



# My pension, my way

The Xafinity SIPP and SimplySIPP





## Xfinity SIPP

Full 5 Star flexibility and great personal service

## SimplySIPP

A single investment SIPP, with lower fees, and the same great service.

You can progress seamlessly into the 5 Star Xfinity SIPP at any time, at no charge.



## What's a SIPP?

### SIPP stands for Self Invested Personal Pension

You can make regular or single payments into a SIPP. These payments build up with investment returns to provide benefits when you retire.

With a SIPP, you have a wide range of choices about how to invest your money and when you retire you can take your benefits in a number of different ways.

We use a number of technical terms in this brochure but we have defined them in the glossary on pages 16-19. Terms defined in the glossary **are shown in bold**. You may find it helpful to refer to the glossary while you are reading this brochure.

### The main features of a SIPP

A SIPP is an individual personal pension which provides:

- A tax-efficient and flexible way of saving for your retirement.
- Lots of investment choices, including commercial property, **quoted shares**, **investment trusts**, insured funds and even unlisted **shares** and **options**.

- Several ways of paying in. You can make single or regular payments, transfer money from other pension schemes – including **contracted-out schemes** – and make **in specie contributions**. The maximum contributions that will receive tax relief are set by **Her Majesty's Revenue & Customs (HMRC)** and **Her Majesty's Treasury (HMT)**.
- Several options at retirement, including:
  - taking tax-free cash
  - buying an **annuity**
  - drawing an income from your **fund (income withdrawal)**.
- Flexibility in how you provide for your husband, wife, civil partner or other dependents, if you die with assets left in your SIPP.

### Am I eligible?

You can start our SIPPs at any age. You don't need to be working, but you do need to be living in the UK.

## Introducing the Xafinity SIPP and SimplySIPP

### The Xafinity SIPP is the flexible, multi-asset, 'full SIPP' for today:

- Flexible, innovative design with wide investment choices.
- Designed to the latest Defaqto 5 Star Ratings standards\*.
- 24x7 online information and control.
- No hidden charges or commissions.
- From the UK's leading pension services group.
- Personal service from your dedicated administration team.

### The SimplySIPP, a simple single investment SIPP:

- This is the single investment version of our Xafinity SIPP, lower cost to you but same great service.
- This 'single investment' can be in a number of asset types (and could be a Discretionary Fund Management (DFM) arrangement where you could, in reality, hold many (thousands of!) different investments).
- Should you need greater investment variety in the future, you are already primed to progress into the Xafinity SIPP - no 'transfer' required, therefore no transfer fees!

### Xafinity – innovating in financial services since 1836

With a history dating back more than 175 years, Xafinity is one of the UK's most experienced and established pension and financial services groups.

We've been innovating throughout our history, from the formation of the UK's first national service payments organisation, through pioneering employee benefits consulting and independent trusteeship, to market-leading pensions management and employee benefits systems.

Today, we make payments totalling more than £13 billion per annum to 2.9 million pensioners, annuitants and their dependents in 180 countries throughout the world and support over 10 million pensioners on our advanced software systems.

Combining the use of market leading software with the expertise of our skilled administrators, we deliver service excellence to our full breadth of clients.

\*The Xafinity SIPP was awarded its 5 Star Rating from Defaqto during its launch year, 2008 and has achieved the 5 Star award every year since

## Why choose a SIPP?

A SIPP is a flexible pension arrangement that will usually suit people with larger amounts to invest in their pension. It also suits those who need a degree of flexibility now, or think they will in the future.

### In general, a SIPP will suit you if you want to:

- make your own investment decisions about your pension;
- have the choice to invest in a wide range of different assets;
- withdraw an income while continuing to make investment decisions about your remaining pension assets; or
- make an **in specie contribution** into your pension (not SimplySIPP).

### A Xafinity SIPP won't be suitable for you if you:

- don't need the flexibility it offers; or
- plan to invest only a small amount.

### A SimplySIPP won't be suitable for you if you:

- don't need the flexibility it offers; or
- need much greater investment flexibility.

### What do we mean by a 'small amount'?

There's no single answer to how much you need to invest to make a SIPP worthwhile, because it depends on which features of the SIPP you plan to use. It's very unlikely that the Xafinity SIPP will be appropriate if you invest less than £25,000. *However, the SimplySIPP may well be appropriate if you have smaller amounts to invest.*

Usually, a Xafinity SIPP will have over £100,000 invested in it, which you can build up over a period of time, through regular investment.

