

THE IPS PARTNERSHIP PLC – KEY FEATURES OF THE IPS SIPP

THE IPS PARTNERSHIP

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The Financial Services Authority is the independent financial services regulator. It requires us, The IPS Partnership, 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 should be read together with your IPS SIPP illustration provided by your financial adviser, the booklet "The IPS SIPP", Terms & Conditions and the IPS SIPP Fee Structure. This document outlines the most important things you should know about the IPS SIPP. Please read these documents carefully and keep them in your possession.

The IPS Partnership Plc is Authorised and regulated
by the Financial Services Authority (FSA).

WHAT ARE THE AIMS OF THE IPS SIPP?

- For you to build up a pension fund 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 provide flexibility to cope with changes in your employment and financial circumstances
- To allow you to take benefits as a pension with the option of drawing part as a tax-free lump sum when benefits commence
- To give you the option to allocate your pension fund to provide a cash sum and/or pension for your spouse or dependant(s) when you die
- To allow you to take your pension and tax-free lump sum in stages, if required
- To give you an opportunity to contract-out of the State Second Pension (S2P) with the aim of getting a higher pension than you would have got from the Government's S2P scheme.

WHAT ARE YOUR COMMITMENTS?

- To make a payment into your IPS SIPP by you or your employer on your behalf or;
- To give up your rights under any existing pension arrangements if you decide to transfer money from those arrangements to your IPS SIPP
- To tell us if your pension contributions to all your pension arrangements in one tax year exceed your annual earnings for that tax year
- To keep the funds in the SIPP until you can draw from them. Normally this will be age 50 (age 55 from 6th April 2010)
- To draw your lump sum benefits before age 75
- To pay fees and charges in relation to your IPS SIPP
- To inform us if you want to stop contracting-out
- To comply with all terms and conditions agreed with The IPS Partnership Plc or any third parties relating to your IPS SIPP.

WHAT ARE THE RISKS?

- The fund and the benefits it provides are not guaranteed. They will depend on future investment performance and the financial conditions when you draw benefits
- Where a pension is taken earlier than originally intended, the benefits you receive could be less than expected
- Investment performance of the underlying assets may be worse than assumed. The value of an investment can go down as well as up, and you may not get back what you originally put in
- It may take time to realise certain assets such as property
- Annuity rates may be lower at retirement than expected
- High income withdrawals (unsecured pension) are unlikely to be sustainable without high investment performance
- Under income withdrawal the benefit of cross-subsidy from funds of annuitants who have died is not available as it is with an annuity
- Your personal circumstances may change, for example your IPS SIPP could be subject to Pension Sharing as a result of Divorce proceedings or the dissolution of a Civil Partnership, resulting in a lower pension for you
- The fund growth will depend on the performance of the investments held by your IPS SIPP and the charges deducted
- If you transfer funds into or out of the SIPP the monies will be out of the market, and you will not get the benefit of any market increases whilst the transfer is pending
- The bank which holds your SIPP cash deposits may fail. You do not have enhanced protection under the Financial Services Compensation Scheme (FSCS) as a result of IPS using a designated client account.

WHAT IS THE IPS SIPP?

- The IPS SIPP is a self invested personal pension that operates as a Trust which is governed by a set of Rules. You will have your own individual plan and you will be a named trustee with our trustee company appointed as a co-Trustee of the plan
- You direct the investment decisions from a wide range of allowable investments as permitted by HM Revenue & Customs
- All funds are held in a designated client deposit account with Barclays Bank Plc until investment instructions are given. Interest is paid tax-free on this account. The account is operated by The IPS Partnership Plc as Scheme Administrator

- Investment income and capital growth is tax-free (tax deducted at source on share dividends cannot be reclaimed)
- Retirement and/or death benefits can be paid from the IPS SIPP with tax advantages.

Is the IPS SIPP a Stakeholder Pension?

No. Stakeholder pensions have to meet certain standards and comply with certain rules. These are mainly to do with payment levels, costs, and terms and conditions. A Stakeholder pension may meet your needs at least as well as an IPS SIPP.

AM I ELIGIBLE?

You can have an IPS SIPP if you are employed, self-employed, a pensioner, a carer, in full-time education or unemployed. An IPS SIPP can be established for a child under the age of 18 by a parent or legal guardian.

