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The Interactive Investor SIPP Key Features Document

The Lifetime SIPP Company Limited – KEY FEATURES OF THE INTERACTIVE INVESTOR SIPP



The Financial Services Authority is the independent financial services regulator. It requires us, The Interactive Investor SIPP, 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.

Introduction

The Interactive Investor SIPP is provided by The Lifetime SIPP Company Ltd which is authorised and regulated by the Financial Services to operate Self Invested Personal Pensions (SIPPs).

What is the Structure of The Interactive Investor SIPP?

The Interactive Investor SIPP has been established under a master trust deed and set of rules, copies of which can be made available on request. The SIPP Trustee Provider Limited is the scheme trustee and as such holds title to the SIPP's investments. The Lifetime SIPP Company Ltd and The SIPP Trustee Provider Ltd have entered into a Service Agreement with Hartley SAS Ltd, whereby the day to day administration of The Interactive Investor SIPP is delegated to Hartley SAS Ltd. Hartley SAS Ltd is also responsible for collection of all fees due under The Interactive Investor SIPP.

The Interactive Investor SIPP

- This enables you to use a single stockbroker who handles all the investments and provides valuations on a regular basis – we do not need details of transactions as they are undertaken within the portfolio.

Interactive Investor will be able to notify of the costs involved.

Who can have an Interactive Investor SIPP?

There are no age restrictions for The Interactive Investor SIPP membership and you can join by completing an application form and supporting documentation. Upon receipt of the duly completed forms a bank account will be opened for you with the Royal Bank of Scotland. Please see the Terms and Conditions of the RBS account on page 9.

Who is responsible for managing the investments within the SIPP?

As the SIPP is a "member directed" pension you manage your own investments. We do not provide advice and the service is considered execution only.

What can I invest in?

Your SIPP is allowed to invest in a wide range of investments, provided they do not give rise to any tax charge imposed by HMRC – you will be notified if such a charge could arise. Acceptable investments include equities, investment funds, unit trusts and cash on deposit with a bank or building society.

Am I committed to making a certain level of contribution?

The Interactive Investor SIPP offers total flexibility on the amount and frequency of contributions, subject to the limits set by HMRC for tax relief. You can make regular contributions, ad hoc payments, or stop or reduce/increase contributions as your personal circumstances dictate at any time.

The purpose of this document is to summarise the key features of the SIPP. You should contact your authorised financial adviser or investment manager for more information on pension arrangements generally.

The aims of The Interactive Investor SIPP

The aims of your SIPP are:

- To enable you to save for your retirement in a tax efficient way.
- To allow you to choose from a wide range of Investment Opportunities, to build up your pension fund.
- To allow you to make your own investment decisions, in conjunction with your adviser(s), even if you are drawing an income.
- To provide a retirement income, or to take a lump sum payment in lieu of part of such income.
- To give you the option of choosing when you draw benefits and being able to take the benefits in stages, if desired.
- To provide your dependant(s) with a lump sum, pension income or combination of both, on your demise.
- Flexibility on payments in to the scheme to reflect changes in your personal and financial circumstances.
- To receive transfers of existing pension schemes in to the SIPP including benefits accrued from contracting out of the second state pension scheme.

Your commitments

Your commitments are:

- To make at least one contribution by you or your employer, or a transfer from a previous pension arrangement, to your SIPP.
- To inform us if your pension contributions to all your pension arrangements in a given tax year exceed your annual earnings for that tax year.
- To complete such paperwork as is requested in connection with the establishment of your SIPP and the subsequent arranging of investments.
- To normally wait until you are at least 55 before taking your retirement benefits.
- To accept that your contributions may need to be reviewed if you want your pension to keep up with your income as you approach retirement.
- To settle all fees and charges in respect of your Interactive Investor SIPP promptly.
- Once your benefits have commenced to let us know the desired level of income to be paid each year, within the HMRC limits.
- To take on the responsibility of managing the investments within your SIPP, you can do this personally or appoint a suitable investment manager.
- To comply with our Trust Deed & Rules and those agreed with any third party in connected to The Interactive Investor SIPP. The trust deed & rules can be obtained from us upon request.

Risk factors

Many things could happen to affect the level of your pension at retirement. Any illustration you may receive is an indication only, based on statutory assumptions, which SIPP providers must adhere to.

- The fund and benefits it provides are not guaranteed. They are dependant on the future investment performance and market conditions at the point of your retirement.
- The benefits payable could be lower than anticipated if:
 - Investment growth is not as expected or in line with the initial expectations.
 - You decide to take your pension earlier than your original selected retirement age.
 - You are unable to maintain an initial level of contributions.

