



Key Features of: The Xafinity Self Invested Personal Pension (SIPP) and **SimplySIPP**

Income Withdrawal

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Key Features of the Xafinity SIPP and SimplySIPP

The Financial Services Authority is the independent financial services regulator. It requires us, Xafinity, to give you this important information to help you to decide whether our SIPP is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference. This document applies to both the Xafinity SIPP and SimplySIPP. Differences between the two are highlighted in this coloured text.

Its Aims

The plan is designed to:

- Provide you with regular and flexible income from your pension fund.
- Provide you with up to 25% of your pension fund as a tax-free cash lump sum.
- Give you a choice over when, if at all, to buy a pension.
- Enable you to provide benefits on your death for your eligible dependants.
- Continue the investment of the rest of your fund while you are taking Income Withdrawals.

Your Commitments

- To keep within the rules of both our SIPP and those set by Her Majesty's Revenue and Customs (HMRC).
- To ensure that any Income Withdrawals taken are within the limits specified by HMRC.
- To take responsibility for the management of the investments in your fund. You can manage them yourself or through an investment adviser.

Risk Factors

- Any part of your fund used for Income Withdrawal cannot be transferred out of the plan, other than to another plan offering Income Withdrawal, or to buy a pension.
- Income Withdrawal can also be taken through a stakeholder or personal pension plan. Charges for these plans may be lower than for a SIPP.
- Investment performance or charges may be better or worse than expected. The value of the plan could therefore be less than shown in your illustration. Nothing is guaranteed. For example, different investments have different levels of investment risk. Their value can go up or down. In some cases, you could lose all of your investment.
- Your pension may not be as high as expected because the rates used to convert fund to pension may be lower in the future than they are now. If you decide to purchase a pension in the future, the amount could be lower than now.
- If the income you take is more than the growth on your investments, the plan value will reduce. The higher the level of withdrawal, the smaller the fund available for future withdrawals or pension purchases.
- If flexible drawdown (see "What Is Income Withdrawal?") is taken the fund could be exhausted and the plan will cease.
- While you are taking withdrawals, market conditions and pension rates may change. These changes could reduce the value of your fund and/or the pension you can buy. You should therefore only use Income Withdrawal if you are prepared to risk losing a considerable portion of your pension in future.
- Pension providers may set minimum purchase amounts, which could limit your choices when you buy a pension.
- The value of some investments, such as property, will need to be determined by a valuer. There may also be a delay in receiving benefits if some of your investments cannot be sold quickly (eg there could be a delay in selling a property). **The SimplySIPP, with its simpler investment choices, has less exposure to this risk.**
- Whilst the plan can accept transfers from other pension schemes, not all transfers are suitable. **You must seek professional advice before proceeding with a transfer. Except in very limited circumstances, unless you have obtained advice we will not be able to accept a transfer.**

Your Personal Illustration

We will provide you with an illustration giving details of the potential benefits and costs.

About Income Withdrawal

What Is Income Withdrawal?

A way of taking income from your fund; from age 55 you can use your fund to provide a tax-free cash lump sum and/or income payments. Any part of your fund not used to provide these benefits can remain invested.

Income Withdrawal lets you delay buying a pension in the hope that the rate used to convert fund into pension will improve in future. You take income payments from the fund in the form of either capped drawdown or flexible drawdown. Capped drawdown 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). Flexible drawdown is not subject to minimum or maximum limits. To be eligible for this, a number of conditions must be met including a minimum income requirement. To satisfy this requirement you must have a minimum pension income. For the 2012/2013 tax year this is £20,000. 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.

Income Withdrawal is not suitable for small funds. Whilst we do not apply a minimum fund size for income withdrawal, it is generally thought that funds of less than £100,000 are not suitable for income withdrawal.

What Are The Benefits of Income Withdrawal?

You can continue to invest your fund to provide income rather than buy a pension. If your investments provide a high level of return, or pension rates increase, this could increase the value of the benefits from your SIPP. **The fund is exempt from paying UK taxes** on income and capital gains. However, it cannot reclaim tax paid on UK or some overseas dividends.

You can buy a pension at any time to maximise your future income, by taking advantage of the highest rates possible.

You have a wide choice of investments. Further details about investment choice are given in the main SIPP Key Features document.

When Do I Have To Buy A Pension?

You don't ever have to buy a pension. You can continue taking withdrawals until you die. When, or if, you do decide to buy a pension you can use all or some of your remaining fund. At the time you buy a pension, we will check the Lifetime Allowance limits. See 'Limits, Transfers and charges' for more details.

Can I Still Pay Contributions?

Payments can still be made into your SIPP even when you are taking Income Withdrawal. Your payments can continue to earn tax relief until age 75 but not if you are in flexible drawdown when any contributions will be subject to a tax charge that will be calculated using your tax rate(s). You can find out more about contributions and tax in the main SIPP Key Features document. Once you use up all of your fund e.g. to buy a pension, your plan ceases and contributions are no longer payable.

Are My Investment Choices Any Different Whilst Taking Income Withdrawal?

