Financial Planning Report

Prepared for:

Mr A Client

A.N. Adviser Ltd
Independent Financial Advice

Prepared by:

Independent Financial Adviser

PPOL
Penylan Mill
Coed-y-Go
Oswestry
Shropshire
SY10 9AF

6/4/2014

SUITABILITY REPORT

Introduction and Basis of Advice

Your financial affairs have been analysed and my advice is set out below. I am authorised to provide advice on all areas addressed in this report. My recommendations that follow are based on my understanding of your current financial position and objectives. I would ask that you read the report carefully and check that it reflects your financial position, priorities, attitude to risk and capacity for loss.

It is important that you understand my advice. You should read this report in conjunction with the relevant illustrations, remuneration disclosure and Key Features documents, which all provide important information about the recommendations contained within this report. I do stress that if you do not understand any of the information contained within the Key Features document or this report then please contact me as a matter of urgency.

You have also been provided with a copy of our Client Agreement. This explains my status, our terms of business, the services we offer and how we can be remunerated for these services.

Date of Client Agreement	Date of Identity Verification	Date of First Meeting	Date of Last Meeting
20/3/2014	20/3/2014	20/3/2014	6/4/2014

If you believe that the information in any of the documents provided is incorrect please let me know as soon as possible. I would also mention that if any information has not been disclosed, it is possible that my advice may not take account of all your personal requirements and could ultimately have been different. I cannot accept responsibility for any non-disclosed information which could have affected my advice. Nor can I accept any liability should you suffer any loss due to the non-disclosure of material facts which have not been brought to my attention.

Summary of Current Position & Objectives

Please find below a summary of your current position:

Name	Mr A Client
Date of Birth	1/1/1965
Marital Status	Married
Number of Financial Dependants	0
Occupation	Company Director
Employment Status	Employed
Tax Status	Higher Rate Tax Payer
Monthly Net Income (£)	£4,000
Monthly Expenditure (£)	£2,500
Total Assets (£)	£500,000
Total Liabilities (£)	£190,000
Smoker	No
State of Health	Good

It was a pleasure to meet you at our offices recently, and I hope you found our discussions to be helpful and informative. I confirm that Alan is employed as the Managing Director of his own company ABC Ltd. Your annual salary is £65,000, which makes you a higher rate tax payer. Your wife

Andrea is a housewife and has a small amount of income (circa £1,000 pa) generated from her savings, making her a non-tax payer. I confirm that you have sufficient income to cover your regular expenditure, and you have no plans for any major expenditure at this time.

I understand that Alan has been disappointed by the performance of his existing pensions with Abbey Life and Windsor Life, and is keen to undertake a thorough review of these arrangements to determine whether they remain the best vehicles to save for your retirement, which you imagine will be on, or around your 65th birthday.

I have undertaken an analysis of your needs and requirements and have made a recommendation on the basis of the information you have provided. You have specifically requested that I focus my advice on the following:

- A review of your existing pension arrangements to ensure they are performing satisfactorily, reflect your stated risk profile and continue to meet your requirements for retirement

Attitude to Risk

We discussed at some length your attitude to risk (ATR) and in particular the relationship between risk and reward. I can confirm the agreed risk profile for each area of financial planning discussed in this report is detailed below.

You have completed the *Sample* Risk Profiling Questionnaire. The questionnaire has been designed to assess your knowledge, experience, attitude towards investment risk and capacity for loss.

Your risk profile is summarised as follows:

Investment Attitude to Risk: Balanced

You prefer to invest in broad range of core stock-market linked investments, where the overall returns achieved are more closely linked to the performance of the underlying assets. In so doing, this will provide you with the potential to benefit from real capital growth. However, you should be aware that investment values will fluctuate according to market conditions.

Capacity for Loss: Moderate

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that some short term volatility must be accepted in order to achieve your investment objectives. You have sufficient assets outside of your portfolio and an investment time horizon far enough in the future to withstand small to medium losses without any detrimental effect to your living standards. Your capacity to loss threshold would be no more than 20%.

If you feel that this does not accurately reflect your attitude to risk or capacity for loss please contact me as a matter of urgency.

A full summary of my company's attitude to risk and capacity for loss definitions can be found in the appendix of this report.

Review of Existing Pension Arrangements

Please find below a review of your existing pension arrangements. Further information concerning the highlighted pension arrangements can be found in the section entitled *Notes on Financial Products* in the Appendix of this report. Please note - The fund and transfer values illustrated below will be subject to daily fluctuations.

Further information concerning the past performance of your existing pensions can be found in the section entitled *Investment Fund / Portfolio Information* at the back of this report. I do stress that past performance is no guarantee of future performance.

Windsor Life Personal Pension Plan - 123456 - Mr A Client

Gross Employer Contribution	Frequency	Gross Employee Contribution	Frequency	Fund Value	Transfer Value	Retirement Age
£0	N/A	£0	N/A	£10000	£8000	65

Ongoing Charges		Exit Charges
Investment Management Fee	Plan Fee	Exit Penalty
1.25% per annum	£2.50 per month	£2,000

The pension is invested as follows:

Fund	Sector	Risk Rating	Initial Charge	Annual Management Charge	Total Expense Ratio	Allocation %
WL Managed	Mixed Asset	5	0.0%	1.0%	0.25%	100

Policy Benefits & Features

Tax Free Cash Entitlement – This pension does not include any protected or enhanced pension commencement lump sum entitlement in excess of 25%.

Life Insurance – This pension does not incorporate any additional life cover above and beyond the return of the pension fund.

Stakeholder Friendly Guarantee – This pension is not 'stakeholder friendly' in so much as there is no upper limit applicable to its on-going management fees.

Guaranteed Annuity Rate - This pension does not incorporate a guaranteed annuity rate.

I have recommended that you **transfer** your existing pension benefits to an alternative arrangement for the following reasons:

- This plan does not provide the necessary flexibility to allow you to tailor the benefits around your changing needs and circumstances
- So your pension can be held via a Wrap which provides greater flexibility and control in terms of the implementation and management of your pension assets
- To consolidate your pension plans with one provider thereby providing certainty of affairs and ease of administration

- You have been extremely disappointed by the service you have received from the holding company
- This plan offers limited online functionality
- There have been a number of questions raised concerning the financial strength of the holding company in recent times

Abbey Life Retirement Annuity Contract - Y54321 - Mr A Client

Gross Employer Contribution	Frequency	Gross Employee Contribution	Frequency	Fund Value	Transfer Value	Retirement Age
£0	N/A	£0	N/A	£50000	£60000	65

Ongoing Charges		Exit Charges
Investment Management Fee	Plan Fee	MVA
1.0% per annum	£25 per quarter	£2,000

The pension is invested as follows:

Fund	Sector	Risk Rating	Initial Charge	Annual Management Charge	Allocation %
Conventional With Profits	With Profits	4	0.0%	1.0%	100

Policy Benefits & Features

Terminal Bonus - Your plan has a bonus of £12,000.

Market Value Adjustment - Your plan is subject to an adjustment of £2,000.

Tax Free Cash Entitlement – This pension does not include any protected or enhanced pension commencement lump sum entitlement in excess of 25%.