- You draw a higher pension income than anticipated causing a greater reduction in the fund value unless the fund performance is very good. High withdrawals of income are unlikely to be sustainable during the unsecured income period. This could also reduce any eventual annuity you may buy.
- Annuity or GAD rates used to calculate a pension income may be lower when you retire, than rates used for the purpose of earlier illustrations.
- Changes to legislation or tax rules.
- You transfer your SIPP to another pension arrangement with higher charges or the new arrangement achieves a lower growth rate.
- You may not hold sufficient cash deposits to settle the benefit payments and fees which could result in investments needing to be surrendered when markets are low.
- It may take time to sell some investments within the scheme
- The risks associated with your SIPP may increase for certain categories of underlying assets as chosen by you or your investment manager. You should also be familiar with the content of the key features that may be issued by the product provider of any underlying investment.
- The charges under your SIPP may increase more than assumed in earlier illustrations.
- The favourable tax treatment for HMRC registered pension schemes may change in the future.
- The longer you wait before buying an annuity from an insurance company, the more income you draw from the SIPP, and the funds eventually available to purchase an annuity, may be at risk from underlying investment performance.

If you are planning to transfer the value of other pension benefits into your SIPP, it is essential that you seek advice from your financial adviser or investment manager before doing so. You will need to be made aware of any potential loss of valuable benefits for you and your dependants, and possible guarantees, written into the terms of the pension being transferred.

Contributions

- Your financial adviser or investment manager will advise you regarding your eligibility to invest in a SIPP.
- Provided you are subject to UK income tax your personal contributions to the SIPP are paid net of basic rate tax and your SIPP administrator reclaims tax in accordance with rules set by HMRC on your behalf and remits the tax reclaimed to your SIPP. The limit on Personal Contributions on which tax relief can be claimed is the higher of £3,600 gross or 100% of your UK earnings. Regular contributions are made by direct debit mandate.
- If you are subject to higher rate income tax you will be able to reclaim further tax through your self assessment tax return.
- If you are employed, as opposed to self-employed, contributions by your employer are permitted. Such payments to your SIPP are made gross, without any tax deduction. Checks will be made to ensure the validity of the source of the contribution.
- If the total contributions paid to all registered pension schemes for your benefit exceed the "annual Allowance", currently £50,000, tax charges will be applied on the excess.
- You can transfer other assets i.e. shares and property, in to your SIPP as "in specie contributions" however independent financial advice should be sought before paying in any in specie contributions as there may be additional fees or tax charges applied.

The default pension input period for the SIPP is 6 April to 5 April – this means contributions are treated as being made in the tax year.

Is there a limit to my SIPP?

The maximum you can take from all your pension arrangements without incurring special tax charges is called the Lifetime Allowance (LTA) and is currently set at £1.8 million however from 06/04/12 this will reduce to £1.5 million.

You may have to pay tax on the value of the excess over the LTA when you take your benefits. If you already had a pension fund on 5 April 2006 you may have taken steps to avoid this tax charge by applying for 'Enhanced' and/or 'Primary' protection; if you think either of these measures apply to your pension, you should speak with your adviser, especially before you pay in money into your Personal Pension.

Prior to the reduction of the LTA from £1.8 million to £1.5 million, it is possible to apply for protection against the lower LTA by fixing your personal LTA at £1.8 million. However this means that no further contributions or benefit enhancements can be made to your pension arrangements from 06/04/12 onwards.

Every time you take benefits from the plan, some of your LTA is used up. Checks against the LTA are carried out at various points, including:

- Whenever you use part of the fund for tax-free cash and start income withdrawal and/or pension purchase,
- At age 75 (if funds are still invested in the plan),
- When funds used for income drawdown are used to purchase a pension.

At each of the above stages, an allowance is made for any tests that have already been carried out.

Special tax charges apply to any further benefits once all the LTA is used. Currently the tax charge is 55% where the excess over the LTA is taken as a lump sum or 25% where the excess is taken as pension (because the pension attracts PAYE tax).

Retirement Benefits

Normally you will not be able to start drawing benefits until you reach the minimum pension age of 55. The point at which you take your benefits is known as "crystallisation". You do not have to retire to crystallise your fund. The benefits available to you are:

- **A Pension Commencement Lump Sum.** This is a lump sum payment, currently tax free, taken from your SIPP before the balance of the fund you are drawing on is used to provide a pension as set out below. The maximum Pension Commencement Lump Sum is normally 25% of the value of the fund you are crystallising.

