, in whole or in part, these will be assessed against the lifetime allowance at that time.

What happens if my pension entitlements exceed the lifetime allowance?

If your total pension entitlements exceed the lifetime allowance when you decide to take pension benefits, the excess over the lifetime allowance may be subject to a 'lifetime allowance charge'.

The excess can either:

- be taken as a lump sum, in which case the lifetime allowance charge will be 55%, or
- be taken as regular income, in which case the excess will be subject to a lifetime allowance charge of 25% and the income taken will be subject to income tax at your marginal tax rate when received.

What are the transitional arrangements?

The transitional arrangements have been set up to ensure that anyone with pension benefits built up before 6 April 2006 will not, in specific circumstances, be subject to tax under the simplified regime that would not have applied if the regime in place on 5 April 2006 had continued unchanged.

Pension benefits could be protected in different ways:

- primary protection
- enhanced protection
- pension lump sum protection
- lower pension age than 50 protection

It is your responsibility to identify whether or not protection is appropriate to your personal circumstances. Primary protection and enhanced protection were only available if you registered for this type of protection with HMRC before 5 April 2009.

Primary protection

Primary protection was available if your total pension funds, from all sources, exceeded £1.5m at 5 April 2006, and will apply if you take pension benefits on or after 6 April 2006.

Your pension fund is registered as at 6 April 2006. Once registered, HMRC will have

calculated your personal lifetime allowance and this will be used to determine whether a lifetime allowance charge applies when you take pension benefits. Primary protection cannot be given up.

Enhanced protection

If you have obtained enhanced protection, you should be able to protect the whole fund (including any future growth) from the lifetime allowance charge as long as no further contributions are paid to any registered pension scheme. If further contributions are paid, protection is lost unless you have also registered for primary protection.

Pension lump sum protection

If you are a member of an occupational scheme and you had a right, prior to 6 April 2006, to take a lump sum in excess of 25%, you should take professional advice before transferring to the Select SIPP as any transfer may affect your right to take this pension lump sum.

Protecting your pension age

Other types of pension schemes set up prior to 6 April 2006 may have a retirement age earlier than age 50. If you are a member of such a scheme, you may be able to protect your right to take pension benefits at this earlier age. If you have this entitlement, you should take professional advice before transferring to the Select SIPP.

You must remember that protection is a complex subject. If you are unsure whether it applies to you, or what action, should be taken, you should take professional advice specific to your own personal circumstances.

Fixed protection

From April 2012 the lifetime allowance is decreasing from £1.8 million to £1.5 million. It is important that you understand how this will impact you, and if you are unsure you should seek professional advice specific to your own circumstances.

Fixed protection is a new form of

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transitional protection that you can apply for if you do not have enhanced or primary protection. It will protect up to £1.8million of your pension savings from a lifetime allowance charge. If you believe that you will be affected by the reduction in the lifetime allowance you can apply for fixed protection by completing HMRC's form which is available on their website. If you do wish to apply, HMRC must receive your completed form by 5 April 2012.

Unlike primary protection, there is no requirement to have a fund in excess of the lifetime allowance to apply for fixed protection. However, please be aware that once fixed protection is in place, no new contributions may be paid to a money purchase arrangement on or after 6 April 2012. In addition, the amount of benefits that you can accumulate under a defined benefit (DB) scheme after 6 April 2012 will be limited.

If the contributions you make or the benefits you accumulate (within a DB scheme) go beyond a certain level then fixed protection will be lost.

Pension benefit preparation

Introduction

You will have to inform us of your personal circumstances as this will determine whether or not any lifetime allowance tax charge is due when you decide to take pension benefits. When you decide to take pension benefits it is known as a benefit crystallisation event.

What is a benefit crystallisation event?

This is the term used when you decide to use all or part of your fund for pension benefits. In other words, the benefits taken are 'crystallised' to provide pension benefits.

The following are benefit crystallisation events:

- drawdown pension becomes payable and again at age 75
- lifetime annuity is purchased before age 75

- an authorised lump sum is payable (either as a tax free lump sum or serious ill health lump sum)
- at age 75 even if you have not used all of your fund for pension benefits
- lump sum death benefits are payable
- transfer to a qualifying recognised overseas pension scheme

Each of these events will trigger a test against the lifetime allowance.

How is the lifetime allowance tested?

