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SELF INVESTED PERSONAL PENSION

April 2019

Alliance Trust Savings

The Financial Conduct Authority is the independent financial services regulator. It requires us, Alliance Trust Savings, to give you this important information to help you decide whether our Self Invested Person Pension (SIPP) Account is right for you. You should read this document carefully so that you can understand what you are applying for, and keep it safe for future reference.

HELPING YOU DECIDE

Key features of a SIPP

A SIPP is a type of personal pension that gives you access to a wide range of investments. It is a tax-advantaged Account that's designed to help you invest for retirement.

To apply for a SIPP you must meet the following criteria:

- be aged 18 or over;
- any earnings are taxed in the UK;
- are resident in the UK at some point during the tax year; or
- want to make a transfer from another registered pension scheme.

If you are a parent or legal guardian of a child under the age of 18, you can also apply for a SIPP Account on their behalf. We call this a Child SIPP. All information in this document also applies to Child SIPPs.

Our SIPP is most suitable for investors who are:

- comfortable managing an Account and their own investments or have a financial adviser to assist them;
- looking to invest through funds, in shares directly, or in a combination of both;
- wanting to benefit from tax saving opportunities;
- willing to view these as long terms investments (remember you can't normally take money out of a SIPP until you are at least 55);
- comfortable putting their capital at risk for possibilities of better returns; and
- comfortable that a stakeholder pension wouldn't meet their needs just as well.

We cannot accept applications by or on behalf of US Persons. For details on what we mean by US persons, please refer to our online Glossary which can be found at **www.alliancetrustsavings.co.uk/glossary**.

For answers to some of our most frequently asked questions about SIPPs, we encourage you to read 'Your SIPP Questions Answered' on the following pages.

AIMS OF A SIPP

- To offer you a tax-advantaged way to invest for retirement.
- To let you choose from a range of investments.
- To let you start taking money out if you want to, normally from age 55.
- To give you the option to take some of that money as one or a series of tax-free lump sums (up to 25% of the value of the money you use to provide an income).

YOUR COMMITMENT

- To choose investments that match the risks you are willing to take with your money.
- To manage your investments actively to make sure they continue to be right for you.
- To view those investments as being for the long term.
- To only take money out in a way allowed for under the pension and tax rules that apply at the time.
- To take financial advice if you are not sure of the right option for you when it comes to taking money out.
- After age 55, to review your arrangements for taking money out regularly, to make sure they are still right for you.
- To pay us your Account charge.

RISKS

General risks

- The value of your investments, and any income you get from them, can go down as well as up and are not guaranteed.
- You may get back less than you put in.
- Past performance is not a guide to future performance.
- Laws and tax rules may change in the future without notice. The information here is our understanding in April 2019.
- The effect of charges can erode the amount of money available in your pension, particularly during times when investment returns are low.
- Our charges may change in the future.

On the basis of these general risks, if you have set a target amount you would like to get from your SIPP, you may not meet that target.

Other things that might affect you meeting your target are:

- not keeping up payments you planned;
- charges being higher than you allowed for;
- taking money out earlier than you planned;
- inflation being higher than you expected; and
- lower than expected investment growth.

Investment-specific risks

- Different investments have different levels of risk. Some have more risk than others.
- You can find details of the specific risks for a fund or PRIIP (e.g. investment trust or ETF) in their prospectus and a summary in the *Key Investor Information Document (KIID)/Key Information Document (KID)*.
- Fund managers make their own investment decisions based on the investment objectives of their fund. They don't make decisions based on your personal circumstances.
- Investments in property funds can be difficult to sell. You might not be able to sell them when you want to. The valuation of property is generally a matter of opinion, rather than fact.
- If you invest directly in the shares of a company you become a joint owner of that company with the other shareholders. The company, or the industry it is part of, might fail.
- Factors outside of the control of a company's managers can affect the price of shares. These can be national or global. They include political, economic and social factors and the actions of governments and other organisations.
- Investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to increased volatility meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction.
- When you want to trade there may not be a market to buy or sell the shares you are interested in.
- If investments have holdings which are denominated in a currency other than Sterling they may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with exchange rates.
- Over time cash that remains uninvested in your Account, could be eroded by inflation and zero or low interest rates.