### Other alternatives

A SIPP is just one of a wide range of pension options available to you. A Personal Pension or a Stakeholder Pension will offer some of the features of a SIPP, possibly at a lower cost. We can't advise you whether a SIPP is the right type of pension for you – you'll need to speak to your own **adviser**.



## The Xafinity SIPP and the SimplySIPP: designed for today and to last a lifetime, designed by experts, designed for you and your adviser.

There are four main reasons why the Xafinity SIPP and the SimplySIPP are exciting products and a great choice for anyone considering a Self Invested Personal Pension.

### 1. Xafinity SIPP is one of the very best full investment SIPPs available in the UK today.

The Xafinity SIPP has been specifically designed as a Defaqto 5 Star rated product – the top rating in the market. We offer:

- Excellent customer service, with an industry-leading Service Charter, personal service from your named pensions professional, and 24 hour turnaround for new customer activation.
- Highly flexible and innovative product design with wide investment choices.
- The opportunity to transfer in pension assets from any UK registered pension scheme.
- 24x7 online investment valuation and trading facilities, so you can monitor and manage your pension easily from your computer.

### 2. The SimplySIPP offers almost all the features of the Xafinity SIPP but with a more simple single investment structure.

### 3. Both Xafinity SIPP and SimplySIPP are from Xafinity, the UK's leading specialist pensions services group.

You want your pension to be with someone with deep knowledge, experience, financial stability and a proven track record. Xafinity is a long-established, leading UK pension services group with:

- 1300 employees in 16 locations nationwide.
- Within this, a dedicated specialist team of experts in administering SIPP investments, across an exceptionally wide range of investment areas, including commercial property held within self-invested pensions.
- A track record as a highly trusted provider in financial services stretching back more than 175 years.
- Experience in handling trillions of pounds of transactions annually, and paying pensions of more than £13bn annually to 2.9 million members in 180 countries worldwide.

### 4. We're committed to working with you and your Independent Financial Adviser.

The Xafinity SIPP and the SimplySIPP have been created specifically to meet your needs for flexibility and control.

- No hidden charges or commissions. All charges are detailed transparently.
- Data and valuations are available to you, and if you wish, **your adviser**, online, 24x7.
- Treating our customers fairly is a cornerstone of our success. We assign a named consultant to look after you and provide exemplary customer service.

## Plus, a wide range of investment choices for you

The Xafinity SIPP and Simply SIPP offer an extremely wide range of investment choices, far more than most other pension arrangements. Through our expert team, we try to find the best terms for those investments and pass those terms on to you. You can choose your own investment adviser, or choose to manage your investments yourself – we are not tied to any particular investment manager.

The Xafinity SIPP really is a fully flexible SIPP. Many other SIPPs do not allow you the full range of investment options that ours does.

The SimplySIPP is designed to offer a single investment chosen from a selected range of investments. If a wider investment choice is required, this is available with the Xafinity SIPP.

If you start with the SimplySIPP, the wider investment flexibility of the Xafinity SIPP can be “switched on” free of charge. And if you start with the Xafinity SIPP and your circumstances change, you can switch to the SimplySIPP subject to the normal Xafinity SIPP closure fee.



## Committed to service: Xafinity's 5 values

Xafinity has a reputation for, and commitment to, providing outstanding service to all our customers. Everything we do, every day, is governed by our 5 values:

### Innovation

*Delivering market-leading services and options*

### Customer Sovereignty

*Placing our customers' needs at the heart of everything we do*

### Quality

*Imbuing our services and operations with best-practice principles, to deliver outstanding quality of service*

### Leadership

*Demonstrating our continued commitment to remaining at the forefront of pensions services*

### Enjoyment

*Creating a culture where our internal teams and customers enjoy their experience of Xafinity.*

## Looking at risk factors

### What risks should I consider and how can you help me?

Before you start a SIPP, you should think about a number of risks and issues, some of which are listed here.