The remainder of the fund following the lump sum payment is used to provide a pension. The options regarding the **pension payments** are:

- **A Secured Pension.** This is typically a lifetime annuity purchased from an insurance company on the open market or guaranteed pension paid directly from a pension scheme. The amount of pension available to you is dependent on prevailing annuity rates at the point of purchase. The level of ongoing payments will set at the outset and any benefits payable on death will need to be agreed on and taken in to account at the point of purchase. The income levels and desired benefits are normally set from date of purchase and can not be reviewed in the future. A secured pension is not available from the Lifetime SIPP however you could use all or part of your accumulated SIPP fund to secure a pension elsewhere.
- **Income Drawdown.** This is a pension paid directly from your SIPP fund. The maximum pension income that can be withdrawn in any year is 100% of the "basis" level determined by the GAD rate. There is no minimum amount of pension income and you can choose to take a "nil" pension in any particular year. The pension is reviewed every 3 years, or at an earlier anniversary if you so request, based on the value of the funds remaining, your age attained and GAD rates in force at the point of review. After attaining age 75 the pension is reviewed annually. If you choose to draw your pension from the fund rather than buy an annuity on the open market, the benefit of cross-subsidy from funds of an annuitant who die early does not apply.

- **Flexible Drawdown.** This is available to the SIPP member who can prove they are in receipt of a guaranteed minimum pension income (MIR) of £20,000. This MIR can include all pension benefits, including the state pension, but does not include income drawdown from the Lifetime SIPP. There is no maximum income level and it may be possible for the member to draw the whole fund as a one off pension payment.

All pensions in payment are taxed as earned income.

Death Benefits

Before Crystallisation.

If you die before you draw any benefits prior to the age of 75, the scheme's trustee has discretion to pay the following benefits from such part of Uncrystallised Funds:

- The value of your fund can be paid out tax free to a previously nominated beneficiary.
- The value of your fund can be used to provide a pension for a financial dependant. This can be by means of an income paid from your SIPP or by the purchase of an annuity with an insurance company.
- A mixture of the above benefits can be paid.
- After age 75, even if you have not crystallised your benefits, any lump sum death benefits will be subject to tax at 55% (unless paid to charity in which case the lump sum is tax free).

After Crystallisation.

If you die after drawing benefits, the scheme's trustee has discretion to pay the following benefits from such part of your fund that has already been Crystallised:

- The value of your fund can be paid out to a previously nominated beneficiary, but the scheme's trustee must deduct tax at 55% before making payment
- The value of your fund can be used to provide a pension for a financial dependant, as above.
- A mixture of the above benefits can be paid.

Any protected rights benefits within your scheme will have to be used to provide a pension for your spouse/civil partner on your death in the first instance.

Other factors

If the contributions paid to The Lifetime SIPP and any other registered pension schemes exceed the annual allowance, you will be personally liable to pay a tax charge.

If you are unsure whether your SIPP is suitable for you, you should consult your financial adviser or investment manager.

"Contracting out"

Protected Rights are the monies which have accumulated from contracting out of the second state pension (S2P). Instead of paying full rate National Insurance (NI) contributions and qualifying for S2P they can contract out by paying reduced NI contributions, opting out of S2P and have protected rights in a pension scheme.

The Interactive Investor SIPP is able to accept Protected Rights from previous pension arrangements, under which you were "contracted out", but we do not receive ongoing National Insurance contributions into The Interactive Investor SIPP and so you may not be able to remain "contracted out" of the state pension scheme through The Interactive Investor SIPP.

Your right to change your mind

When your SIPP commences you will receive a Cancellation Notice. This will give you the right to cancel your SIPP during the next 30 days. You can waive your right to cancel your SIPP.

If you cancel your SIPP you will be entitled to a refund of any contribution other than a transfer value that you have invested in your SIPP. If the value of your investment falls prior to you exercising your right to cancel you will not receive back the full value of your investment. You may also incur additional charges imposed by the company(s) in which you have decided to invest.

Upon receipt of a request to transfer benefits from another scheme to The Interactive Investor SIPP you will be issued with a Cancellation notice allowing you 30 days to change your mind. Please note that if you change your mind regarding any transfer in to the SIPP it may not be possible to return the transfer value to the scheme you transferred from, as this may be dependent on its terms and conditions. Should this happen you will need to arrange for an alternative pension provider to accept the transfer value. Charges will, however, still be payable due to the work already undertaken in respect of the transfer to your Interactive Investor SIPP.

If an investment is to be completed before the 30 days has passed then your right to cancel the SIPP will need to be waived before we can proceed with the investment.

Having accepted a quotation of retirement benefits provided by us at the point you are looking to take benefits from your SIPP, you will be issued with a Cancellation Notice allowing you 30 days to change your mind. If you do decide to cancel the commencement of your benefits from the scheme within the 30 day period then you will be obliged to return any payment received in respect of this transaction.