Life Insurance – This pension does not incorporate any additional life cover above and beyond the return of the pension fund.

Stakeholder Friendly Guarantee – This pension is not ‘stakeholder friendly’ in so much as there is no upper limit applicable to its on-going management fees.

Guaranteed Annuity Rate - Benefits can usually be taken from a pension at the age of 55 in the form of an annuity, including while you are still working. At that time the fund may be used to purchase an annuity, which can be established on a basis to suit your individual circumstances and objectives. This pension plan incorporates a guaranteed annuity rate and could provide benefits as follows:

Basis	Guaranteed Period	Benefits Age	GAR	Open Market Equivalent
Single	Nil years	65	£81.00 per £1,000 of fund	£55.00 per £1,000 of fund

Please note if a tax free cash payment is required the guaranteed income could be reduced.

I have recommended that you **transfer** your existing pension benefits to an alternative arrangement for the following reasons:

- This plan does not provide the necessary flexibility to allow you to tailor the benefits around your changing needs and circumstances
- So your pension can be held via a Wrap which provides greater flexibility and control in terms of the implementation and management of your pension assets
- The current reversionary bonus rate applying to the With Profit Fund is only 1% per annum
- The annual bonus rates which have been applied to this With Profit fund in recent history have been poor
- The Free Asset Ratio of this With Profit fund is 35%. This is low when compared to others in the market place. The Free Asset Ratio is a measure of the company's With Profit fund's assets over its liabilities and can be considered a useful indication of the likely returns you will receive in the future
- A transfer will crystallise the terminal bonus applying to the With Profit fund
- The fund performance and range of investment opportunities available under this pension are restrictive. As such I have disregarded the option of an internal fund switch
- To consolidate your pension plans with one provider thereby providing certainty of affairs and ease of administration
- You have been extremely disappointed by the service you have received from the holding company
- Although the guaranteed rate applying to this plan is very competitive, the basis on which the annuity must be established to receive this rate is extremely restrictive and does not reflect your requirements in retirement

Investment Proposition Recommendation

Our investment proposition is designed to explain clearly the processes undertaken by my firm in managing and administering your investments.

Wrap Service Recommendation

Wrap services are now an established and growing concept in investment portfolio management and administration allowing individual investors to consolidate and view their financial assets in one place. The services are web based and can provide immediate information, meaning investors can review their wrap or platform account information, transaction history and valuations 24 hours per day, 7 days per week, and 52 weeks per year. The service provider chosen to administer your investments is detailed below:

AEGON Retirement Choices

- AEGON Retirement Choices (ARC) is a first for the UK market. It is an integrated platform, which facilitates the management of your wealth accumulation, workplace savings and retirement income all in one place. ARC offers innovative solutions to meet clients specific needs at all stages of their life. Their range of products and investments, and its flexibility to offer both workplace and at retirement solutions through one core platform, allows investors to move seamlessly from the workplace into retirement. The platform offers customers a range of tax wrappers including Self-Invested Personal Pension, Individual Savings Accounts (ISA cash & stocks and shares) and General Investment Account.

I am recommending this wrap service for the following reasons:

- I can confirm they are financially strong and the service provided has been excellent
- Although the recommended administration service will incur a slightly greater cost than if investing with each provider or fund directly, the ease of management and flexibility achieved should offset the additional costs over the medium to long term
- The total amount of funds held in your portfolio is at a level where charges become more competitive using a consolidation service
- They offer a single point of access to a range of discounted investments, tax wrappers and fund choices

Investment Mandate

The extent of your own involvement in the on-going investment management decisions of your investment portfolio(s) can vary considerably. These activities can be made entirely by you without advice (known as Execution Only service), or require your prior agreement (known as an Advisory service) or will be executed without your prior agreement (known as a Discretionary service).

I can confirm I am recommending that you utilise a **Discretionary** mandate service.

A Discretionary mandate service is for clients who do not wish to be involved with the investment strategy or decisions made on their portfolio. The discretionary manager will act on your behalf in taking care of the day to day investment decisions of your portfolio and be guided by the investment parameters previously agreed with you. As you will have given them the authority to act without seeking your prior approval, decisions will be made without consent.

My reasons for the recommendation are as follows:

- After discussing your financial goals and the service expected of my company it was our recommendation that you utilise the services of a discretionary managed investment service
- Our company has built up an excellent relationship with our discretionary investment partners, we regularly carry out due diligence of the market place to ensure they are financially strong and the service being provided matches our expectations
- It is our opinion that a discretionary investment manager can react to changes in the financial markets faster than any other service option available to you
- Although the charges of a discretionary investment service are typically greater compared to an advisory service, we agreed the expertise provided by the asset manager should over time offset any additional costs

Investment Strategy

An investment strategy solution should be primarily designed to meet your investment objectives but also consider your temperament, stage of life, family situation, tax status, investment time horizon and most importantly attitude towards risk. Unsurprisingly with all these criteria to consider there are numerous investment solutions and strategies that my firm can recommend. It is therefore important that I define the strategy that is being recommended for you and monitor it to ensure it remains appropriate to any changes in your circumstances.

I am therefore recommending the following investment strategy or strategies to fulfil your objectives:

- *Discretionary Fund Management* - This is a service for clients who want to hand over the responsibility for managing investments to an expert. An investment manager is appointed and they will construct a portfolio to suit a client's specific requirements and will make all the day-to-day investment decisions on the client's behalf whilst keeping inside the risk and return framework agreed with the client at the outset. Dependent on this framework, a portfolio might typically include a combination of equities (individual company shares), managed funds (unit trusts, investment trusts and open ended investment companies), fixed interest securities (government gilts and corporate bonds), hedge funds, structured investments, structured deposits, exchange traded securities, property funds and cash. The bigger the portfolio, the greater the opportunities for the investment manager to consider all of these assets within the portfolio.

Asset Allocation

Asset Allocation is based on long-established and well-proven mathematical principles, it involves achieving the correct balance of assets in your portfolio. The universe of investment funds available for you to invest into are categorised under different asset classes depending on their particular focus. Different types of assets have different performance characteristics, so it is very important to allocate the right mixture of funds to your portfolio so that, over time, the peaks and troughs of their performance balance each other out meeting your particular risk and reward expectations.

To achieve the correct balance for your investments I have decided to **outsource** the process to a specialist third party as follows:

Automatically (within the recommended investment strategy)

- As it has been agreed to follow a discretionary investment mandate, the asset allocation decisions are best placed with the recommended specialist provider of these services.

My reasons for the recommendation are as follows:

- They use a quantitative analysis team to generate projections as to how a wide range of asset classes are expected to behave over the long-term with respect to returns, volatility and co-variance.
- Their recommendations are based on modern portfolio theory techniques to derive efficient portfolios and maximise expected returns for a given degree of risk. They are rooted in historic data analysis, current market yields and estimates of risk premiums, as well as other factors such as current corporate debt default rates and inflation.
- They continually review the performance of their investment strategy and will provide you with a regular update report, explaining any changes.

I do stress that even with the strict controls governing the process recommended we will not be able to guarantee that the volatility range of a particular asset allocation may be breached occasionally. There is always the possibility of exceptional market conditions, due to unanticipated external events.