- You must be prepared to manage your SIPP assets. This means regularly making decisions about your investments. We can help you by putting you in touch with investment managers who can do this for you, if you like.
- The assets you choose may go up or down in value. We give you valuations of your SIPP when you want, so that you can see how your investments are performing.
- The charges we make for running your SIPP and the charges made by people investing your SIPP's assets will reduce your **investment return**. You should therefore carefully consider whether the investment will support the charges made.
- If you have a small pension and do not need the investment flexibility that a SIPP can offer you may find a simpler Personal Pension is better for you.
- A SIPP is a pension arrangement. This means that pension regulations limit when and how you can take benefits. For example, you can only take a proportion of your fund as tax-free cash and you have to wait until you reach a minimum age before you can take benefits. If you need more freedom to choose when you use your assets, a pension may not be right for you. You can read a summary of the current cash and retirement rules on page 13.
- If you invest in an illiquid asset such as property, your ability to take benefits depends on when you can cash in your asset. This may take some time. We can help you by giving you details of the assets you hold, retirement forecasts (estimates of how much your pension will be) and information when you ask for it. However, we can't guarantee when you will be able to sell your assets.
- The estimated value of certain assets (such as property) before you sell them will only be based on opinions (for example, a valuer's opinion). When you sell, you may get less than you expect.
- If you transfer money from another pension scheme into your SIPP, you may lose some benefits. For example, the other scheme may give you guarantees which you lose when you transfer, such as a guarantee that the fund value will not fall. We will not take transfers from other pension schemes unless you have taken financial advice. There is a lot to consider when you are deciding whether pension transfers are appropriate for you. Because of this, you should take professional advice.

## What about the risks of income withdrawal?

- **Income withdrawal** does not suit everyone. If you use income withdrawal, you need to keep an eye on your remaining SIPP assets.
  - Once you start making withdrawals, you can only transfer the remaining assets to another income withdrawal plan, or buy an **annuity**.
  - There is a maximum amount of income withdrawal that you can make if you choose **capped drawdown**.
  - You may not meet the **minimum income requirement** to be able to take unlimited income withdrawal under **flexible drawdown**.
  - You may not be able to keep up with high levels of income withdrawal, particularly if **investment returns** are poor when you withdraw income. The higher the level of withdrawals, the smaller the fund left to provide future withdrawals or to buy an **annuity**.
- If you buy an **annuity** after a period of income withdrawal, the amount you could get *may* be much lower than you could have bought when you retired. This may be for a number of reasons, such as large withdrawals, poor investment performance and worsening annuity rates. So, you should only use income withdrawal if you are prepared to risk a lower annuity when you retire.
  - If you want to buy your annuity in stages, you may find that some annuity providers will not accept small cash amounts. Instead, they may insist on a minimum fund to buy an annuity (for example £10,000).

Talk to your **adviser** about how much risk you are willing to take with your investments before you decide whether to invest in a Xafinity SIPP or a SimplySIPP.



## Financial information

### Contributions

You can make single and regular payments, transfer money in from other pension schemes and, for the Xafinity SIPP only, make **in specie** contributions.

You can contribute as much or as little as you like. However, small contributions to the Xafinity SIPP or SimplySIPP are not usually appropriate. Your adviser will tell you whether a particular level of contribution is worthwhile. For example, a regular payment to the Xafinity SIPP or SimplySIPP of less than £100 a month is not likely to be worthwhile.

It is normally only worthwhile making a transfer from another scheme if the transfer value is over £10,000. This is because of the extra costs involved in transfers.

Talk to your **adviser** to see if a transfer is worthwhile for you.

You can get tax relief on your SIPP contributions. **HMRC** and **HMT** put a limit on the contributions that you can get tax relief for. Tax relief depends on your circumstances and may change in the future.

You can get tax relief on the first £3,600 you pay into your SIPP each year. You may also get tax relief on contributions above this amount.

You can only get tax relief on your **UK relevant earnings** or the **annual allowance**, whichever is lower. The annual allowance for the tax year 2012/2013 is £50,000.

This means, for example, that the most you could contribute in 2012/2013 would vary as shown below.

UK relevant earnings in 2012/2013	Maximum amount eligible for tax relief
£0	£3,600
£1,000	£3,600
£10,000	£10,000
£50,000	£50,000
£100,000	£50,000



The **annual allowance** can also be increased by any unused allowance from the three previous tax years. Your **adviser** will be able to help you determine if this facility is available to you.

In some cases, you can use **Pension Input Periods** to make larger contributions in a particular tax year. Ask your **adviser** if using **Pension Input Periods** to increase contributions might help you.

Your employer can also make contributions on your behalf. These contributions are not taxed as a **benefit in kind**.

There is no limit on employer contributions paid on your behalf. However, if the total of your personal and your employer's contributions is more than the annual allowance you will need to pay income tax on the difference.