Contributions over a fixed level can only be paid if you are self-employed or employed and have relevant earnings.

CONTRIBUTIONS

Can contributions be paid to my IPS SIPP?

- Yes, provided you are eligible for contributions, you and/or your employer can make contributions to the IPS SIPP up to age 75
- You can start contributions at any age from 18. A third party such as a parent or grand parent can even pay contributions on your behalf
- Contributions can be single “one-off” contributions or regular payments
- The amounts paid can vary as you determine
- Contributions can be in the form of other assets other than cash (known as “in-specie”). You should take personal financial advice before making such contributions as there could be tax consequences
- Please note that you may be required to provide evidence of the source of wealth from where contributions originate. If a SIPP is introduced by an Independent Financial Adviser, it is their responsibility to verify this.

How much can be contributed to my IPS SIPP each tax year?

- There is no minimum contribution level to an IPS SIPP
- There are maximum contribution limits on which tax relief will be granted. If total contributions to all Registered Pension Schemes of which you are a member in any tax year exceed this limit (known as the “Annual Allowance”), you will normally be subject to a tax charge on the excess
- Regular contributions can be stopped at any time. Your IPS SIPP will remain invested and ongoing fees will continue to be charged
- You or your employer can restart regular contributions at any time as long as you are still eligible to contribute.

What about tax?

- Personal contributions up to the higher of £3,600 or 100% of your earnings receive tax relief at your highest marginal rate. Currently, The IPS Partnership Plc will claim basic rate tax relief (20%) from HMRC on your personal contributions (for example, if you pay a net contribution of £80, we will reclaim £20 meaning the SIPP has received a total of £100). It can take about six weeks for tax refunds to be received. If you pay higher rate tax, you may be able to claim extra tax relief through your self-assessment tax return although this depends on your overall earnings

- Employer contributions are paid gross and receive corporation tax relief if HMRC deem the contribution level appropriate to your role in the company
- You should seek appropriate advice before making any contributions if you have protection against the Standard Lifetime Allowance, or are treated as a “high earner” for pension contribution tax relief purposes.

Can I contract out of the State Second Pension?

- The IPS SIPP can accept contributions from the Department of Work and Pensions (DWP) in respect of contracting out of the State Second Pension (S2P), which are added to your plan. These benefits are called Protected Rights. The amount of these contributions is related to how much you earn.

CAN I TRANSFER OTHER PENSION ARRANGEMENTS INTO MY IPS SIPP?

- Yes. If you have benefits held under another Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme, you may be able to transfer these to your IPS SIPP
- There is no guarantee that transferring another pension arrangement to your SIPP will increase your total retirement benefits
- The IPS SIPP can accept transfer payments in the form of assets other than cash (known as “in-specie” transfers)
- The IPS SIPP can accept transfers of benefits which relate to contracting out of the State Second Pension (S2P) – formerly known as the State Earnings Related Pension Scheme (SERPS). These contracted-out funds include Protected Rights, Guaranteed Minimum Pension or Section 9(2B) Rights.

Can I transfer out of my IPS SIPP?

- You can transfer all or part of your IPS SIPP to another Registered Pension Scheme or Qualifying Recognised Overseas Pension Scheme. IPS charge a fee for work involved with this, and you may incur costs or surrender charges depending on the terms and conditions of each investment you hold within your IPS SIPP. We can only make a transfer to the Administrator/trustees of the receiving scheme
- Your Protected Rights (if any) held by your IPS SIPP can only be transferred to another scheme which can accept contracted-out benefits
- You should seek financial advice before considering any transfer either into or out of an IPS SIPP.

WHAT CAN I INVEST IN?

- A full list of permitted investments is in our booklet “The IPS SIPP”
- You direct the investment decisions with the help of your financial advisers
- If no investment decisions are given, your fund will remain in cash with Barclays Bank Plc
- You can change investments at any time.

HOW IS MY PENSION INCOME PAID?

- Your pension income will be subject to income tax which is paid through PAYE either operated by The IPS Partnership Plc or via your annuity provider if you opt for an annuity. Pension income is not subject to National Insurance Contributions.

WHAT ARE MY RETIREMENT OPTIONS?