When a benefit crystallisation event occurs, the relevant funds must be valued and tested against the lifetime allowance. For this purpose, the market value of your pension fund assets is used. If you have pensions in payment on or before 5 April 2006, then these will be valued at 25 times the annual pension being paid, or 25 times the maximum income available from income withdrawal at the date of your first post 6 April 2006 benefit crystallisation event.

What information must I provide to get my pension benefits?

In order that we can determine what proportion of the lifetime allowance has been used up, you will need to provide the following information, by completing our Taking Pension Benefits Form, before any benefit calculations and lifetime allowance tests are carried out:

- the amount being crystallised under the Select SIPP
- the date you intend to take these pension benefits
- the amount of any pension lump sum that you wish to take
- details of any other pension benefits under any other scheme you anticipate crystallising prior to drawing pension benefits under the Select SIPP, or at the same time
- how much of the lifetime allowance that has been crystallised previously under other registered pension schemes.

You should have received statements from other providers at each benefit crystallisation event. Please tell us if any statements are outstanding as this may delay the process

- if this is your first benefit crystallisation event, current income details of any pensions that came into payment on or before 5 April 2006
- details of enhanced protection under the transitional arrangements
- details of primary protection under the transitional arrangements, including information on your lifetime allowance entitlement

You must provide us with all the information appropriate to your personal circumstances before we can proceed.

You should be aware that there are penalties under the legislation for providing incomplete or false information.

Taking pension benefits – what is the process?

Once you have provided us with all the relevant information regarding this benefit crystallisation event, we will:

- value your pension fund being used for pension benefits, using the market value on your pension date
- establish whether a lifetime allowance charge is due
- calculate your pension benefits based on your request
- provide you with the necessary Key Features, Income Withdrawal illustration and forms for completion if you are taking income withdrawal

If you are taking benefits from your protected rights account, we will check that you are not taking more income proportionally than from your non protected rights account.

Full details of the charges can be found in the *Select SIPP Schedule of Fees*.

Annuity purchase

What if I decide to purchase an annuity?

If you decide to purchase an annuity you may need to sell investments in advance to realise cash for any pension lump sum elected and annuity purchase. You must bear in mind dealing procedures and settlement times. If you are purchasing an annuity, you should be aware that annuity rates differ between insurance companies. If you shop around you may get a better deal which may result in a higher income for your retirement.

How do I arrange an annuity purchase?

You arrange an annuity with an insurance company, usually through a financial adviser or annuity bureau. You must provide us with details of the annuity arrangements at least ten days in advance of your pension date. You must also make clear whether you want us or the insurance company to arrange for the payment of any pension lump sum.

What happens if I ask you to pay me the pension lump sum?

If we are arranging for payment of the pension lump sum, then we will need to carry out benefit crystallisation event tests and full details will have to be provided to us. After the benefit crystallisation events (the annuity purchase and lump sum payment) has been assessed, we will have established whether or not there is a lifetime allowance charge.

This lifetime allowance charge, if applicable, will be deducted from the fund. The charge will be paid to HMRC by us when due. The balance of the fund will be used to:

- pay the pension lump sum to you. The level can be decided by you, within the limits
- pay the balance of the residual fund to the insurance company to purchase an annuity

What happens if I ask you to transfer my benefits (including pension lump sum) to the insurance company?

If you decide that the insurance company is to pay the pension lump sum to you, we will transfer to the insurance company the value of the fund from which you wish to take pension benefits for 'immediate vesting'. This can be the most efficient option to arrange if you wish to aggregate this fund with any other funds from other providers.

If you elect this option, we will transfer the value of your funds as a cash payment to the insurance company as a transfer. The benefit crystallisation events (the annuity purchase and lump sum payment) will then be carried out by the insurance company. It will then be the responsibility of the insurance company to establish under these benefit crystallisation events whether there is a lifetime allowance charge due.

Income withdrawal - drawdown pension

What will you provide in respect of pension benefits I wish to take in the form of a drawdown pension?

Once you have provided all the necessary information regarding this benefit crystallisation event, we will:

- confirm the amount of pension benefits used as a percentage against the lifetime allowance
- confirm whether there will be a lifetime allowance charge in respect of these pension benefits. Any charge due will be reported to HMRC by us and paid when due
- confirm the maximum pension lump sum and the maximum annual income that can be taken in respect of the fund value elected for pension benefits under the Select SIPP
- provide you with documentation so that you can confirm the pension lump sum payable and the income you wish to take

Do I operate my Select SIPP fund in the same way as before?