No, they are exactly the same. These are detailed in the main SIPP Key Features document.

Limits, Transfers and Charges

How Much Income Can I Take?

Flexible drawdown allows you to take as much income as you want.

Capped Drawdown allows you to take any amount up to the upper limit specified by the Government Actuary's Department (GAD). We have to review these limits:

- Every 3 years, until you reach age 75
- Annually thereafter.

The GAD limits are based on special pension rates that GAD publishes for this purpose. These rates are used to calculate a base pension level for you. The GAD upper limit equals the base pension level.

You can take withdrawals monthly, quarterly, half-yearly or yearly; in advance or in arrears. You can take extra withdrawals at any time, up to the GAD maximum. We will send you an annual illustration showing the effect of your withdrawals.

Does The Lifetime Allowance Still Apply To My Plan?

Yes, if you are taking Income Withdrawals, each time you assign funds to be used for Income Withdrawal, some of your Lifetime Allowance is used up. To remind you, the Lifetime Allowance for the tax year 2012/2013 is £1,500,000.

When all this Allowance is used, any further benefits are taxable. You can find more details about the Lifetime Allowance in the main SIPP Key Features document, issued to you when you set up your SIPP.

Can I Transfer Out?

You cannot transfer out any part of your fund used for Income Withdrawal, other than to another plan offering Income Withdrawal, or to buy a pension.

You should seek professional advice before proceeding with a transfer as this is a complex areas.

What Are The Charges?

SIPP administration charges are described in the Charge Card and in clause 8 of the Terms and Conditions. You should read this to make sure you understand the charges involved in running a SIPP

- Please remember investment providers may also charge for the purchase, sale and management of assets. They will provide details of these separately (they may provide a Key Features Document similar to this one).
- Our charges are in addition to costs involved in the purchase or sale of assets. Examples of extra costs include solicitors' fees, unit trust set-up fees, or the cost of selling assets to provide Income Withdrawal.
- If you don't have enough money in the SIPP bank account to cover our charges, we can sell assets from the plan to meet these costs.

Death Benefits from the SIPP

What If I Die?

The table below summarises the benefits payable for any funds used for Income Withdrawal. Further information is provided below. If you are not using part of your fund for Income Withdrawal, the death benefits payable are described in the main SIPP Key Features document.

	Death Benefit Summary Funds being used for Income Withdrawal
How much fund is available?	All remaining fund that is being used for income withdrawal.
Can dependant benefits be provided?	Yes – to eligible dependants - pension or income withdrawals.
Who is an eligible dependant?	Eligible dependants include spouse, civil partner and dependent children.
Can a death lump sum be paid?	Yes The tax charge is 55%. If there are no dependants, it can be paid to a chosen charity without deduction of tax.
Who decides to whom benefits will be paid?	Xafinity SIPP Services Ltd – but you can tell us your wishes by completing a 'Nomination of Beneficiaries' form. Pension payments can only be made to dependants.
What if there is no Nomination Form?	Any lump sum would be paid to your estate.
What if there are no dependants?	Scheme Administrator would typically pay a cash benefit to your estate.

What Types Of Death Benefit Can Be Paid?

There are three types of benefit:

- **Death benefit lump sum:** The Scheme Administrator pays a cash death benefit. Any cash benefit paid from funds used for provision of income withdrawal is taxable, other than to a charity.
- **Dependant pension:** Some or all of the remaining fund can be used to buy a pension for one or more eligible dependants. Pension payments will be taxed as earned income by the pension provider. Please see '**Tax and the SIPP**'.
- **Dependant Income Withdrawal:** Income payments are taken from the fund to provide income for one or more eligible dependants, rather than using the money to buy a pension immediately. The rest of the fund stays invested. Income payments are taxed as earned income and paid after the deduction of income tax. We pay the tax deducted to HMRC. Please see '**Tax and the SIPP**'.

What Are The Death Benefit Options?

The full remaining value of the fund must be used to provide a cash payment, purchase a pension or provide income withdrawal payments. Combinations of these three options can be taken.

What Is A 'Nomination of Beneficiaries' Form?

This is a form which you can complete to tell us of how you wish death benefits to be paid. You can choose one or more dependants (as described in the table on the previous page). You can also choose registered charities to receive benefits from your plan. In the absence of this form, we will usually make payment to your estate. This could lead to an inheritance tax charge.

How Are Death Benefits Claimed?

To claim death benefits, the person dealing with your affairs should contact your adviser, or our SIPP Department at the address on the back page of this document. We will confirm the information we need to pay the benefits as quickly as possible.

It may not be possible to convert certain assets, such as property, into cash immediately. This could delay payment of some benefits.

Tax and the SIPP

Is Tax Relief Available On Contributions?

Yes; if you are under age 75 and not in flexible drawdown, contributions can attract tax relief. Employer contributions may also attract relief.

You can find out more information about contribution tax relief in the main SIPP Key Features document.

Is My SIPP Fund Taxable?

Pension funds don't pay UK taxes on income or capital gains. However, tax can't be reclaimed on UK and some overseas dividends.