- You can normally start drawing retirement benefits from age 50 (age 55 from 6th April 2010), even if you are still working
- Up to 25% of the accumulated fund can be taken as a tax-free cash lump sum. This must be taken by age 75
- Pension income can be paid either by converting the fund to an annuity with an insurance company, or by being paid from the IPS SIPP fund as income withdrawal (also known as Unsecured Pension)
- The level of pension paid via an annuity is determined by the specific terms of the annuity and annuity rates at the time it is purchased
- The unsecured pension is based on government rates linked to market annuity rates for your age. The government rate is applied to your final fund value to produce a basis pension. The basis pension is reviewed every 5 years
- Up to age 75 you can draw between zero and 120% of the basis pension each year
- After 75 your income withdrawal is called Alternatively Secured Pension. You can draw between 55% and 90% of the basis pension for a 75 year old, and this is reviewed annually.

At retirement not all the benefits have to be taken at once. The IPS SIPP can be divided into 'arrangements' to provide greater flexibility, and during phased retirement the remaining part of the fund remains in a tax-free environment.

There is no requirement to purchase an annuity with an insurance company.

Contracted-out benefits can be paid as described above, except that if you are married or in a civil partnership when benefits commence, a pension at half the rate payable to yourself must continue to be paid to your spouse after you die. If you do not have a spouse when your benefits commence, you can opt for a pension to be paid to the person who is your spouse at the time of your death (this is not available if you opt to purchase an annuity).

What if I become ill before I retire and cannot work?

If you become ill and unable to continue working, the IPS SIPP may pay ill health early retirement benefits, or serious ill health benefits.

Further details of options for drawing retirement benefits from The IPS SIPP are available on The IPS Partnership Plc website or by contacting The IPS Partnership Plc direct.

WHAT HAPPENS WHEN I DIE?

Lump sum death benefits can be paid either as cash by selling investments or by transferring the assets themselves in-specie at their open market value at the time of transfer.

The IPS SIPP pays death benefits under a Discretionary Trust, which means they do not usually form part of the member's estate. The IPS Partnership Plc as the Scheme Administrator pays these benefits at their discretion, but is directed by the nomination of beneficiary section of the application form. This nomination can be changed at any time by contacting The IPS Partnership Plc.

DEATH BEFORE DRAWING RETIREMENT BENEFITS

Where no retirement benefits have been drawn from the plan, the whole fund consists of "uncrystallised" benefits. The whole fund can therefore be paid as a tax-free lump sum to your nominated beneficiaries, which should not be liable to inheritance tax.

The lump sum is subject to a test against the Lifetime Allowance, and a lifetime allowance charge may therefore apply.

As an alternative, the balance of the fund can be paid as a dependant's pension provided there are dependants available. This is subject to income tax. A dependant's pension can be paid either by purchasing an annuity or by income withdrawal as described above.

For a plan in phased retirement, only the unvested portion can be paid tax-free.

Protected Rights funds will normally be used to pay a pension to your wife, husband or civil partner if you have one.

DEATH WHILST DRAWING RETIREMENT BENEFITS – BEFORE AGE 75

If you are receiving an unsecured pension from the fund when you die, the residual fund can either provide a payment of the remaining fund as a lump sum to your nominated beneficiaries less a flat rate tax charge of 35%, or can be paid as a dependant's pension. On the death of the dependant, the remaining fund can be paid as a lump sum to their nominated beneficiaries, subject to a 35% tax charge.

DEATH AFTER AGE 75

If you die after age 75 and are drawing Alternatively Secured Pension the remaining fund is firstly used to pay a pension to any surviving spouse or dependant until their death (if the dependant is a child, the pension must end when they cease to qualify as a dependant). At this point the residual fund can either be paid tax-free to a nominated charity or assessed for Inheritance Tax on the original member, then be subject to pension tax rules at the rates applicable at the time (currently 70%). The remainder can then be transferred to other nominated IPS SIPPs or family members.

WHAT ARE THE CHARGES?