Yes. When you take your benefits as a drawdown pension, your Select SIPP operates in the same way as before, except you will have to ensure that there is sufficient cash held in the deposit account to meet any income payments due.

How much income can I take?

The maximum annual income you can take each year from your drawdown pension will be based on 100% of the single lifetime annuity which could have been bought by your drawdown pension fund (after any pension lump sum has been taken) on your pension date. Every three years, the maximum annual limit is recalculated. You can also request for the maximum income to be recalculated on any of the anniversary dates during the three year period.

Is there a minimum income I must take?

No.

How frequently can I receive income payments from my drawdown pension fund?

You may receive your income monthly, quarterly, half yearly or yearly. Payments are made directly to your bank account by BACS credit transfer on the 20th of the month or the next business day. Payments are classified as taxable income, and are usually made net of tax at the basic rate. If we receive a coding notice or other special circumstances apply, then the payments made to you and tax deducted will be adjusted accordingly.

Can I change the amount I am taking as an income?

Yes. You can adjust your pension income at any time by writing to us and can take up to the maximum annual limit. You can also decide to stop income payments at any time. We require at least ten days notice before changing the amount of income that you wish to take. If you wish to change the amount, the charge is £10 plus VAT.

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Does the amount of income I can withdraw vary over time?

Every three years, we will revalue your drawdown pension fund and recalculate the maximum annual income. We will notify you of the new maximum limit, ask whether you wish to change your income payments and make the necessary alterations. You can also request for the maximum income to be recalculated on any of the anniversary dates during the three year period.

From age 75 we will revalue your drawdown pension and recalculate the maximum income on an annual basis.

We will provide you with an illustration of your pension benefits under the Select SIPP and the lifetime allowance notification every year.

Can I transfer my drawdown pension fund to another provider?

Yes. However the drawdown pension fund cannot be added to an existing drawdown pension fund that is already set up. You would have to set up a new arrangement with the provider. You should take professional advice before making any decision.

Can I transfer a drawdown pension fund from another provider?

Yes. However the drawdown pension fund cannot be added to an existing drawdown pension fund that is already set up. These must be retained in a separate plan.

Can I decide to buy an annuity with my drawdown pension fund?

Yes. You can decide to purchase an annuity at any time with your drawdown pension fund.

What happens if there is insufficient cash in my Select SIPP to pay the income due or the pension lump sum?

If there is insufficient cash to make a payment, we will write to inform you. However, it is your responsibility to ensure that there is sufficient cash held in your

Select SIPP to make any payments to you. If you wish to ensure that there is no interruption to your income payments it is important that you maintain sufficient cash within your Select SIPP.

Income withdrawal – flexible drawdown

What will you provide in respect of pension benefits I wish to take in the form of the flexible drawdown option?

Once you have provided all the necessary information and declaration regarding this benefit crystallisation event, we will:

- confirm the amount of pension benefits used as a percentage against the lifetime allowance
- confirm whether there will be a lifetime allowance charge in respect of these pension benefits. Any charge due will be reported to HMRC by us and paid when due
- confirm the maximum pension lump sum and the remaining fund value from which you will be able to decide what level of income you want to take.
- provide you with documentation so that you can confirm the pension lump sum payable and the income you wish to take.

Do I operate my Select SIPP fund in the same way as before?

Yes. When you take your benefits under the flexible drawdown option, your Select SIPP operates in the same way as before, except you will have to ensure that there is sufficient cash held in the deposit account to meet any income payments due.

How much income can I take?

The maximum annual income you can take each year under the flexible drawdown is only restricted by the amount in your Select SIPP.

Is there a minimum income I must take?

No.

How frequently can I receive income payments from my flexible drawdown fund?

You may receive your income monthly, quarterly, half yearly or yearly. Payments are made directly to your bank account by BACS credit transfer on the 20th of the month or the next business day. Payments are classified as taxable income, and are usually made net of tax at the basic rate. If we receive a coding notice or other special circumstances apply, then the payments made to you and tax deducted will be adjusted accordingly.

Can I change the amount I am taking as an income?

Yes. You can adjust your pension income at any time by writing to us. You can also decide to stop income payments at any time. We require at least ten days notice before changing the amount of income that you wish to take. If you wish to change the amount, the charge is £10 plus VAT.