Inheritance tax is not usually payable on any death benefit lump sum. Inheritance tax may arise on any payments made to your estate, depending on your personal circumstances. **You should seek professional advice if this is an area of concern to you as this is a complex area.**

Are Income Payments Taxable?

The Income Withdrawal payments you receive are treated as earned income and are taxable. We will deduct income tax from any payments we make.

Are Lump Sum Benefits Taxable?

- **Retirement:** Cash lump sums, within HMRC limits, paid to you as part of Income Withdrawal are tax-free.
- **Death:** Any cash benefit paid from funds used for provision of Income Withdrawal is taxable (55% as at 2012/2013).
- **Death and there are no dependants:** Tax-free if paid to a chosen charity.

Are There Any Other Taxes Payable?

Any payment which is not allowed by the HMRC for tax-relief purposes is called an 'unauthorised payment'. Unauthorised payments include benefits paid in excess of the income withdrawal limits and cash payments in excess of 25% of the fund. Unauthorised payments will result in an additional tax charge.

HMRC do not expect registered schemes to allow unauthorised payments and the Xafinity SIPP and SimplySIPP do not allow such payments to be made.

Further Information

Can I Cancel My Income Withdrawal?

We will confirm when your Income Withdrawal option starts. At the same time, we will send you a Cancellation Notice, giving you the right to cancel within 30 days. If you want to cancel income withdrawal, send the Cancellation Notice to the address on the back page. **Income Withdrawal cannot be cancelled once the 30 days have elapsed.** If you cancel you will have to pay back any tax-free cash lump sums and income payments you have already received. We will reinvest these into your SIPP. If investments were cancelled to provide payments, we may not be able to reinvest monies in your original investment. If so, we will put the refunded payments into the SIPP bank account until we receive your instructions.

What If I Have A Query Or Complaint?

If you have a query or complaint, please write to us at the address on the back page of this document. If you have a complaint we will do all we can to resolve it. Details of our complaint handling process are available on request.

If you do not find our response satisfactory and you wish to take the matter further you can refer it, without giving up any other rights you may have, to any of the following:

- Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR;
Telephone number: 0845 080 1800; www.financial-ombudsman.org.uk.
- Pensions Ombudsman, 11 Belgrave Road, London, SW1V 1RB;
Telephone number: 020 7834 9144; www.pensions-ombudsman.org.uk.
- The Pensions Advisory Service Limited, 11 Belgrave Road, London, SW1V 1RB;
Telephone number: 0845 601 2923; www.pensionsadvisoryservice.org.uk.

Where Can I Find More Information?

Our SIPP Brochure provides more information. Ask your adviser for a copy, refer to our website (<http://www.xafinity.com/Microsites/Self-Invested-Pensions/Xafinity-SIPP/Literature-Library.aspx>) or contact us. Our contact details are provided on the back page of this document.

Compensation

The Financial Services Compensation Scheme (FSCS) may provide protection if we cannot meet claims made against us or because we cannot return investments or money.

If you are eligible, investments in pension schemes are covered for up to a maximum limit of £50,000 generally, and £85,000 for bank and building society accounts. Further information about compensation arrangements is available from the FSCS website at www.fscs.org.uk.

SIPPs are regulated contracts in their own right and hence are covered by the FSCS. Investments with regulated investment providers or insurance companies will be covered separately under the Scheme. Those companies will provide information about the levels of cover provided.

Your status under the FSCS does not affect any legal rights you may have to compensation.

Law

The law of England and Wales will be used to decide any dispute.

We have based this information on our understanding of the law and practice as at 19 March 2012.

We make every effort to ensure that this information is helpful, accurate and correct but it may change or may not apply to your personal circumstances. Before taking any action you should always check with an appropriate adviser. We cannot accept responsibility for any action taken on the basis of this information alone as you should also read the Terms and Conditions and the Trust Deed and Rules.

HMRC practice and the law relating to taxation are complex and depend on individual circumstances and changes which cannot be foreseen. You should also read the Terms and Conditions and the Trust Deed and Rules.

This product is an investment regulated by the Financial Services Authority. Xafinity SIPP Services Ltd is authorised and regulated by the Financial Services Authority with permission to establish, operate and wind up personal pension schemes.

Terms and Conditions

This Key Features document gives a summary of the Xafinity SIPP, [incorporating SimplySIPP](#). It does not include all the definitions, exclusions, terms and conditions.

The full contractual terms are set out in the Trust Deed, Rules and Terms and Conditions. For more copies of these or clarification of any of the information provided in this document, please ask your Financial Adviser. Alternatively you can contact Xafinity SIPP Services Ltd at the address on the back page of this document.

If we make changes to the Terms and Conditions we will write to you to explain those changes.

Contacting Xafinity

SIPP Trustee: Xafinity Pension Trustees Ltd
SIPP Administrator: Xafinity SIPP Services Ltd

SIPP Department
Xafinity SIPP Services Ltd
Scotia House
Castle Business Park
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FK9 4TZ

www.xafinity.com

Tel: 01786 434213

Email: SIPPTeam@xafinity.com

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/. 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.

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.

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