- The IPS Partnership Plc charges fees for operating your IPS SIPP. These are detailed in the document "The IPS SIPP" Fee Structure. VAT will be charged on these fees
- You may also pay charges to other parties depending on the investments you choose to make with your IPS SIPP
- Your IPS SIPP may also pay remuneration to your chosen adviser or investment manager. You will have agreed to this remuneration being paid
- Fees are communicated by issue of invoices at the appropriate times to the main contact
- Fees are settled by deduction from your IPS SIPP designated client account unless insufficient funds are available, in which case you will be asked to arrange settlement either by encashment of other SIPP investments or by payment from another source.

CAN I CANCEL MY IPS SIPP?

- If you wish to cancel, you have a statutory 30 day period in which to reconsider your decision to establish the SIPP, during which you have a right to cancel the SIPP
- On receipt of your application, we will issue a notice advising you of your rights, and enclosing a cancellation form for your use if required. This should be returned to our addresses as given below and on the cancellation notice. We will take no further action until either the 30 day period expires or a completed cancellation notice is received. No transfer discharge instructions to effect a transfer from another pension arrangement will be actioned and any pension contributions received will not be applied to your IPS SIPP during this period
- If you choose to cancel your IPS SIPP within the statutory time period, we will not charge you a fee, and you will receive a full refund of any contributions made
- If you do not exercise a right to cancel within the statutory time period, any subsequent decision to transfer will be subject to a fee as shown in the booklet "The IPS SIPP"
- Should you wish to proceed immediately with your IPS SIPP, you have the right to waive your 30 day cancellation period by ticking a box on the application form, or on the cancellation notice. This includes a statement that you understand the implications of doing so are that you will no longer be able to cancel the arrangement during the remainder of the 30 day period
- You also have a statutory 30 day period to cancel any decision to commence Unsecured Pension or Alternatively Secured Pension from your IPS SIPP. Again you have the right to waive this, and the waiver includes a statement that you understand the implications of doing so are that you will not be able to cancel commencement of retirement benefits during the remainder of the statutory 30 day period.

ADDITIONAL INFORMATION

Correspondence and Communication

All correspondence will be made in English. Our standard methods for correspondence are letter, telephone and e-mail. It is our standard practice to correspond with one main contact only. Where an IPS SIPP is established as a result of advice from an Independent Financial Adviser we will deal directly with them unless specifically requested not to do so by the member. Telephone calls may be recorded for training or monitoring purposes.

How will I know how my IPS SIPP is performing?

Every year The IPS Partnership Plc will send a Statutory Money Purchase Illustration, statement of Annual or Lifetime allowance used by your IPS SIPP, statement of any protected rights held, and an annual transaction summary to our main contact (you or your financial adviser). This will provide essential information for you to assess the performance of your SIPP. As your IPS SIPP can have investments made with a large range of alternatives, you will also need to obtain valuations and performance details from those investments to assess their performance. The IPS Partnership Plc does not undertake to do this for you.

How can I make a complaint?

The IPS Partnership Plc has a formal complaints procedure, and a copy is available on request.

Complaints should be made by contacting us at our addresses given below, by letter, telephone or email.

An acknowledgement to a complaint will be issued within five working days from the date of receipt and we will aim to issue a full response within 28 days.

If the matter is not dealt with to your satisfaction, you can write to The Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR; telephone 0845 080 1800.

Making a complaint will not prejudice your right to take legal proceedings.

Compensation

The IPS Partnership Plc is covered by the Financial Services Compensation Scheme (FSCS). A SIPP investor may be entitled to compensation from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Further details are available on request, or by visiting the FSCS website at: www.fscs.org.uk/consumer/

Other Matters

The information given in this document is based on our current understanding of pension and financial services regulations and can be subject to change as tax laws and legislation may change over time.

In the event of a dispute, the law of England and Wales will apply, and by completing an IPS SIPP application you will be agreeing to this.

HOW TO CONTACT US

Your financial adviser will normally be your first point of contact. Otherwise you can contact us at one of our offices:

**The IPS Partnership Plc, Queen Square House,
18/21 Queen Square, Bristol BS1 4NH**

or

The IPS Partnership Plc, 1 Long Lane, London, EC1A 9HF

or

**The IPS Partnership Plc, Royal Mills, 17 Redhill Street,
Ancoats Urban Village, Manchester, M4 5BA**

Tel: 08455 212414

E-mail: enquiries@ipspartnership.co.uk

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