Investment Style

There are two differing styles of investment management that can be considered prior to populating a portfolio, these are ‘Active’ or ‘Passive’ and each on their own can be an important determinant of medium to long term returns. The styles can also be combined where a blend of each investment style is preferred.

I am recommending the following investment style:

- An **Active Management** style - where the fund manager uses their skill to select stocks they think will outperform the average benchmark in a particular sector.

Pension Switching Recommendation

I have recommended that you transfer the pensions highlighted in the earlier review section into an alternative arrangement. A summary of the options available to you can be found in the Appendix of this report.

Please find below an analysis of those existing pensions identified for possible transfer. When considering the switch of an existing pension to an alternative pension arrangement there are a number of factors that need to be considered:

Exit penalties

The existing provider may levy a charge for transferring your pension to an alternative provider. This penalty can be quantified by comparing the difference between the current fund and transfer values as highlighted in the earlier review section. To enable a true and fair comparison to be made with your existing contract, the transfer value is always used when determining the potential benefits that could be received from any proposed new provider.

Financial Strength

As a pension is a long term investment it is imperative to select a provider who is financially secure and will be able to meet all their obligations to policyholders in the future.

Charges and Potential Benefits

Entry Charges			Ongoing Charges				
Adviser Charge	AC Paid By	Provider Charge	Adviser Charge	AC Paid By	Investment Management Fee	Plan Fee	DFM Charge
£1,500	Provider	£100 set up fee	0.5% of FV per annum	Provider	0.90% per annum	£50 per annum	0.60% per annum

The effect of on-going charges can be demonstrated by comparing the potential benefits you could receive from your existing pension and the proposed alternative. A switch would involve a transfer of your pension fund less any transfer penalties and where appropriate the redirection of your regular contributions to the proposed alternative.

The projected fund values assume benefits will be taken at age 65 as per your stated objective. Please note these figures are for illustrative purposes only and cannot be guaranteed. The comparison is based solely on charges and assumes the highlighted annual investment return.

Company	Policy Number	Existing Pension			Proposed Alternative			Critical Yield %
		2 %	5%	8%	2%	5%	8%	
Windsor Life	123456	£30,000	£40,000	£52,000	£28,000	£36,000	£47,000	0.8%
Abbey Life	Y54321	£85,000	£115,000	£164,000	£82,000	£111,000	£159,000	1.1%

The critical yield represents the additional annual growth rate that the proposed alternative would need to achieve above and beyond that of your existing pension in order to justify the transfer in pure charging structure terms. Based on your attitude to risk and the investment strategy I have recommended, I believe this is reasonable and achievable.

Investment Options and Performance

There is obviously no means to categorically predict future investment performance. Although it should be stressed that past performance is no guarantee of future performance it can act as a useful guide. It is also beneficial to compare the range of investment options available. Flexibility to switch between a wide range of strong performing funds is important. Your attitude to risk could change and as a result you may wish to take an alternative investment strategy in the future.

As a result of my analysis I have recommended that you switch those existing pension arrangements, as highlighted in the Pension Review section of this report, into a Self-Invested Personal Pension Plan for the reasons highlighted below:

- SIPPs will allow you to exercise substantial control over the choice of investments held under your pension. Whilst you may not use all of the options, you do intend to invest in a broad spectrum of investments and require the flexibility to change your underlying investments in the future without having to switch providers
- The range of permitted investments is much greater under a SIPP than other pension arrangements and you are comfortable paying higher charges to gain access to a broader and more sophisticated range of investment opportunities
- A SIPP is not restricted to the investment choice of one provider. It is a pension wrapper which can contain any investment approved by the HM Revenue & Customs for pension purposes
- It is possible to access the services of a discretionary fund manager via a SIPP, as per your stated objective
- While invested your fund will benefit from tax advantaged growth
- Benefits can be taken at any time from age 55 and the effective requirement to buy an annuity at age 75 was scrapped from 6th April 2011
- 25% of the uncrystallised pension fund can be taken as a Pension Commencement Lump Sum (tax free cash) payment
- You will receive tax relief on your contributions

Summary of Recommendations

I have recommended the following for the reasons detailed below:

Ownership	Pension	Company	Transfer Lump Sum	Gross Regular Employee Contribution	Gross Single Employee Contribution	Gross Regular Employer Contribution	Gross Single Employer Contribution	Chosen Retirement Age
Mr A Client	SIPP	AEGON Retirement Choices	£68,000	£0	£0	£0	£0	65

Personal contributions will receive basic rate tax relief at source. Any higher or additional rate tax relief to which you are entitled can be reclaimed directly from HM Revenue & Customs via your Tax Return.

Employer contributions will usually qualify as a business expense which can be offset against taxable profits.

- AEGON Retirement Choices (ARC) is a first for the UK market. It is an integrated platform, which facilitates the management of your wealth accumulation, workplace savings and retirement income all in one place. ARC offers innovative solutions to meet clients specific needs at all stages of their life. Their range of products and investments, and its flexibility to offer both workplace and at retirement solutions through one core platform, allows investors to move seamlessly from the workplace into retirement. The platform offers customers a range of tax wrappers including Self Invested Personal Pension, Individual Savings Accounts (ISA cash & stocks and shares) and General Investment Account.
- They are a market leader in the area of pension provision
- Although the charges of the recommended plan are higher (as detailed under charges and potential benefits), I believe the investment strategy I have recommended and the greater investment opportunities available under the new pension will provide superior net returns over the remaining term of investment
- I believe the additional features and enhanced flexibility associated with the recommended plan more than compensates for any additional charge
- They provide access to a wide range of investment opportunities making it simple to vary your investment strategy to reflect changing market conditions, or should your risk profile change in the future
- They provide access to discretionary fund management
- They provide the facility to manage your pension online. Providing access to instant valuations, fund information and other investment analysis tools

Investment Strategy

I have recommended that your monies be invested with a Discretionary Fund Manager. Discretionary Fund Management ensures the underlying assets of the portfolio are invested in accordance with your specific risk profile and agreed investment objectives. The portfolio is managed on a regular basis, and all the daily investment decisions are the responsibility of your dedicated investment manager. There are a number of advantages associated with a discretionary fund management including:

- Your portfolio will be professionally managed on a daily basis to ensure it remains closely aligned to your risk profile and continues to reflect your individual needs and investment objectives.
- Provides access to a broad range of funds and assets at institutional terms, some of which are not normally available to private investors.
- Provides access to your own dedicated investment manager offering a more personal service, regular contact and bespoke reporting, including consolidated tax statements.
- Provides the opportunity to dictate investment preferences e.g. ethical, exclude tobacco etc.
- Allows the investment manager to exist “closer to the market” and therefore switch funds quickly to take advantage of potential investment opportunities.
- Provides a pre-determined agreed benchmark against which performance can be assessed.