Transfers from other pension arrangements do not get extra tax relief. This is because they will already have been given tax relief. There is no upper limit on the amount you can transfer.



## Financial information

### Investments

You can invest in a huge range of assets through the Xafinity SIPP. Your contributions (except **in specie contributions**) are paid into your SIPP's interest-paying bank account.

This bank account is in the name of the **trustee** of the SIPP. You tell the trustee to invest in assets and you choose which assets to invest in from the wide range listed below.

- Xafinity **basic funds**. These are low cost simple funds that might be suitable for any part of your assets that you do not plan to manage on a day-to-day basis.
- A wide range of **investment trusts**, unit trusts, funds and **shares in OEICs (open-ended investment companies)** through our online **fund supermarket** Fundsdirect, or any other dealing service you wish to use (eg online via a platform, fund supermarket or Discretionary Fund Management arrangement). These investments may be suitable for any part of your assets that you do plan to watch closely.
- Other funds and **trusts** that you ask us to buy direct rather than through Fundsdirect.
- A wide range of **quoted shares**, gilts (fixed-rate bonds issued and guaranteed by the UK Government) and corporate bonds.
- Bank and building society accounts.
- Commercial property and land, with or without a mortgage.

For the SimplySIPP, in addition to the main scheme bank account only one investment can be held at a time and this must be one of the following types:

- Bank and building society accounts.
- Insured policies.
- Managed funds (including investment trusts, unit trusts and OEICs).
- Quoted and unquoted stocks and shares.

You can choose any authorised investment manager to manage your assets for you. Or, you can manage them yourself with or without the help of your **adviser**. If you manage them yourself, you could do this through our chosen **fund supermarket**, Fundsdirect.

You may also be able to invest in specialised assets such as:

- **contracts for difference**
- **traded endowment policies**
- **hedge funds**
- **venture capital trusts**
- **unquoted shares**
- **futures and options**

Investing in specialised assets can involve extra conditions. For example, we may need to investigate some of your planned investments.

Speak to your **adviser** if you are interested in a specialised investment option.

### Limits

How much can I hold in my SIPP?

The maximum you can hold in all your pensions is shown in the table below.

Tax year	Maximum
2012/2013	£1,500,000

If your total pension gets higher than the maximum, you will normally have to pay tax on the extra amount. You will pay this tax when you take your benefits, or on reaching age 75 if this occurs first. If you already had a large pension on 5 April 2006, this tax charge may be reduced by **transitional arrangements** or protection. If you don't fall into that category, an additional form of protection (called **Fixed Protection**) was available on application to **HMRC** prior to 6 April 2012.

Talk to your adviser to see if transitional arrangements or protection are relevant to you.

## Benefits

### When and how can I take my retirement benefits?

You can take benefits from your SIPP any time after age 55. You can also take benefits earlier if you are permanently unable to carry out your current job because of illness or accident.

You can use the assets in your Xafinity SIPP or SimplySIPP to provide some or all of the following benefits:

- **Tax-free cash.** You can take a tax-free cash lump sum of up to 25% of your fund. You can take this as a one-off lump sum or you can spread it over a number of years. Even if it is spread over a number of years, the 25% limit applies. You must use the rest of the fund to provide an income.
- **Annuity.** You can buy an annuity from an insurance company. An annuity will give you an income for life. It may include a guarantee period (this is a minimum time for which you will be paid the annuity). It may also include a pension for your husband, wife, civil partner or other dependants, which continues after you die. Annuity payments are taxed as income.
- **Income withdrawal.** You can use SIPP assets to provide you with a regular income. There are two types of income withdrawal called **capped drawdown** and **flexible drawdown**. For **capped drawdown**, income is restricted to the maximum limit. Income withdrawal amounts are not guaranteed, but they are more flexible in the amount you can withdraw and when you can withdraw it, than an annuity. You can use income withdrawal to delay buying an annuity. While you are taking income withdrawal, the rest of the fund continues to be invested in the SIPP. Income withdrawal payments are taxed as income.

**Flexible drawdown** will allow you to take unlimited withdrawals but to be eligible you must meet the **minimum income requirement**.

Depending on your SIPP investments, the timing of some of these options may be limited. For example, if your SIPP has invested in commercial property, it may take some time for the property to be sold. Until it is sold, the value of the property is not available to provide benefits.

### What benefits are paid if I die?

It is possible to provide a lump sum, **income drawdown** benefits or **annuity** benefits (or all three) for your dependants when you die.