Risks specific to taking money out of your SIPP Account

- Taking money out and still being invested in your Account may not be suitable for you. If you are not sure what to do you should take financial advice. You are entitled to free, impartial guidance from Pension Wise (aged 50 or over).
- Any taxable income you take from your SIPP Account will be taxed under the Pay As You Earn (PAYE) system. If you take a significant sum at one time, you may end up paying a higher rate of tax than usual.
- If you receive any means tested benefits, taking an income from you SIPP Account might mean they are reduced or stopped.
- The value of your SIPP Account might go down when you start taking money out, especially if you take a high income and investment returns are poor. So the income you can take in the future might also go down.
- By taking money out of your SIPP directly, it is possible that your Account will run out of money. This can be due to high levels of income taken and/or poorer than anticipated investment performance.
- Should the rules for pensions and tax change, this could affect:
  - the amount of income you could take;
  - the amount that could be paid to your beneficiaries when you pass away; and
  - how much tax either you or the beneficiaries might have to pay.

OUR LEGAL RELATIONSHIP WITH YOU

You should read this document along with the:

- *SIPP Scheme Rules;*
- *Terms and Conditions;*
- *Charges Guide*

Together these documents form part of our Agreement with you and set out the scope of services that we will provide to you when you open a SIPP Account with us and your legal relationship with us.

All of these documents can be found on our website at **www.alliancetrustsavings.co.uk/literature** or by contacting our Customer Services Team. Or, if you work with a financial adviser you can get these from them.

COMPENSATION

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme. In respect of investments held in Accounts, you may be eligible for compensation under the FSCS, up to £85,000. In respect of deposits, an eligible depositor is entitled to claim up to £85,000. For joint Accounts each Account holder is treated as having a claim in respect of their share so, for a joint Account held by two eligible depositors, the maximum amount that could be claimed would be £85,000 each (making a total of £170,000). The £85,000 limit relates to the combined amount in all the eligible depositor's Accounts with the bank, including their share of any joint Account, and not to each separate Account.

Our *Compensation Statement* gives more details about the FSCS and what it covers. You can find this online at **www.alliancetrustsavings.co.uk/fscs**.

CONFLICTS OF INTEREST POLICY

We have regulatory obligations to identify and manage conflicts of interest. Our *Conflicts of Interest Policy* explains how conflicts can arise in our business, and the arrangements we have for managing them.

You can find our *Conflicts of Interest Policy* online at **www.alliancetrustsavings.co.uk/literature**.

YOUR SIPP QUESTIONS ANSWERED

Is a SIPP a stakeholder pension?

No. Stakeholder pensions have to meet government set standards covering payments, charges and other terms and conditions. Stakeholder pensions are generally available and might meet your needs as well as a SIPP Account. The charges for a SIPP may be higher than for a stakeholder pension.

What are the tax benefits?

A SIPP is a tax-advantaged Account.

You get tax relief on what you pay in and some tax advantages on what you take out (tax-free lump sums). But you may have to pay tax charges if you exceed your Annual Allowance for paying in or your Lifetime Allowance for taking money out.

Once you start taking an income from your pension, other than any tax-free lump sums, you will pay tax on this under the PAYE system.

You don't have to pay tax on any income or capital gains from investments held in your SIPP Account or declare these on your tax return.

Deposit interest (if applicable) will be paid gross (without deducting tax).

Our latest interest rates for cash are in our Interest Rate Table online at alliancetrustsavings.co.uk.

Laws and tax rules may change in the future without notice. The information given here and elsewhere in the document is based on our understanding as of April 2019.

What is a SIPP?

It is a type of personal pension that lets you access a wide range of investments. A personal pension is a tax-advantaged account designed to help you invest for retirement.

How much can be paid in each tax year?

You can pay in as much as you like each tax year, but you can only get tax relief on payments up to the greater of:

- up to all of your relevant UK earnings in the tax year (subject to the Annual Allowance); or
- up to £3,600 (before tax) regardless of any earnings.

You might incur charges if you pay in over these allowances.

What is the Annual Allowance?

Each tax year there is an Annual Allowance that represents the total amount that together you, your employer and anyone else making payments on your behalf can pay in or build up across all registered pensions in your name. This limits the personal payments on which you can actually claim tax relief.

The Annual Allowance for 2019/2020 is £40,000 but there are circumstances when this may be lower, including:

The tapered Annual Allowance applies to you

- If you have earnings of more than £150,000 in a tax year, your Annual Allowance for that tax year is restricted. For every £2 of earnings over £150,000, £1 of your Annual Allowance will be lost. The maximum reduction is £30,000. It will be reached if you have earnings of at least £210,000 in the tax year, resulting in an Annual Allowance for you of £10,000.

You are taking money out of a pension

- If you are already taking money out of a pension, your Annual Allowance may be £4,000.

Payments for the purposes of working out your Annual Allowance include:

- any basic rate tax relief we reclaim on your behalf; and
- any increase in the value of any Defined Benefit (sometimes called 'Final Salary') pension to which you are entitled.