In view of your stated risk profile and investment objectives, I have recommended that the available monies be invested as follows:

Discretionary Fund Manager	Portfolio Name	Objective	Risk Rating	Allocation
Brooks Macdonald	Growth Portfolio	To invest in a broad selection of different asset classes with the aim of providing tax efficient capital growth over the medium to longer term	Balanced	100%

I have recommended the above for the following reasons:

- Brooks Macdonald Asset Management Ltd is a subsidiary of Brooks Macdonald Group plc and is a specialist investment manager providing discretionary management services for private clients, trusts, charities and pensions funds. They have offices across the UK and in Jersey and Guernsey. As at 31 December 2013, the group managed in excess of £5.68bn on behalf of their clients. The growth of the firm has been organic and has developed under stable management since formation in 1991. The group's shares are listed on AIM, with management and staff retaining considerable ownership of the business.
- They provide access to a broad and diverse range of investment vehicles via their portfolio
- They have a clear and structured process in place for regular reporting
- They offer a high level of flexibility to ensure your portfolio is set up to meet your individual investment goals and requirements
- The charging structure is competitive when compared to similar services in the market place
- They have provided us and our clients with an excellent service in the past

I recommend that you contact me regularly to review the performance and continued suitability of the recommended Discretionary Fund Management Service.

A current investment market outlook can be found in the *Appendix* of this report.

Further information concerning the past performance of the recommended investment strategy can be found in the section entitled *Investment Fund / Portfolio Information* at the back of this report.

Options Available

Pension Contribution Insurance Benefit - This is designed to help safeguard your pension contributions in the event of you being unable to work through illness or injury for a prolonged period of time, after a predefined deferment period.

You do not wish to include this option due to the following:

- You did not feel this feature was necessary

Indexation – Your regular contributions will increase automatically each year to help ensure your income requirements are met in retirement.

You do not wish to include this option due to the following:

- You did not feel this feature was necessary
- It was agreed that we will review your contributions regularly

Income Requirements in Retirement

The accompanying illustration provides an indication of the income you could receive from the recommended pension plan in retirement. It is important that we review your pension provision on a regular basis as your current level of funding may prove insufficient to meet your stated income requirements in retirement. You should also remember that if you elect to take part of your pension fund as a tax free cash payment, this will reduce the income you receive from the residual pension fund. The illustration does not include your State Pension entitlement. It is possible to obtain a personal forecast of the State Pension you can expect to receive by contacting The Pension Service.

Expression of Wish

I would recommend that you complete an Expression of Wish Form. This will ensure the proceeds of your pension, subject to the trustee's discretion, are paid to your chosen beneficiary on your death.

Further Information and Risk Warnings

Further information regarding the recommended product can be found in the Key Features Document provided and the appendix of this report.

For further information regarding the level of contributions that can be made to, how benefits can be taken from, and the taxation of pension arrangements I refer you to the Technical Notes in the Appendix of this report. A summary of the risk warnings associated with my recommendations can also be found in the Appendix of this report.

Alternative Solutions Considered But Discounted

I confirm due consideration was given to a range of alternative solutions but subsequently discounted for the following reasons:

Stakeholder Pension

- You are a sophisticated investor and wish to invest in a pension vehicle that offers a wider choice of investment opportunities and the flexibility to take any benefits in a staggered fashion to suit your future circumstances and objectives
- It is not possible to access the recommended investment strategy via a stakeholder pension
- The investment opportunities available via a stakeholder pension are more restrictive then the recommended pension plan
- The range of options available via a stakeholder pension are more restrictive than the recommended pension plan

Personal Pension

- You are a sophisticated investor and wish to invest in a pension vehicle that offers a wider choice of investment opportunities and the flexibility to take any benefits in a staggered fashion to suit your future circumstances and objectives
- It is not possible to access the recommended investment strategy via a personal pension
- The range of options available via a personal pension are more restrictive than the recommended pension plan

Company Pension Scheme

- You have specifically stated that you wish to keep your private pensions separate to your company arrangement

Important Information

Cost of Services

There are various ways I can be remunerated for my advice and the provision of my services. A summary of the options can be found in our Tariff of Charges document, Services and Costs Disclosure Document (SCDD) or Combined Initial Disclosure Document (CIDD) provided.

A detailed summary of all the charges associated with the advice provided in this report can be found below:

Charges Summary

Pension - Windsor Life - 123456

Ongoing Charges		Exit Charges
Investment Management Fee	Plan Fee	Exit Penalty
1.25% per annum	£2.50 per month	£2,000

Pension - Abbey Life - Y54321

Ongoing Charges		Exit Charges
Investment Management Fee	Plan Fee	MVA
1.0% per annum	£25 per quarter	£2,000

Proposed SIPP Plan Charges - AEGON Retirement Choices

Entry Charges			Ongoing Charges				
Adviser Charge	AC Paid By	Provider Charge	Adviser Charge	AC Paid By	Investment Management Fee	Plan Fee	DFM Charge
£1,500	Provider	£100 set up fee	0.5% of FV per annum	Provider	0.90% per annum	£50 per annum	0.60% per annum

Entry Charges: One off charges taken before or on investment.

- Adviser Charge: A fee paid to the adviser for advice and services.
- AC Paid By Provider: The Adviser Charge will be facilitated by the product provider but taken from your funds.
- Provider Charge: A charge taken from the premium prior to investment.

Ongoing Charges: Regular charges, typically taken over a year.

- Adviser Charge: A fee paid to the adviser for ongoing advice and services.
- AC Paid By Provider: The Adviser Charge will be facilitated by the product provider but taken from your funds.

- Investment Management Fee: Or Annual Management Charge (AMC). A fee levied by the investment firm paid out of the fund for the costs of investment management and fund administration.

- Plan Fee: A set charge typically applied on the plan anniversary to cover provider administration.

Exit Charges: One off fees taken on termination.

- Exit Charge: Applicable under the plan or investment rules following early sale, surrender, encashment or transfer.

- Market Value Adjustment (MVA) Charge: A penalty which may be applied to a with-profit fund on early surrender.

Cancellation Notice

Once your plan or contract is set up you have a legal right to cancel it (excluding mortgages unless concluded at a distance). A 'Cancellation Notice' will be sent to you detailing how to cancel should you change your mind. You normally have 30 days (which may reduce to 14 days for ISA and Unit Trust investments and may increase to 60 days for annuities) in which to cancel. The amount you get back will be reduced by any market loss incurred between making your initial investment and up until your investment is sold. Any contract arranged at your explicit consent (normally referred to as "execution only") does not provide you with cancellation rights.

Affordability & Emergency Fund

You should keep some money immediately accessible to cover any unforeseen emergency expenditure that may arise. I would normally recommend that you retain an emergency fund equal to three month's expenditure within an immediate access deposit account as a bare minimum. I confirm you are happy with the level of your emergency reserve. I would also like to take this opportunity to confirm that the above recommendations are affordable to you.

Our Service Proposition

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience as well as any on-going costs you can expect to incur. Full details of these propositions have already been discussed and provided. I confirm that you have elected for the following service:

- A focused and limited advice transaction service instigated by client request.

Financial Services Compensation Scheme ('FSCS')

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.

The limit of protection varies between different types of products. For life assurance and non-compulsory insurance (e.g. home and general) the compensation level is 90% of the claim with no upper limit. For investments and mortgages the limit is £50,000 per person per firm. The maximum level of compensation on deposit based accounts increased to £85,000 per person per firm from 31st December 2010.

Aspects of Your Financial Affairs Not Addressed But Deemed Important

I practice a comprehensive approach to financial planning. To this end, I would like to draw your attention to the following. If on further consideration you wish to discuss any of the below in more detail please do not hesitate to contact me.