The options available will depend on whether you have already taken any benefits. The tax position may be affected depending on whether you die before or after your 75th birthday.

Inheritance tax should not normally apply to the benefits paid to your husband, wife, civil partner or other dependants if you die.

Talk to your adviser about the various death benefits available and the associated tax arrangements.

## Financial information

### Tax

Your personal contributions are paid net of UK basic-rate income tax ('net' means after tax has been taken off.) For example, if basic-rate tax is 20%, for every £8,000 you contribute, your SIPP receives £10,000.

We claim the tax relief from **HMRC** on your behalf and credit it to your SIPP.

If you are a 40% higher-rate taxpayer, you will get extra relief of £2,000 for every £8,000 contributed. You claim this extra tax relief through self-assessment.

If you're a 50% higher-rate taxpayer, each £8,000 contributed to your SIPP only costs you £5,000 and means you will have £10,000 in your SIPP for investment. The tables show examples of how tax relief affects personal contributions for a higher rate taxpayer.

Employer contributions can be even more tax-efficient.

Within limits, employer contributions are not taxed as **benefits in kind** and get corporation tax relief. There are also no National Insurance contributions to pay on employer contributions.

This means that employer contributions are often the most tax-efficient way of all to make contributions to your SIPP.

**Investment returns** in the SIPP are free of UK income tax and capital gains tax. However, UK dividends are paid to the SIPP with a tax credit that you cannot claim back. This means that investment return in pension funds is not entirely tax-free. If you invest in overseas assets, you may have to pay other taxes that you cannot claim back. Even so, the tax arrangements for SIPP investment returns are much better than most non-pension investments such as normal building society accounts.

The tax arrangements for the benefits you can draw from your SIPP are covered in the 'Benefits' section on page 13. Tax relief may change or be withdrawn in the future.

Higher-rate tax payable at 40%			
Amount contributed	Amount credited to SIPP with basic tax relief	Amount of higher-rate tax claimed back	Net cost allowing for both sets of tax relief
£8,000	£10,000	£2,000	£6,000
£10,000	£12,500	£2,500	£7,500
£20,000	£25,000	£5,000	£15,000
£40,000	£50,000	£10,000	£30,000
£100,000*	£125,000	£25,000	£75,000

Higher-rate tax payable at 50%			
Amount contributed	Amount credited to SIPP with basic tax relief	Amount of higher-rate tax claimed back	Net cost allowing for both sets of tax relief
£8,000	£10,000	£3,000	£5,000
£10,000	£12,500	£3,750	£6,250
£20,000	£25,000	£7,500	£12,500
£40,000	£50,000	£15,000	£25,000
£100,000*	£125,000	£37,500	£62,500

\*Assumes carry forward of £75,000 unused relief

## Charges and commission

### What are the charges?

The charges we make for running the Xafinity SIPP vary depending on the size of the SIPP and how complicated the investments are within it. The charges we make for running the SimplySIPP are fixed regardless of the investment choice. We provide full details separately.

Depending on the assets you invest in, you may have to pay charges to the people managing those assets.

### Does Xafinity pay commission to my adviser?

We do not pay commission to your **adviser**.

You may, however, agree to pay your adviser from your SIPP. Your adviser will agree with you a fair amount. This payment may be a fixed amount, a percentage of the fund in your SIPP or a percentage of payments into your SIPP.

Some of the investments held by your SIPP may pay commission to:

- your adviser – if this is the case, your adviser will tell you how much that commission is; or
- us – if this is the case, we will tell you how much that commission is.



## Glossary

This glossary contains brief explanations of some of the technical terms we have used in our SIPP brochure.