Does the amount of income I can withdraw vary over time?

The amount of income will only vary if you inform us that you wish to receive a different level of income or there is insufficient fund value remaining from which to pay the level of income that you have been receiving.

We will provide you with an illustration of your pension benefits under the Select SIPP and the lifetime allowance notification every year.

Can I transfer my flexible drawdown to another provider?

Yes. However the flexible drawdown fund cannot be added to an existing drawdown fund that is already set up. You would have to set up a new arrangement with the provider. You should take professional advice before making any decision.

Can I transfer a flexible drawdown fund from another provider?

Yes. However the flexible drawdown fund cannot be added to an existing drawdown

pension fund that is already set up. These must be retained in a separate plan.

Can I decide to buy an annuity with my flexible drawdown fund?

Yes. You can decide to purchase an annuity at any time with your flexible drawdown fund.

What happens if there is insufficient cash in my Select SIPP to pay the income due or the pension lump sum?

If there is insufficient cash to make a payment, we will write to inform you. However, it is your responsibility to ensure that there is sufficient cash held in your Select SIPP to make any payments to you. If you wish to ensure that there is no interruption to your income payments it is important that you maintain sufficient cash within your Select SIPP.

When I reach age 75 will my benefits be tested against the lifetime allowance charge?

Yes. When you reach age 75, the value of any uncrystallised funds and any drawdown pension fund will be tested against the lifetime allowance. If you took benefits in the form of income withdrawal before 6 April 2006, this element of your drawdown pension or flexible drawdown pension will not be tested against the lifetime allowance when you reach age 75.

Do I have to provide you with any information when I reach age 75?

We will contact you at least four months prior to your 75th birthday. You will have to provide us with the information detailed under the section, 'what information must I provide to get my pension benefits?'.
Once you have provided all the necessary information regarding this benefit crystallisation event, we will:

- confirm the amount of benefits used as a percentage against the lifetime allowance
- confirm whether there will be a lifetime allowance charge in respect of these benefits. Any charge due will be reported to HMRC by us and paid when due

Death benefits This section applies to non-protected rights only

What happens to my Select SIPP if I die?

Death under age 75 prior to taking pension benefits

If you have not taken pension benefits prior to your death, the value of your Select SIPP may be available to your beneficiaries as a lump sum, or as income. The value of any uncrystallised fund in your Select SIPP may be available to your beneficiaries as a lump sum. This payment will be made by us, as trustee of the Select SIPP. If you have completed an expression of wish as part of your application, we will take your wishes into consideration, but, in accordance with the rules of the scheme, the ultimate decision must lie with us as to whom payments will be made to on your death. As a result, normally no inheritance tax will be levied on any lump sum paid to your beneficiaries. Alternatively, you may have already written to us stating your wish for your spouse and/or dependants to receive an income in the event of your death.

Death prior to taking pension benefits age 75 and over

If you have not taken pension benefits prior to your death, the value of your Select SIPP may be available to your beneficiaries as a lump sum, or as income.

The value of any uncrystallised fund in your Select SIPP may be available to your beneficiaries as a lump sum less a charge to income tax (currently 55%). This payment will be made by us, as trustee of the Select SIPP. If you have completed an expression of wish as part of your application, we will take your wishes into consideration, but, in accordance with the rules of the scheme, the ultimate decision must lie with us as to whom payments will be made to on your death. As a result, normally no inheritance tax will be levied on any lump sum paid to your beneficiaries. Alternatively, you may have already written to us stating your wish for your spouse and/or dependants to receive an income in the event of your death.

Death benefits if receiving income withdrawal

Income withdrawal allows the investments you hold in your Select SIPP to remain invested as you withdraw an income. The value of any crystallised fund in your Select SIPP can be paid to your beneficiaries as a lump sum, less a charge to income tax (currently 55%). This charge is called a special lump sum death benefits charge.

Normally, no inheritance tax is payable on the lump sum. No lifetime allowance test is triggered where an drawdown pension fund lump sum death benefit is paid.

Alternatively, the value of any crystallised fund can be used to provide an income for your spouse and/or dependants. This can take the form of a dependant's annuity, drawdown pension or flexible drawdown. No lifetime allowance test will arise in this case.

What happens if I die having purchased an annuity with my Select SIPP?