Inheritance Tax Planning

- You did not consider this a priority at the current time

Long Term Care

- This has previously been discussed and discounted

Protection

- You are happy with your existing protection arrangements

Income Protection

- You are happy with your existing income protection arrangements

Private Medical Insurance

- You did not consider this a priority at the current time

Wills and Lasting Power of Attorney

- I understand you have made a Will. I do stress the importance of keeping your Will up to date, thereby ensuring your estate passes in accordance with your wishes.
- I understand that you already have a Lasting Power of Attorney in place

Savings and Investment

- You are happy with your existing investment and savings arrangements at this time

Mortgage Repayment

- You are happy with your existing mortgage arrangement

Confirmation

I have identified your objectives and I hope you agree that the recommendations made correspond to your current needs and future requirements. If you have any queries concerning the content of this report, or should you feel the recommendations are in any way an inaccurate reflection of your circumstances and future objectives please contact me immediately.

Report written by

Signature ___________________________ Date ____/____/____

I the undersigned have received this report. I acknowledge this is a fair reflection of our conversation and confirm I have received all supporting literature including Key Features Documents, fund fact sheets and illustrations.

Accepted by **Mr A Client**

Signature ___________________________ Date ____/____/____

APPENDIX

Attitude to Risk

My company classifies **Investment Attitude to Risk** as follows:

Very Cautious

You are only willing to put a small part of your capital at risk. To this end you prefer to invest the majority of your capital in deposit based accounts, where your capital is protected. You accept that the future purchasing power of your capital could be reduced by the effects of inflation over the medium term

Low

Investments in this area are designed to provide a relatively stable and conservative level of growth and / or income. In return for the opportunity to earn more than from your deposit type investments, you are willing to accept a low risk of capital loss.

Balanced

You prefer to invest in broad range of core stock-market linked investments, where the overall returns achieved are more closely linked to the performance of the underlying assets. In so doing, this will provide you with the potential to benefit from real capital growth. However, you should be aware that investment values will fluctuate according to market conditions.

Adventurous

You prefer to invest in more specialised stock-market linked investments, in return for the potential for increased capital growth. Again, investment values will fluctuate according to market conditions, however, these fluctuations will be more pronounced.

Speculative

You are willing to obtain considerable exposure to individual equities, or highly specialised investments, in return for the potential to receive significant returns. In so doing you understand that you risk losing the invested capital.

My company classifies **Capacity for Loss** as follows:

None

Your sensitivity to volatility is realistic and you recognise that markets fluctuate, however your investment time horizon and financial circumstances dictate that no short-term volatility can be accepted within your investment portfolio as any falls in value would detrimentally affect your standard of living. Your capacity to loss threshold would be 0%.

Low

Your sensitivity to volatility is realistic and you recognise that markets fluctuate, however your investment time horizon and financial circumstances dictate that only minor short-term volatility can be accepted within your portfolio before your standard of living becomes adversely affected. Your capacity to loss threshold would be no more than 10%.

Moderate

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that some short term volatility must be accepted in order to achieve your investment objectives. You have sufficient assets outside of your portfolio and an investment time horizon far enough in the future to withstand small to medium losses without any detrimental effect to your living standards. Your capacity to loss threshold would be no more than 20%.

High

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that volatility must be accepted in order to achieve your investment objectives. You have a high net worth, with available savings, a reliable income, other accessible assets, low debt and a sufficient investment time horizon to manage medium to large losses in your portfolio without a detrimental effect to your living standards. Your capacity to loss threshold would be no more than 30%.

Unlimited

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that volatility must be accepted in order to achieve your investment objectives. Large losses in your portfolio would have a low impact on your future lifestyle as you are financially independent of the monies set aside. Your capacity to loss threshold has no limit.

Market Outlook

The summary below is provided courtesy of Skandia as part of their *Informer Indicator February 2014*. These are Investment House views and are not fund specific.

	EQUITIES								BONDS		
	UK	UK Smaller Comps	US	US Smaller Comps	Europe	Japan	Pacific Ex Japan	Emerging Markets	Gilts	UK Corporate	Global
Allianz	+	+	+	+	+	+	=	=	-	=	=
F&C	+	+	-	-	+	+	-	-	-	=	+
Fidelity	=		+		-	+	-	-	=	+	+
Investec	=	=	=	=	=	+	+	+	-	-	=
HSBC	+	+	+	+	+	=	+	+	-	+	+
JP Morgan	=	+	=	=	+	+	=	=	-	-	-
M&G	+	+	=	+	+	+	+	+	=	=	=
SWIP	+	+	=	=	+	+	-	=	-	-	-
Consensus View	**+**	**+**	**=**	**=**	**+**	**+**	**=**	**=**	**-**	**-/=**	**=**

Key

+	The fund group believes the index they are using as a benchmark will rise in excess of 5% over the next 12 months
-	The fund group believes the index they are using as a benchmark will fall in excess of 5% over the next 12 months
=	The fund group believes the index they are using as a benchmark will have either a positive or negative movement of between 0% and 5% over the next 12 months

Risk Warnings – Pension Switching

In addition to the risks shown below, I recommend you read carefully the section entitled "risk factors" in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

- For a full explanation of the charges and how they affect your plan please refer to your personalised illustration and Key Features Documents.
- The figures on any quotations provided are for illustration purposes only and are not guaranteed.
- The value of the investment is determined by the value of the units, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life. The value of your investment may be eroded by the effect of inflation over time.
- The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- The recommendations are based on our analysis of your current pension plans for which we rely on information provided by your current pension providers and as such cannot be held responsible for any inaccuracies contained in the information supplied.
- Past performance is no guarantee of future returns.
- When you retire, your pension may be lower than illustrated if:
    - You stop or reduce your contributions.
    - Investment performance is lower than illustrated.
    - The cost of converting your pension fund into an income for life is more than illustrated.
    - You start taking your pension earlier than your chosen pension age.
    - Tax rules change.
    - Charges increase above those illustrated.
- It is important to periodically review the value of your pension against expectations - particularly as you approach your chosen retirement age when it is advisable to transfer some or your entire fund to a more stable investment environment.
- A transfer of benefits does not guarantee a greater pension fund at retirement and there is no guarantee that the new provider's funds will outperform those of your existing provider.
- There may be a possible change of fund value whilst the transfer remains pending.
- When undertaking a pension transfer between two different investment companies, there may be a period of a few days where your funds are not invested and your fund could materially suffer as a result of movements in the market.
- The Cancellation Rights include the provision that the company from which the funds have been transferred are not obliged to take them back. In such an instance a new unvested pension contract would have to be set up involving additional costs for which you would be responsible. The returned funds may buy fewer units than were previously held due to fluctuations in unit prices between the date of encashment and reinvestment.
- Where a transfer penalty and / or an initial charge has been incurred, the death benefits provided by the new plan will be less until a time when the investment performance has been sufficient to overcome these initial penalties and charges.
- Where a property fund has been recommended the value of the fund is based on the valuer's opinion rather than fact. You should be aware property and land can be difficult to sell – so you may not be able to cash-in this investment when you want to. In extreme

market conditions the fund manager may have to delay acting on your instructions to sell your investment.