Financial Services Compensation Scheme

The Interactive Investor SIPP is covered by the Financial Services Compensation Scheme (FSCS). A SIPP Investor may be entitled to compensation from the FSCS if we can not meet our obligations. For further details please see the FSCS website <http://www.fscs.org.uk/consumer>

Queries and Complaints

For further information or if you have any cause for complaint about the service you have received please contact:

Robin Hooper
The Interactive Investor SIPP
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Bristol
BS1 4JZ

Tel: 0117-316-9944 / Fax: 0117-929-8808

E-mail: RobinHooper@TheLifetimeSIPP.com

If you wish to pursue any particular issue further, you can contact the Pensions Ombudsman at The Office of the Pensions Ombudsman, 11 Belgrave Road, London SW1V 1RB. Tel: 020-7630-2200 / Fax: 020-7821-0065 / Email: enquiries@pensions-ombudsman.org.uk

Disclaimer

The information provided in this Key Features Document is based on our understanding of current legislation, practice and taxation, and is subject to change as tax laws and legislation may change over time. In the case of a dispute then the Law of England and Wales will apply and by completing the Lifetime SIPP Application form you are agreeing to this.

Nothing in this Key Features Document should be taken as giving any sort of investment advice.

Contact Details

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Schedule of Fees

All fees are payable annually in advance in year one. Fees will be taken quarterly in advance thereafter.

Set up:	Nil
Annual administration:	£120 + Vat for portfolios of £50,001 and above £75 + Vat for portfolios of £50,000 or less (Year 1 only)
Transfer in:	£50 + Vat per pension transfer (maximum of £300 + Vat per SIPP)
Benefits Crystallisation Event:	£150 + Vat
Pension Review:	£150 + Vat
Income Withdrawal:	£125 + Vat pa up to the age of 75 £200 + Vat pa after the age of 75
Annuity Purchase :	£75 + Vat
Transfer Out:	£75 + Vat

All fees are subject to the addition of VAT at the prevailing rate and are subject to annual review

Additional services are by negotiation, depending on the level of work involved. We will always give you a firm quotation of the cost before undertaking any additional work. Please ask for details.

Terms and Conditions of the Royal Bank Of Scotland Bank Account.

By completing the application for The Interactive Investor SIPP you are authorising the trustees to open an account with Royal Bank Of Scotland on your behalf and agreeing to the following Authority

(i) We, The SIPP Trustee Provider Ltd, (the 'Company Trustee') and the Trustees named on the Authorised Signatories Sheet(s) (the 'Individual Trustees') set out separately and certified as correct by the undersigned Company Trustee being the Trustees of the **The Interactive Investor SIPP** ('hereinafter called the Scheme') request you to open or continue an Account in the name of the Scheme and authorise you to accept instructions [subject to section (ii) below in respect of instructions not in writing] (a) for operations on the Account and (b) to release items held in security or safe custody in our names as Trustees **When signed by any two Company Trustee as named in the Authorised Signatory Sheet**, even if the Account becomes overdrawn as a result of the instructions.

(ii) Where instructions to you are given in any form that is not in writing ['writing' means for this purpose a document bearing an original written authorised signature(s)] you are entitled to accept them if you are satisfied that the instruction is genuine. We accept that you may require us to enter into a separate agreement(s) with you and/or comply with any further conditions covering any means of providing you with instructions that are not in writing.

(iii) We agree that we can all and/or each be held fully responsible for any debt or other liability of whatever nature on the Account or otherwise arising with or owing to you save that, in the absence of fraud or negligence on the part of the Company Trustee the liability hereunder of the Company Trustee shall not be personal but shall be limited to the extent of the assets of the Scheme but without prejudice to the full personal joint and several liability of the Individual Trustees.

(iv) We wish the Account to be included in The Royal Bank of Scotland (the "**Bank**") electronic services, Bankline and Royline and we refer to the Electronic services registration mandate for both Bankline and Royline between The Lifetime SIPP Company Ltd, the Company Trustee and the Bank whereby the Bank agrees to provide The Lifetime SIPP Company Ltd with electronic services ("**Services**"). We agree that we wish the Account to be added to the Services. In consideration of the foregoing we agree to be bound by the Bankline Terms and Conditions and the Royline Terms and conditions as if we were a party to each.

Interactive Investor Trading Limited is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange. Registered office: Standon House, 21 Mansell Street, London, E1 8AA. Registered in England with Company Registration Number 3699618.

The Lifetime SIPP Company LTD is Authorised and Regulated by the Financial Services Authority. Registered Address: Blandford House, 77 Shrivenham Hundred Business Park, Majors Road, Watchfield, Swindon. SN6 8TY. Registered Company Number 2455807

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