Key features

Private Pension

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Hornbuckle

Introduction

The Financial Conduct Authority is the independent financial services regulator. It requires us, Hornbuckle, to give you this important information to help you to decide whether the Private Pension 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.

You should be aware that stakeholder pensions are generally available and might meet your needs as well as the Private Pension.

The Private Pension is a personal pension plan. It is intended to help you save and invest a sum of money to pay you a pension income, with or without an additional lump sum payment, when you reach your chosen pension age.

Its aims

The Private Pension is designed to:

- Help you save for your retirement in a tax-efficient way.
- Provide you with a pension income, or a tax-free lump sum and a reduced income, when you reach your chosen pension age.
- Give you the option of either drawing a pension income directly from your plan or purchasing an annuity from an insurance company.
- Provide your beneficiaries with a lump sum or a pension income following your death.

Your commitment

You will need to make at least a single contribution or transfer payment to your plan.

You are normally required to keep a cash balance of £1,250 in your plan, in addition to the value of any investments you hold in the plan.

You must appoint a financial adviser to advise you on whether the Private Pension is suitable for your financial needs, and to review the level of any contributions paid to ensure that the plan provides the level of income you require at your chosen pension age.

You will be responsible, along with your investment manager or financial adviser, for any decisions about how your plan is invested.

Once you have started to save into your plan, you will normally have to wait until the age of 55 before starting to draw benefits from it.

Risks

The level of any lump sum or income that will be paid to you when you draw benefits from your plan is not guaranteed, but will depend on the value of your plan. If you reduce or stop the amount being paid into your plan, or if the investments held in the plan perform worse than expected, the amount of the benefits you will receive from the plan will be reduced and could be lower than illustrated.

If you have agreed to pay your financial adviser an adviser charge from your plan, this will reduce the value of your plan and will reduce the amount of the benefits you will receive from the plan.

If you use all or part of your plan to purchase an annuity, the amount of income payable will depend on the annuity rate offered to you by your chosen annuity provider. Annuity rates may be lower in future.

Your ability to draw benefits from your plan will normally depend on the availability of cash within the plan. It may be necessary for you to sell investments held in the plan to make sufficient cash available, and some investments can take longer to sell than others.

Your plan can be used to provide certain benefits on your death. Drawing a higher level of benefits from your plan will reduce the value of the plan and affect how much will be payable on your death.

By transferring savings from other pension schemes into your plan you may have to give up certain guaranteed benefits. These guaranteed benefits may not be matched by the benefits you are able to receive from your plan.

There are limits on the amount you can save over your lifetime and also in any single tax year. Certain tax charges will be incurred if you exceed these limits, which apply to the benefits in your plan together with your benefits under other pension schemes.

Money held in your plan may be deposited in pooled bank accounts, along with money held in other customers' plans. If the bank providing the account goes into default and cannot fund the deposits in the pooled account, you may not get back your full cash balance.

The tax treatment of your plan is determined by HM Revenue & Customs (HMRC) and may change over time.

Your plan will be subject to certain fees, as set out in the Fee Schedule. These fees may be increased over time. We will notify you of any changes to the fees applying to your plan, as set out in the Terms and Conditions for the plan.

Questions and answers

What is a SIPP?

A Self-Invested Personal Pension (SIPP) is a type of personal pension plan that offers a greater range of investment options than typically available under most personal pensions.

Like other personal pension plans, a SIPP is intended to pay you a pension income when you retire. You can also usually opt to take a lump sum from your plan in return for a reduced income.

The amount of the benefits payable to you will depend on the value of your plan when you retire.

Who can pay into my plan?

You and your employer can pay contributions to your plan.

Other third parties (for example, your relatives) can also pay into your plan, but for tax purposes the contributions are treated as having been paid by you.

What is the tax treatment of my plan?

SIPPs and other registered pension schemes are given certain tax advantages in order to encourage individuals to save for their retirement.

Contributions you pay into your plan will normally attract income tax relief at the basic rate. This means that for every £80 you pay into the plan HMRC will pay an additional £20. If you are a higher or additional rate taxpayer, you will be able to claim further income tax relief using your Self Assessment tax return.