- An investment in corporate bonds is generally less secure than an investment in Government bonds due to the greater possibility of default.
- Where a fund invests in overseas markets, changes in currency exchange rates mean that the value of the investment can go up or down.

Technical Notes - Pension Switching

There are a number of options available in respect to your existing pension arrangements. A summary of the advantages and disadvantages associated with each option can be found below.

1. Do nothing

In so doing, you will remain subject to the same charges, investment strategy and policy features.

Advantages:

- This is the easiest option administratively as it will not require any further action.
- This will incur no charges.

Disadvantages:

- Your existing contract may not be very competitive when compared to those available in the current market place.
- This will not assist in the consolidation of your pension arrangements.
- The current funds may not match your investment objectives or desired investment strategy.

2. Switch funds within your existing pension plan

You will remain subject to the same charges and policy features. However we could switch the underlying funds to more accurately reflect your investment objectives and desired investment strategy.

Advantages:

- This will be administratively easier than transferring to a new pension plan.
- This is likely to incur less charge than a transfer to a new pension plan.

Disadvantages:

- Your existing contract may not be very competitive when compared to those available in the current market place.
- This will not assist in the consolidation of your pension arrangements.
- The range of investment opportunities available under your existing arrangement is limited when compared to other plans currently available in the market place and as such any proposed investment strategy would be a compromise.

3. Make your existing plan paid-up and redirect future contributions into a new pension arrangement

In instances where a significant penalty will be incurred on transfer, it may be beneficial to leave the fund accrued to date with your existing provider and redirect any future contributions to an alternative pension plan.

Advantages:

- Your existing pension fund will not incur a transfer penalty.
- Future contributions can be invested in a more appropriate pension plan.
- Helps to diminish any risk of having "all your eggs in one basket".

Disadvantages:

- Administratively this is more involved than an internal fund switch.
- Your existing fund will remain invested in a less advantageous environment.
- Administratively this is more cumbersome than having all of your pension fund invested with one provider.

4. Transfer to a new Stakeholder Pension

You could transfer your existing benefits into a low cost stakeholder pension.

Advantages:

- Charges capped at 1.5% per annum for the first ten years, reducing to 1% thereafter.
- No other charges apply.
- There will be no financial penalty applied on stopping contributions, transfer or early retirement.
- Minimum contribution is £20.
- Very flexible in that you can make regular, or one-off contributions and change regular contributions at any time.
- Fully portable.

Disadvantages:

- Administratively this is more involved than an internal fund switch.
- The fund range of a stakeholder pension is very limited and could compromise the construction an investment strategy befitting of your objectives and risk profile.
- Stakeholder pensions offer few "bells and whistles" such as the option to withdraw benefits directly from the pension fund.

5. Transfer to a new Personal Pension Plan

It is possible to transfer your existing benefits to a personal pension.

Advantages:

- As flexible as a stakeholder pension in that you can make regular or one-off contributions and change regular contributions at any time.
- Generally offers a wider range of investment opportunities than stakeholder pensions.
- Generally offers a greater range of features than stakeholder pensions.
- Fully portable.

Disadvantages:

- Administratively this is more involved than an internal fund switch.
- Charges may be greater than a stakeholder pension if external investment opportunities and / or other features and benefits are selected.

6. Transfer to a new Self Invested Personal Pension Plan

A self-invested personal pension (SIPP) is a special type of personal pension which allows you to have a greater involvement in the running of your pension and offers a much wider choice of investment opportunities. In addition to professionally managed pension funds, SIPPs also allow direct investment in a selection of additional assets from equities, gilts and commercial property.

Advantages:

- Offers a much wider range of investment opportunities than stakeholder and personal pensions.
- Provides the opportunity to invest directly in a commercial property.
- You will have greater control over where your fund is invested.
- Generally offers a greater range of features and options than stakeholder and personal pensions.
- Fully portable.

Disadvantages:

- Administratively this is more involved than an internal fund switch.
- Charges tend to be greater to reflect the greater number of options that are available.

7. Transfer to an employer's pension scheme

If you have access to an employer's pension scheme, you could consider transferring your existing pension benefits into this arrangement.

Advantages:

- Will assist in the consolidation of your pension arrangements.
- Your employer scheme may be a qualifying scheme for auto-enrolment purposes

Disadvantages:

- The company scheme may not be very competitive when compared to other arrangements available in the current market place.
- The range of investment opportunities available may be more limited when compared to other propositions currently available in the market place and as such any proposed investment strategy would be a compromise.
- You may wish to keep your other pension arrangements private from your employer.
- You may not wish to put "all your eggs in one basket".
- You may not get to select when and how you take your retirement benefits if these are set by the scheme trustees.
- You may not get to choose where your pension savings are invested if this is decided by the scheme trustees.

Technical Notes – Pensions

A current summary of the main pension's legislation effective from 27th March 2014 can be found within these technical notes. Included, are the 'at retirement' interim measures announced in the Budget 2014.

Budget 2014 - Far reaching reform proposals concerning changes to the flexibility of Defined Contribution (DC) pensions i.e. 'money purchase' arrangements at the point of retirement were set out by the Chancellor of the Exchequer on the 19th March 2014. The government feels the existing system is unfair and extremely complicated as it rewards those who have a very small or very large pension by providing them with full flexibility and choice over how they take their pension savings which is denied to those who fall in between. Therefore a change of the current rules and a new tax framework will be consulted upon by a wide range of interested parties including individuals, employers, consumer groups, providers and the pension industry as a whole. If unchanged, then with effect from 6th April 2015 legislation will enact the following:

- Regardless of fund size individuals will be able to draw down their pension savings whenever and however they wish after age 55 (age 57 from 2028). Any amount taken will be treated as income and subject to their marginal rate of income tax in that year instead of the current 55% for full withdrawals.
- No prescribed product at retirement needs to be purchased due to the new retirement option of full fund withdrawal. Financial products however i.e. Annuities (all variations) and Drawdown (all variations) will remain available as before but without limitation in the case of Drawdown.
- The 55% tax charge where currently applicable on death pre and post age 75 will be replaced by a fairer taxation of pension wealth on death.
- The transfer by members of Defined Benefit (DB) pensions into Defined Contribution (DC) pensions in order to access the increased retirement flexibility available to DC members will cease for Public Service schemes members (other than in exceptional circumstances) and restrictions will also apply to members of Private Sector schemes.

State Pension Age

- Historically the State Pension Age has been 60 for women and 65 for men. Between 2010 and 2018, the State Pension Age for women will increase to 65 to ensure equality. The State pension age is planned to further increase to age 66 by 2020 for both men and women. As a result of increasing life expectancy, the Chancellor announced in his 2011 Autumn Statement a further increase to age 67 between 2026 and 2028 and further increases were implied in his 2013 Autumn Statement to age 68 by the mid 2030's and age 69 by the late 2040's.

The Lifetime Allowance

The lifetime allowance is the limit on the total amount of pension benefits you can draw from before tax penalties are applied. Excess benefits are subject to a recovery (tax) charge on the balance over the lifetime allowance. The charge is 25% or 55% depending upon whether the excess benefits are taken as an income or a lump sum.