- **Adviser.** An FSA-regulated independent financial adviser (IFA) can be referred to more simply as an adviser. We are not an adviser and we cannot offer you advice about your pension.
- **Alternative investment market (AIM)**  
AIM is a UK stock market mainly for smaller companies. Investing in AIM-listed shares is generally high risk. This is because you may not be able to sell large shareholdings at the price quoted on AIM. (The price may fall as buyers realise that you are selling.) Also, small companies are less likely to be able to cope with bad news like a temporary drop in sales. Because of this, the value of their shares may drop quickly.
- **Annual allowance.** This is the maximum amount of new money eligible for tax relief in a single tax year. The annual allowance is set by HMT.
- **Annuity.** An annuity is an income paid for the rest of your life. You can buy annuities from an insurance company. An annuity can be a fixed amount, or it can increase by a fixed amount or in line with inflation. Your husband, wife or other dependants may continue to receive the annuity after you die. The annuity may also have a guarantee period such as five or ten years. See also income withdrawal.
- **Basic funds.** These are simple funds that might be suitable for any part of your assets that you do not plan to manage on a day-to-day basis. We cannot offer you advice on whether or not these funds are suitable for you. You need to agree your investment strategy with your adviser.
- **Benefits in kind.** When your employer gives you something valuable (for example, a company car) you may be treated for tax purposes as if you have received cash. If this happens, the item given to you is referred to as a benefit in kind and you need to pay income tax on it. Employer contributions to a SIPP are not treated as benefits in kind.
- **Capped drawdown.** This form of income withdrawal is subject to an annual maximum amount of income that can be taken, which is reviewed every three years (and every year after age 75).
- **Contracted-out.** Nearly everyone can expect a Basic State Pension when they reach State Pension age. If you are employed and earn above a certain amount, you will also pay National Insurance Contributions. You earn an additional amount of pension, known as the State Second Pension. This used to be called the State Earnings Related Pension Scheme (SERPS). The benefits from the scheme are based on the earnings on which you have paid National Insurance Contributions. If you are a member of an employer's contracted-out defined benefit (sometimes referred to as "final salary") pension scheme, instead of the Government paying the additional pension you will build up alternative benefits (often referred to as "Guaranteed Minimum Pension") within the scheme in exchange for a reduction in National Insurance Contributions. It is possible to transfer such benefits into your SIPP although you would need to agree this with your adviser first. You cannot use your Xafinity SIPP or SimplySIPP to contract-out of the State Second Pension.

- **Contracted-out scheme** – see Contracted-out
- **Contracts for difference.** These are high-risk investments. They consist of an agreement between a seller and a buyer. The seller agrees to pay the buyer the difference between the current value of an asset and its value at a future date. If the asset's value falls, the buyer pays the difference to the seller. Contracts for difference allow you to bet on movements in share prices without owning the shares themselves. Contracts for difference can sometimes be suitable investments for SIPPs for investors who are able to take high risks.
- **Drawdown.** This is another term for income withdrawal.
- **Equities.** These are the same as shares in a company.
- **Flexible drawdown.** This is a form of income withdrawal which is not subject to minimum or maximum limits. To be eligible for this, you must meet the minimum income requirement.
- **Fixed Protection.** If you have this form of protection, the normal limit on your pension fund size will be replaced by £1,800,000, if greater. The normal limit on your pension fund size is £1,500,000 in the tax year 2012/2013.
- **Fund supermarket.** This is an online shop where you can buy and sell investments including funds, unit trusts and OEICs. We have chosen the fund supermarket Fundsdirect for our SIPP. You can choose to use Fundsdirect through our SIPP if you want to.
- **Futures.** These are contracts under which the seller must sell, and the buyer must buy, an investment at a fixed price at a fixed future date. Futures carry a high risk because the market price in the future may be very different to the fixed price under the contract. Futures can produce very high profits or losses. As a simple example, I pay you £1,000 to buy your house for £100,000 in a year's time. (Under a futures contract, I have to buy it then, and you have to sell.) If your house is worth £150,000 by then, my £1,000 has become worth £50,000. If your house is worth £80,000 by then, my £1,000 has turned into a loss of £20,000. Futures are not for the faint-hearted!
- **Hedge funds.** These are private investment firms who usually invest in high-risk investments. There are usually fewer than 100 individual investors in a hedge fund. This allows the fund to avoid many of the regulations that apply to other pooled investment schemes (for example, OEICs).
- **Her Majesty's Revenue & Customs (HMRC).** HMRC is a government department. It decides how much tax relief is available under SIPPs. It also decides what rules apply to the benefits you can take.
- **Her Majesty's Treasury (HMT).** HMT is a government department. It sets the level of annual allowance.
- **Illiquid assets.** These are assets that can be difficult or slow to convert to cash. Property is a good example of an illiquid asset. Unquoted shares can also be illiquid because there may be only a small number of possible buyers.
- **Income withdrawal.** This means using some of your SIPP to provide an income while leaving the rest of your fund untouched. The amount you can take will depend on which of the two types of drawdown is used – Capped drawdown or Flexible drawdown.