You will have to pay a tax charge on anything above your Annual Allowance, unless you can use up or 'carry forward' any unused Annual Allowance from the previous three tax years.

If you would like more information on carry forward, you can read our Accessing your pension savings guide which is available on our website at www.alliancetrustsavings.co.uk/investor-guides.

What is the Lifetime Allowance?

There is a Lifetime Allowance for all your pension savings. The Lifetime Allowance for 2019/2020 is £1.055 million. You might have to pay a Lifetime Allowance charge of up to 55% on anything you take out from any registered pension scheme above your Lifetime Allowance.

In recent years the Lifetime Allowance has been reduced. If you applied for protection from these changes you may have a Lifetime Allowance higher than £1.055 million.

Learn more about the Lifetime Allowance and protection in our *Accessing Your Pension Savings Guide*.

How flexible can I be with my payments?

Each payment you make (or that anyone else, including your employer, makes on your behalf) must be £50 or more (before any tax relief is claimed). Otherwise, you can be very flexible with your payments. You can set up regular monthly or quarterly payments. You can also make one off payments. And you can start, stop and vary your payments whenever you like.

What are the charges?

You pay us an Account charge for holding your SIPP Account. We may also charge separately for some transactions, for example, buying and selling investments.

Our charges may change in future.

If you invest in funds, you will also pay charges to the fund manager(s). You will find details for each fund in the fund prospectus or in the KID/KIID (for funds that have one).

We also provide a *Generic Investment Illustration* detailing investment projections and examples of breakdown of charges for OEICs, investment trusts and ETFs.

If you have a financial adviser, you may also pay charges to them. They will agree these with you separately.

You can find details of all our charges in our *Charges Guide* online at **alliancetrustsavings.co.uk**. And you can find the KID/KIID for each fund, including the charges, at **alliancetrustsavings.co.uk**.

Can I transfer in my SIPP Account from another Manager?

Yes. You may be able to transfer from another registered pension scheme to your SIPP Account.

If we offer the same investments in your SIPP Account that you hold with your current registered pension scheme you can ask to transfer these to us without having to sell them first.

Your current registered pension scheme might charge you for transferring and you should work out the impact of any charges on your investment before going ahead.

You can't transfer money to us from a private defined benefit scheme unless you have taken advice from a financial adviser with the right qualifications. The only exception is when the total transfer value of all your benefits in that scheme is less than £30,000.

You are unlikely to be able to transfer money to us from a public sector defined benefit scheme at all. Please check with the scheme concerned before asking us.

Pensions are a long term investment and can be complicated. You could lose valuable benefits by transferring so you should seek financial advice before making any pension transfer. There may be a cost for this.

Can I access my Account online?

Yes. All customers have access to their SIPP Account online.

If you are a self-directed customer, we will automatically send you login details after you have opened your Account. These will include a Personal ID and Password. Your Password will be provided under separate cover for security purposes. If you are an advised customer and would like access, your adviser can arrange this and arrange for your login details to be sent to you.

What information do you provide?

As part of our service to you, you will receive a Welcome Pack after you have opened your Account.

You will also receive quarterly Statement and Valuation Reports and an Annual Costs and Charges Statement.

And once a year, usually after the end of the tax year, we send you an illustration of what you might get back when you start taking money out of your SIPP. If you have already started taking money out, we will also send you an Illustration that shows you the likely effect of taking more money out in the future. This Illustration however is simply a representation and not a guarantee.

To make the most of your investments with us, you have the option to receive our topical and marketing communications. You can consent to receive these in your SIPP application form, within your online Preference Centre or by speaking to our Customer Services Team.

All correspondence will be provided in English.

I'm not sure, can you give me advice?

Alliance Trust Savings can't give you financial or investment advice. You should understand the risks and commitments of a SIPP before you invest.

If you feel you need advice to decide whether a SIPP is right for you and don't already have a financial adviser, you can search for one near you at **https://register.fca.org.uk/directory/s/**.

YOUR SIPP QUESTIONS ANSWERED (CONTINUED)

Can I change my mind?

Yes. You have the right to cancel your SIPP within 30 days of us accepting your application to get your money back. When you open an Account, you will receive a *Cancellation Notice* within your Welcome Pack. You simply need to complete this and return to us. Copies of this are also available on our website at **www.alliancetrustsavings.co.uk/literature**.

In the event that the value of your investment has dropped by the time we receive your notice, we will take this amount from the money to be returned to you.

You can also change your mind when you ask us to arrange the transfer in of money from another registered pension scheme or to take money out of your SIPP for the first time.

Can I take money out?

You can't normally take money out of your SIPP Account until you are aged at least 55. You can take money out after this whether you are retired or not.