- The lifetime allowance is currently £1.25 million.
- Pensions in payment before A Day will be multiplied by a factor of 25:1 to determine the notional fund value against the allowance.

- Enhanced Protection, Primary Protection, Fixed Protection or Individual Protection may have ring fenced benefits from the lifetime allowance.

Pension Protection

Primary Protection - available from 6 April 2006 and gave individuals who had already built up substantial pension savings a personalised lifetime allowance based on the value of their savings as at 6th April 2006. For example, if an individual's savings were 50% above the lifetime allowance, primary protection offered individuals a personal LTA of 150% of the prevailing lifetime allowance.

Enhanced Protection - available from 6 April 2006 and meant that individuals who retained it were not subject to the LTA charge, regardless of the value of their pension savings at A-Day. A condition of Enhanced Protection was that no further pension savings could be earned post 6 April 2006.

Fixed Protection 2012 – On 6 April 2012, a further protection was introduced known as Fixed Protection 2012 (FP12) to coincide with the reduction in the lifetime allowance to £1.5 million. Those with FP12 retained the previous lifetime allowance of £1.8 million, but no further accrual of pension was permissible after 6 April 2012, otherwise FP12 would be lost and the standard lifetime allowance would then apply.

Fixed Protection 2014 - From 6 April 2014 Fixed Protection 2014 (FP2014) is to be introduced to reflect the reduction in the LTA from £1.5 million to £1.25 million. It will operate in a similar way to FP12, but individuals with FP14 will retain an LTA of £1.5 million from April 2014. Applications for FP14 must be made by 6 April 2014.

Individual Protection 2014 – With effect from 6 April 2014, Individual Protection 2014 (IP14) becomes available to any individual whose pension savings exceed £1.25 million as at 6 April 2014, and will provide a personalised lifetime allowance up to a maximum of £1.5 million. Those with IP14 will be able to continue accruing pension after April 2014, but any excess over the personalised Lifetime allowance will be subject to the lifetime allowance charge. Individuals can hold IP14 and either FP12 or FP14. In such cases, fixed protection will take precedence and individuals will revert to IP14 should fixed protection be lost. Individuals who already hold Enhanced Protection will be able to apply for IP14 but holders of Primary Protection won't. Protection will apply until such time as the standard lifetime allowance increases to the same level.

If you have opted for any form of the above "protection" it is important that you inform me of this fact, as this could affect my advice concerning your pension planning.

Contributions

- There is no difference between different types of pension schemes. It is possible to contribute to both a personal pension and a company pension at the same time.
- Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary – subject to the annual allowance.
- The annual allowance for the 2014/15 tax year is £40,000. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years.
- Contributions or accruals in excess of the annual allowance are subject to a tax charge at the member's marginal rate of tax relief. This applies to contributions made by the employee or employer.

- Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. The HMRC website suggests that a pension contribution when considered as being "wholly and exclusively for the purposes of trade" will qualify for tax relief. Only where there is a clear non-trade purpose may tax relief be restricted or not allowed. Even where tax relief is granted large employer contributions could have the tax relief spread over a number of accounting periods.
- In measuring "defined benefit schemes" against the limit, any annual increase in the pension benefit is multiplied by 16 to convert it to its contribution equivalent.
- No tax relief will be granted on contributions paid after age 75.

Retirement Ages

- From 6th April 2010, the earliest retirement age rose from 50 to 55.
- It is still possible to take benefits exceptionally early on the grounds of permanent ill health.
- It is possible, if scheme rules allow, to take benefits and continue to accrue benefits while in the same scheme before or beyond scheme pension age.
- Compulsory annuitisation by age 75 has been scrapped.

Retirement Benefits

- From 6th April 2011 the effective requirement for members of registered pension schemes to secure an income, usually by purchasing an annuity with their pension fund, by age 75 has been removed. It is now possible to draw retirement benefits (income and lump sum) after your 75th birthday.
- Effective from 27th March 2014, the maximum Capped Drawdown GAD limit increases from 120% to 150% of the prevailing annuity rate which can be withdrawn in any given policy year.
- Effective from 27th March 2014, Flexible Drawdown allows those who already meet a minimum income requirement (MIR) of £12,000 p.a. (previously £20,000 p.a.) of secured pension income to take income without limit from their pension fund.
- Effective from 27th March 2014, the whole of an individual's pension fund can be taken as cash (25% of which will be tax free) under the triviality rules provided their entire pension fund is not more than £30,000. The individual has to be at least 60 years old.
- From 6 April 2012, individuals attaining age 60 can exchange 'personal pension' benefits for cash under 'small pot' rules even if the main rules above have not been met. This is conditional on the payment not exceeding £10,000 with effect from 27th March 2014 (formerly £2,000), it extinguishes all rights of the individual under the arrangement and not more than three lump sum payments have previously been received under a similar scheme.

Tax-Free Lump Sums

- It has been possible to take a tax free cash (Pension Commencement Lump Sum) payment of 25% of the fund value from any pension since A Day.
- It is possible for an individual to protect any entitlement to a Pension Commencement Lump Sum payment in excess of 25% accrued prior to A Day. However detailed records have to be held and the protection can be lost on transfer.
- HMRC have established a fiddly anti-avoidance rule for the "recycling" of Pension Commencement Lump Sum payments. Significant contribution increases over 30% of the lump sum, where a Pension Commencement Lump Sum payment taken in the previous twelve months exceeds 1% of the lifetime allowance will be scrutinised.

Death Benefits

- On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance.
- Death on or after your 75th birthday will result in a tax charge of 55% on all uncrystallised pension benefits if taken as a lump sum.
- The same 55% tax charge on death will also apply to any crystallised pension benefits, regardless of age.

Investments

- There is a single set of investment rules which, subject to DWP (Department of Works and Pensions) requirements, apply to all registered pension schemes.
- Any personal use of an asset other than on commercial terms will give rise to an income tax assessment, like a benefit-in-kind.
- There is no ban on transactions between connected persons.
- Small business owners and professional partnerships can transfer their own business premises and company shares into their pension pots.
- Scheme borrowing is limited to 50% of scheme assets.

Auto-Enrolment

The Pensions Act 2008 established new duties on employers to help more people save for their retirement. All employers are required by law to automatically enrol certain members of their workforce into a pension scheme and make a contribution towards it. These duties took effect for the largest employers from October 2012 with all other sized employers being phased in until October 2018.

The government has set a minimum percentage that has to be contributed in total which will be based on a band of your gross annual earnings and will include your contribution, your employer's contribution and the tax relief added together. This minimum increases gradually between 2012 and October 2018 at which point the total contribution will be no less than 8% (of which at least 3% will be paid by the employer).

Where employers already provide a pension scheme for their workers, it will need to be checked if it is a qualifying scheme i.e. it meets a number of conditions based on the level of contributions paid or the benefits that members receive. If it doesn’t qualify at the moment, employers may be able to change the scheme rules or amend the terms of the policy so that they will be able to use it.

National Employment Savings Trust (NEST)

Nest is a brand new workplace pension scheme designed to make it easy for employers to meet their new workplace pension duties in respect of auto-enrolment. It is open to employers of any size and it is a simple and low-cost pension scheme designed to give its members an easy way of building up a retirement pot. The self-employed are also eligible.