The death benefits payable will be dependent upon the terms and conditions of the annuity purchased with your chosen insurance company.

This guide should not be relied on as your sole source of information on your pension benefit rights. You should take professional advice based upon your own personal circumstances.

This section applies to protected rights only

Death prior to taking pension benefits

If you are married or have a civil partner, no lump sum can be paid from the protected rights fund. All that fund must be used to provide an income for the surviving spouse or civil partner.

If you are not married or have no civil partner when you die, a lump sum can be paid to a person nominated by you during your lifetime. If no person has been nominated, the fund will be paid to your estate.

All lump sums will be treated as forming

part of your estate. Accordingly, inheritance tax may be payable on this sum.

If a lump sum payment is made this will trigger a benefit crystallisation event and a test against the lifetime allowance as at the date of your death. The personal representatives will be responsible for determining whether any lifetime allowance charge is due and the recipient of the lump sum death benefit will be liable for any lifetime allowance tax charge.

Death benefits if receiving income withdrawal

Any crystallised fund within your protected rights Accounts must be paid as an income if you are married or have a civil partner. No lump sum can be paid. If you are not married or have no civil partner when you die, a lump sum can be paid to a person nominated by you during your lifetime. Any lump sum payment will be subject to an additional 55% tax charge.

If no person has been nominated, the fund will be paid to your estate. All lump sums will be treated as forming part of your estate. Accordingly, inheritance tax may be payable on this sum.

What happens if I die having purchased an annuity with my Select SIPP protected right account?

The death benefits payable will be dependant upon the terms and conditions of the annuity purchased with your chosen insurance company.

Past performance is not a guide to future performance. The value of your investments and the income from them may go down as well as up. You may not get back, in the form of pension benefits, the amount you originally invested.

You must remember that the Select SIPP may not be able to provide you with the pension you expect at your chosen retirement date. Your pension income will depend on contributions made and how your investment grows and on interest rates at the time you retire.

Legislation and taxation may change in the future. The taxation privileges of pensions are dependent on individual circumstances, are not guaranteed and

may change in the future. Any income or withdrawals taken will reduce the value of your pension fund.

Glossary

Annuity

An income which is paid to you for life by an insurance company, in exchange for the pension fund which you have accumulated up to the date you take your benefits. Once an annuity is purchased you cannot change your mind and get the money back or decide on a different kind of annuity. Annuity income is taxed as earned income.

Benefit crystallisation event

This is a defined event or occurrence that triggers a test of the pension funds you are crystallising against the lifetime allowance.

Crystallised fund

The fund under the Select SIPP that is being used to provide pension benefits.

Drawdown pension

Payment of income withdrawals from the Select SIPP to a member who aged 55 or over.

Enhanced protection

The total value of the pension fund is registered under the transitional arrangements and provides the ability to protect the total value of the pension fund (including any growth) from the lifetime allowance charge as long as no further contributions are paid.

Flexible drawdown

Payment of income withdrawals from the Select SIPP with no annual withdrawal limit to a member who is aged 55 or over and they can meet the conditions for such withdrawals

Lifetime allowance

This is an overall ceiling on the amount of tax privileged pension benefits that an individual can draw. This lifetime allowance applies to all your pension benefits from all sources.

Lifetime allowance charge

A charge to income tax that arises on any chargeable amount due at a benefit crystallisation event. The rate of charge is either 25% or 55% depending on whether the excess is taken as pension income or a lump sum.

Pension benefits

The term is used to describe the options you have when you decide to draw your pension (as income withdrawal or an annuity) from your pension fund.

Pension date

The date or dates on which you decide to take pension benefits. Generally, this is from age 55. Some individuals may have an earlier pension date.

Pension entitlements

The term which is used to describe all types of pension schemes where you are entitled to pension benefits at your pension date or retirement date.

Pension lump sum

Under pensions legislation you are permitted to receive up to the lower of:

- 25% of the full fund value or part of the fund value taken to provide benefits, or
- 25% of the lifetime allowance

Primary protection

The total value of the pension fund is registered under the transitional arrangements, and provides the ability to potentially protect all or part of the pension fund from the lifetime allowance charge. Contributions can continue to be paid.

Protected Rights

The term which is used to describe monies accumulated from contracting out of the state second pension.

Uncrystallised fund

Funds held in the Select SIPP that have not yet been used to provide you with pension benefits.



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