How and when you take money out is an important decision with potentially long term consequences for funding your retirement.

Around the time you can start taking money out of your SIPP Account you will be entitled to free, impartial guidance from Pension Wise – a government service completely independent from Alliance Trust Savings. You'll be able to get help about:

- what you can do with your pension pot;
- the different pension types and how they work; and
- what's tax-free and what's not

To access the service go to pensionwise.gov.uk or if you prefer to speak to someone you can talk to an impartial guidance specialist on the phone or face to face – details are on the website.

Pension Wise can't provide financial advice. If you need this you should speak to a financial adviser.

What are my choices for taking money out?

The income approach lets you take a tax-free lump sum – normally up to 25% of the value of your SIPP Account (or 25% of your 'Lifetime Allowance' if this is less – see page 6). Then you use the rest to set up a taxable income for your retirement. There are two ways to do this:

- buy an 'annuity' from another company (we don't provide annuities); or
- move into 'flexi-access drawdown' where you continue to invest in your SIPP Account but start taking money out either regularly or when you need it, until your investment runs out. There are no limits on how much you can take out at any one time under flexi-access drawdown. You can take all your money in one go if you like but remember income is taxed.

The cash lump sums approach lets you take your money out as one or a series of cash lump sums. For each lump sum, 25% will normally be paid tax-free and you will be taxed on the rest.

If you like, you can start with the cash lump sums approach, and move to the income approach later. But you can't do things the other way round.

In both cases, apart from the tax-free lump sums you can take, you will be taxed under the Pay As You Earn (PAYE) system when your money is paid to you, the same way you would pay tax on a salary. Depending on your personal circumstances, if you take a large lump sum out at once that may mean you end up paying a higher rate of tax than usual.

For a fuller guide to making decisions about your retirement savings, and more on the details you may need to consider, you can read our *guide to Accessing Your Pension Savings*, available online at alliancetrustsavings.co.uk.

Are there any limits for taking money out?

No. Not unless you already set up 'capped drawdown' before 6 April 2015 and want to stay in this arrangement. Otherwise you can now move to flexi-access drawdown whenever you like and these limits will no longer apply. If you do this, your Annual Allowance reduces from £40,000 to £4,000.

If you are not sure whether you are in capped drawdown through your SIPP Account, please contact us using the details at the end of the document.

You can also find details of the limits for capped drawdown in our *Accessing Your Pension Savings Guide*.

If I start taking money out, can I still pay money in?

Yes, as long as your SIPP Account is still open. But your Annual Allowance will be reduced to £4,000.

The only exceptions are:

- if, under the income approach, you just take out a tax-free cash lump sum but do not take an income right away, then your Annual Allowance stays at £40,000 until you do start taking an income
- if you are in a 'capped drawdown' arrangement set up on or before 6 April 2015, when your Annual Allowance also stays at £40,000 for as long as you stay in that arrangement.

Can I transfer my SIPP Account from you to another registered pension scheme?

Yes. You may be able to transfer your SIPP Account to another registered pension scheme.

If the other registered pension scheme offers the same investments as you hold with us you can ask to transfer these without having to sell them first.

We will not charge you for transferring to another registered pension scheme.

Pensions are a long term investment and can be complicated. So we suggest you seek financial advice before making any pension transfer. There may be a cost for this.

What happens when I die?

If you die before the age of 75, your beneficiaries can take all the money out of your SIPP Account or use it to pay them an income. Either way they won't pay tax on it unless:

- you have exceeded your Lifetime Allowance; or
- payments out are not made to them within two years of your death.

If you die after the age of 75, your beneficiaries can still take all the money out of your SIPP Account or use it to pay them an income. Any payments they take will be taxed at their marginal rate of tax.

To find out more about what happens to your SIPP Account when you die, please read our guide to Accessing Your Retirement Savings, available online at **alliancetrustsavings.co.uk**.

What if I have a complaint?

If you have a complaint about your SIPP, please contact our Customer Relations Team in writing, by email or on the phone using the contact details shown at the end of this document.

You can make a complaint yourself or someone else can complain on your behalf, as long as you have given them written authority to do this.

If you are not satisfied with our answer to your complaint, you can contact the Financial Ombudsman Service by writing to **The Financial Ombudsman Service, Exchange Tower, London, E14 9SR** or calling **0800 023 4567**.

Our *Complaints Leaflet* gives all the details of our complaints process. You can find this online at **alliancetrustsavings.co.uk** in the Contact Us section.

If there is a dispute, what governing laws apply?

The law of England applies if you have a dispute with us.

Still have questions? You can find out more about our products and services within the FAQs section of our website at **alliancetrustsavings.co.uk**.

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