Nest collects an annual management charge (AMC) of 0.3% of a member’s total fund each year and members will also pay a charge of 1.8% on any new contributions they make. Nest anticipates removing this charge once the costs of setting up the scheme are met.

Notes on Financial Products

Personal Pension Plan

Personal pensions aim to build up a sum of money in a tax efficient way which can subsequently be used to provide an income during retirement with the possibility of a tax free lump sum. Although similar to stakeholder pensions they are not restricted by a cap on charges, can offer more investment choice and different options for taking benefits and can be more tailored to your individual needs.

Modern personal pensions are generally extremely flexible in that they will accept regular, monthly or annual contributions. You can also make one-off contributions and change regular contributions at any time, subject to the provider's minimum contribution and the maximum limits set by the HM Revenue & Customs. It is also possible for an employer to pay into a personal pension plan.

Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary, subject to an annual allowance of £40,000 for the current tax year. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years. Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. Individuals are subject to a tax charge on the amount of any contribution (both individual and employer) paid in excess of the annual allowance each year. The tax charge will be at the member's marginal rate of tax. No tax relief will be granted on contributions paid after age 75.

A pension is one of the most tax efficient ways of saving for your retirement. Contributions qualify for tax relief at your highest rate of income tax, subject to the restrictions outlined above. Contributions are paid net of basic rate tax and the pension provider collects the tax relief from the HM Revenue & Customs. This means that for every £80 you contribute, £100 will actually be credited to your plan. Any higher rate tax relief to which you are entitled can be reclaimed through your annual Tax Return. Growth in the value of the pension fund is free from capital gains tax and certain types of dividends paid to the plan are free from income tax.

Benefits can usually be taken from age 55, including while you are still working. At that time you can elect to take 25% of the accumulated fund as a Pension Commencement Lump Sum (tax free cash) payment. The remainder of the fund may be used to purchase an annuity, which can be established on a basis to suit your individual circumstances and objectives at that time. Alternatively you can choose to take the benefits directly from your pension fund via a more flexible retirement plan. The effective requirement to buy an annuity by age 75 was removed from 6th April 2011.

On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance. Death on, or after your 75th birthday will result in a tax charge of 55% on all uncrystallised pension benefits. The same 55% tax charge on death will also apply to any crystallised pension benefits regardless of age.

Under normal circumstances, no inheritance tax liability will arise from pension death benefits unless HMRC believe that an individual has deliberately deferred the crystallisation of their pension benefits to avoid tax charges.

Budget 2014 – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms due to take effect on 6th April 2015.

Self Invested Personal Pension Plan

A self invested personal pension (SIPP) is a special type of personal pension which allows you to have a greater involvement in the running of your pension and offers a much wider choice of where to invest your pension savings.

Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary, subject to an annual allowance of £40,000 for the current tax year. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years. Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. Individuals are subject to a tax charge on the amount of any contribution (both individual and employer) paid in excess of the annual allowance each year. The tax charge will be at the member's marginal rate of tax. No tax relief will be granted on contributions paid after age 75.

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On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance. Death on, or after your 75th birthday, will result in a tax charge of 55% on all uncrystallised pension benefits. The same 55% tax charge on death will also apply to any crystallised pension benefits regardless of age. Under normal circumstances, no inheritance tax liability will arise from pension death benefits unless HMRC believe that an individual has deliberately deferred the crystallisation of their pension benefits to avoid tax charges.

SIPPs are allowed to invest in a variety of ways and “connected person transactions” are now allowed provided they occur at “arms-length”. The permitted investments include:

- Stocks and shares traded on any recognised stock exchange.
- Futures and options relating to stocks and shares traded on any recognised futures exchange.
- Units in an authorised unit trust.
- Shares in OEICs.

- Policies of insurance linked to unit-linked or investment funds of an insurance company resident in the UK.
- Traded endowment policies transacted with a person regulated by the FSA.
- Cash deposits in any currency.
- A freehold or leasehold interest in commercial property (including land).
- Ground rents, rent charges, ground annuals, feu duties or other annual payments reserved in respect of, or charged on, or issuing out of property except where the property concerned is occupied by a member of the scheme or a person connected with him.
- Individual pension accounts.

Property Investment via a SIPP

It is possible to invest directly in commercial property via a SIPP. The following should be considered when undertaking a commercial property purchase via a SIPP:

- The rent accumulates tax free within the scheme and the subsequent disposal of the property is exempt from capital gains tax.
- The lease must be on commercial terms and the administrator of the SIPP is required to take independent advice on the terms of the lease and the rent payable.
- Letting a property to a member's own business can also bring additional risks. If the business fails, the pension scheme may suffer investment losses as well as a reduction in future contributions.
- Investment in a single undertaking or having one investment as a large part of a scheme's assets brings considerable risk.
- Investment in commercial property needs to be treated with particular care. A property's potential marketability must be considered carefully because it will have to be sold before an annuity is secured.
- The problem can become even greater when several members effectively hold the property within their fund as often happens in a partnership.

A SIPP may only borrow towards the purchase of a freehold or leasehold interest in commercial property to be held as an investment of the scheme. The amount borrowed must not exceed 50% of the value of the individual pension assets.

Budget 2014 – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms due to take effect on 6th April 2015.

Retirement Annuity Contract

A retirement annuity contract is on old style personal pension. Prior to 6th April 2006 the rules governing retirement annuity contracts and personal or stakeholder pensions were slightly different. This is no longer the case.

Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary, subject to an annual allowance of £40,000 for the current tax year. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years. Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. Individuals are subject to a tax charge on the amount of any contribution (both individual and employer) paid in excess of the annual allowance each year. The tax charge will be at the member's marginal rate of tax. No tax relief will be granted on contributions paid after age 75.

A pension is one of the most tax efficient ways of saving for your retirement. Contributions qualify for tax relief at your highest rate of income tax, subject to the restrictions outlined above. Contributions are paid net of basic rate tax and the pension provider collects the tax relief from the HM Revenue & Customs. This means that for every £80 you contribute, £100 will actually be credited to your plan. Any higher rate tax relief to which you are entitled can be reclaimed through your annual Tax Return. Growth in the value of the pension fund is free from capital gains tax and certain types of dividends paid to the plan are free from income tax.

Benefits can usually be taken from age 55, including while you are still working. At that time you can elect to take 25% of the accumulated fund as a Pension Commencement Lump Sum (tax free cash) payment. The remainder of the fund may be used to purchase an annuity, which can be established on a basis to suit your individual circumstances and objectives at that time. Alternatively you can choose to take the benefits directly from your pension fund via a more flexible retirement plan. The effective requirement to buy an annuity by age 75 was removed from 6th April 2011.

On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance. Death on, or after your 75th birthday will result in a tax charge of 55% on all uncrystallised pension benefits. The same 55% tax charge on death will also apply to any crystallised pension benefits regardless of age. Under normal circumstances no inheritance tax liability will arise from pension death benefits unless HMRC believe that an individual has deliberately deferred the crystallisation of their pension benefits to avoid tax charges.

Budget 2014 – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms due to take effect on 6th April 2015.

Investment Fund / Portfolio Information