

# The Lifetime SIPP

## Guidance Notes - Payment of Benefits

Under the HMRC pension legislation you can take your benefits from age 55, or younger on ill health grounds (see section below). Please note that you do not have to leave employment to draw your benefits from The Lifetime SIPP.

You can draw benefits as part of full or phased drawdown. Phased drawdown is where you select part of your fund value to be used for payment of benefits (crystallized fund) leaving the rest to be used at a later stage (uncrystallised fund).

### Your Retirement Options

#### Lump sum Options

##### Pension Commencement Lump Sum

Before drawing any income from the pension scheme you have a choice to draw a pension commencement lump sum of up to 25% of your fund value.

This lump sum is currently tax free and must be paid at the commencement of the benefits otherwise the option is lost.

##### UFPLS

Under this option you can take money from funds that have not been crystallised, usually 25% will be tax free and the rest taxed at your marginal rate. These funds will need to be paid to you personally.

##### Flexi – Access

This option allows you to take smaller lump sums, as and when you like. If you have not taken your 25% tax free entitlement then 25% of each is tax free and the rest taxed at your marginal rate. If you have already taken your tax free entitlement then the entire amount will be taxed at your marginal rate.

##### Full Fund Payment

This is accessible under Flexi-access or Small Pots, the full value of the fund will be transferred to you personally and the SIPP will be closed. If you have not taken your 25% tax free entitlement then 25% will be tax free and the rest paid at your marginal rate. If you have already taken your tax free entitlement then the entire amount will be taxed at your marginal rate.

### Income Options

#### Annuity

An annuity is a financial product which turns some or all of the money from your pension fund into an ongoing income in retirement.

The Lifetime SIPP Company does not offer annuities. You will be required to transfer or all part of pension fund to an annuity provider to take this option.

There are many different types of annuities, each designed to suit different personal circumstances.

You can shop around, this is known as the open market option, to find the Annuity Provider that will give you the highest income.

#### Capped Drawdown

This is only available to SIPPs already in Capped Drawdown as at 6 April 2015. This option is where by the pension income is calculated and paid from the pension scheme. The pension is calculated using your age and the Gilt Yields and Government Actuary Department (GAD) rates at the date your benefits are calculated.

Once the pension levels have been calculated and any chosen lump sum has been paid you can draw a pension income from the scheme at any level between zero to the maximum calculated. All pension income is taxed via PAYE. The pension levels calculated last for 3 years and then they are recalculated as at the anniversary date of the original benefit calculation.

### **Flexi - Access Income**

Under Flexible drawdown you are not restricted to the maximum pension calculated and can draw any level of income desired from your Lifetime SIPP which is taxed via PAYE.

When drawing a flexible income it is important that you take in to consideration of their future financial needs and the needs of your dependents.

### **Ill Health Lump Sums**

Serious ill-health lump sums with lump sum death benefits, can now be paid tax-free. When someone aged under 75 has less than a year to live but has already accessed their pension.

Ill health lump sums are taxable at an individual's marginal rate when paid in respect of individual's aged 75 and over. The lump sum will be taxed at 45%.

### **Death Benefits**

If you die before age 75 - your beneficiaries can take the whole pension fund as a lump sum or draw an income from it tax free using capped drawdown. Dependants can also choose to buy an annuity, however this will be taxed at their marginal rate. Dependants income is tax free if it is designated to drawdown within 2 years of the death of the member.

If you die after age 75 - your beneficiaries will have three options available:-

1. Take the whole fund as cash in one go, this will be subject to 45% tax.
2. Use an annuity to take a regular income, this will be taxed at the beneficiary's marginal rate.
3. Use flexi-Access to take lump sums, these sums will be subject to income tax at the beneficiary's marginal rate.

### **Restrictions to Further Contributions**

If you make any withdrawals from a pension worth more than £10,000 in addition to any tax-free cash, the annual allowance could be reduced to £10,000.

There are 3 exceptions to this rule:

1. If your pension is worth £10,000 or less and you can take it as a 'small pot'. You can do this up to three times from a personal pension and unlimited times from an occupational one, however there are other conditions that apply.
2. If you moved into Capped Drawdown before April 2015 your withdrawals after that date remain within your current drawdown limit.
3. If you are building up benefits in a final salary scheme and take your pension as a lifetime annuity (other than a flexible annuity) or scheme pension (except when fewer than 12 people are entitled to one), the £10,000 limit does not apply. Investors already in flexible drawdown are able to make contributions of up to £10,000 a year.

### **Pensions In Payment**

All pensions in payment are taxed as earned income and paid directly into your bank account, on either 14th or 28th of the month.

We will need to obtain a tax code from HMRC to be able to apply the correct tax to your payment, this could take 2 – 4 weeks. If you do not wish to wait this long to receive your payment you can elect to have the payment made net of emergency tax, you will then need to contact HMRC to discuss obtaining a refund on the tax you have paid.

## Payment of Benefits Process

To provide a quotation of benefits The Lifetime SIPP Company Ltd require a current fund value of the SIPP investments plus details of your other pension arrangements in payment. Once you have sought final advice and decided which benefits you wish to take from your Lifetime SIPP we will require the completion of our Retirement Request Form. You can request this form by calling Hartley SAS on 0117 316 9991 or you can download the form from our website [www.thelifetimesipp.com](http://www.thelifetimesipp.com)

Once we have received this form we will calculate the benefits available for your chosen option. We will then send you the Quote, Key Features Illustration and our Confirmation of Commencement of Retirement Options form. If you wish to proceed with your benefits you will need to return this form to us.

Once the benefits have been paid you will be issued with a Cancellation Notice, this provides you with an option to cancel within 30 days of the commencement of benefits. If you choose to cancel your benefits within the 30 days then any payment received by you from the Lifetime SIPP must be returned to the SIPP bank account.

We will also issue you a Lifetime Allowance Certificate in respect of the benefits paid for your safe keeping, an updated Lifetime Allowance Certificate is provided to you each year in respect of your benefits from The Lifetime SIPP.

## Fees

The fees payable are detailed on the fee schedule which can be found on our website [www.thelifetimesipp.com](http://www.thelifetimesipp.com) or on request.

## Guidance and Advice

Please note that The Lifetime SIPP Company Limited and their appointed third party administrators Hartley SAS Limited are not authorised to provide you with financial advice on your SIPP or the benefits payable.

The Pension Advisory Service provide free guidance on retirement options, this service is called Pension Wise. To contact Pension Wise please visit [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk).

We strongly recommend that further to taking guidance you take Independent Financial Advice from a FCA Regulated financial adviser. If you currently do not have an adviser please visit [www.unbiased.co.uk](http://www.unbiased.co.uk) for further information on adviser in your area.

You can also visit the Money Advice Service website [www.moneyadvice.org.uk](http://www.moneyadvice.org.uk) to find lots of information about pensions and retirement income products, and use their unbiased comparison tables to help you compare annuity rates. Money Advisers can help you with your pension questions on 0300 500 5000. Before you make any decisions we recommend that you read the enclosed Money Advice Service Leaflet 'Your pension: it's time to choose'.

## Notes

The information contained within this guide is for information purposes only and does not constitute financial advice. The information provided is our understanding of the tax rules as at the date of writing and our interpretation of FCA rules. We strongly recommend you take independent financial advice from a FCA authorised individual and tax advice from a suitably qualified tax adviser so they can tailor recommendations that will match your personal circumstances and your future requirements.