- **Independent Financial Adviser (IFA)** – see Adviser.
- **In specie contribution.** This is a way of moving existing assets into a SIPP without selling the assets. The advantage of an in specie contribution is that it avoids the costs associated with selling an asset. After the in specie contribution, the asset can stay in the SIPP.
- **Investment return.** The difference between the money that you originally invested and the total amount you receive from that investment at the time when you cash it in. Investment returns can either be positive or negative (in other words, a profit or a loss).
- **Investment trust.** An investment trust is a form of pooled investment which has a limited number of shares. Investment trusts may specialise in particular types of investment (for example, UK shares).
- **Minimum Income Requirement.** To satisfy this requirement you must have a minimum guaranteed pension income already in payment. For the 2011 / 2012 tax year this is £20,000. No change has been announced for 2012 / 2013 tax year. This income must come from a social security pension, a pension scheme (but **not** from **capped drawdown**) and / or an annuity purchased by a pension scheme.
- **Open-ended investment company (OEIC).** An OEIC is a form of pooled investment, similar to an investment trust. OEICs are companies that issue shares on the London Stock Exchange. They then use the money raised from shareholders to invest in other companies. If an OEIC does well, it can issue more shares. This is why OEICs are referred to as being open-ended.
- **Options.** These are similar to futures. The difference is that an options contract creates a right to buy or sell, rather than making it compulsory.
- **Pension Input Periods.** These are part of the technical method used to limit contributions to a SIPP.
- **Quoted shares.** These are shares in a limited company where there is a share price published on a recognised stock exchange.
- **Self Invested Personal Pension.** See SIPP.
- **Shares.** If you have a share in a company, it means you receive dividends (part of the profits paid to shareholders) from the company and a portion of any proceeds if the company is sold. You can buy and sell quoted shares on a recognised stock exchange. Unquoted shares are owned by a limited number of people and you are only likely to be able to buy and sell with those people. Shares are more risky in the short-term than some other assets because you only receive whatever is left from a company after it has paid its debts and met other commitments (for example, salaries). If a company does well, its shares can shoot up in value. If a company does badly, its shares can become worthless.

- **SIPP.** A SIPP is a form of personal pension. SIPPs can include a very wide range of investments, can accept transfers including in specie contributions, and can be used for income withdrawal. Some SIPPs are fully flexible pension arrangements, while other SIPPs are not so flexible. It is important to choose a SIPP that meets your needs.
- **Traded endowment policies.** Endowment policies which have been sold to and traded by regulated brokers.
- **Transitional arrangements.** These are special rules that apply to people who already had large pension funds on 5 April 2006. Transitional arrangements may reduce or remove the extra tax charge for large funds. You have to register with HMRC to benefit from transitional arrangements.
- **Trust.** A trust is a set of assets and it is governed by rules set out in a document called a trust deed. Trustees make sure that the trust is run in line with those rules.
- **Trustee.** A trustee is an individual or a company with responsibilities to make sure that a trust is run in line with its rules. Our SIPP is governed by a trust. Xafinity Pension Trustees Ltd is the trustee of the trust.
- **UK relevant earnings.** This is an earnings limit used to set the maximum contribution that you can make and get tax relief for. (Your employer may be able to make a larger contribution than this.) UK relevant earnings are broadly the same as your taxed earnings, but they do not include dividends or bank interest.
- **Unquoted shares.** These are shares that do not have a price quoted on a recognised stock exchange. They are not usually suitable investments for SIPPs. They are often held by only a few individuals (for example, the founders of a company).
- **Venture capital trust (VCT).** A VCT is a form of pooled investment specialising in companies that have recently been set up ('start-up' companies).

**SIPP trustee**

Xafinity Pension Trustees Ltd

**SIPP administrator**

Xafinity SIPP Services Ltd

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The information provided in this document is based on our understanding of current law and **HMRC** practice. However, Xafinity is not an individual taxation or financial adviser and can't provide such advice. You should obtain independent advice before making any decisions using the information given. Law and HMRC practice are subject to change without notice.

Xafinity SIPP Services Ltd is authorised and regulated by the Financial Services Authority. Our FSA Registration Number is 461791. You can check this on the FSA's website at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register). Xafinity Pension Trustees Ltd (1450089) is registered in England at 27 Kings Road, Reading RG1 3AR. Xafinity SIPP Services Ltd is registered in Scotland (No 69096) and its registered office is at Scotia House, Castle Business Park, Stirling FK9 4TZ.