The investments in your plan will grow free of income tax (with the exception of the 10% tax credit on UK dividends), and can be sold without incurring capital gains tax (CGT).

When you retire, you can generally take up to 25% of your plan value as a tax-free lump sum, and use the rest to provide a pension income. The income paid from your plan is subject to income tax. The amount of tax payable will depend on the amount of your pension income when added to your other taxable income.

Are there any limits on the amount I can save into my plan?

You will only receive income tax relief on contributions you pay into your plan up to the higher of the value of your earnings during the relevant tax year, and the basic amount of £3,600.

You will be subject to an income tax charge, called the annual allowance charge, if the total of the contributions paid to all of your pension schemes for a given tax year exceeds the annual allowance.

The annual allowance for the 2016/17 tax year is £40,000, but if you have accessed your benefits you will normally be subject to a lower allowance of £10,000 for contributions to your money purchase pension schemes. Your annual allowance is also likely to be reduced if you earn over £150,000 in any tax year.

The amount of the annual allowance charge is set at your marginal tax rate.

You will also be subject to an income tax charge, called the lifetime allowance charge, if the total of all your pension savings exceeds the lifetime allowance.

The lifetime allowance for the 2016/17 tax year is £1 million. The amount of the lifetime allowance charge depends on how you take the excess benefits from your plan. If you take the excess as a lump sum it will be subject to a 55% tax charge. If you use the excess to provide an income it will be subject to an immediate 25% tax charge, and the income you receive will be subject to income tax.

Finally, no tax relief is available on pension contributions paid by those at or over the age of 75.

I have savings in other pension schemes. Can I transfer these to my plan?

You can transfer the benefits you have accumulated under most other pension schemes into your plan. We require that before you do so you should take advice on the suitability of the transfer from your financial adviser.

Transferring your existing pension savings may mean giving up valuable guaranteed benefits available under your current pension scheme. There is no guarantee that the benefits you will eventually receive from your plan will be higher, and they may be significantly lower.

When can I start to take benefits from my plan?

Generally speaking, you can start to take benefits from your plan from the normal minimum pension age (NMPA) of 55. However, you do not have to start taking your benefits when you reach the age of 55.

When you open your plan you will be asked to nominate a retirement age, but you can change this later if you change your mind. We will write to you before your nominated retirement age to let you know what options you have under your plan. You do not have to stop working in order to start taking benefits from your plan.

Under some circumstances you may be able to take benefits from your plan before the age of 55.

You can take a pension before 55 if you become incapable of carrying on your occupation because of ill health.

If you are diagnosed with a terminal illness that means you have a life expectancy of less than a year, you can commute your pension benefits for a lump sum.

You may also be entitled to a pension before the age of 55 if your plan has been accumulated using benefits that were built up under another pension scheme before 2006.

What benefits can I take from my plan?

You can usually take up to 25% of the value of your plan as a tax-free lump sum, called a pension commencement lump sum (PCLS).

You may be entitled to a lump sum of more than 25% of your plan value if your plan has been accumulated using benefits that were built up under certain occupational pension schemes before 2006.

You can use the remainder of your plan to provide you with a pension income, called a drawdown pension. Your drawdown pension will be subject to income tax, and the amount of tax payable will depend on the amount of your pension income when added to your other taxable income.

Instead of receiving a drawdown pension, you can use the remainder of your fund to purchase an annuity from an insurance company. The amount of income payable to you will depend on the annuity rate offered by your chosen provider.

If you have enough lifetime allowance remaining, you can also use any part of your plan that is not in payment (or "uncrystallised") to pay an uncrystallised funds pension lump sum (UFPLS). 25% of the lump sum is tax-free, with the remainder subject to income tax.

If the value of your plan exceeds your remaining lifetime allowance it will be subject to an income tax charge, called the lifetime allowance charge (see the section above titled "Are there any limits on the amount I can save into my plan?").

How will my plan be invested?

You can choose to invest your plan in a diverse range of assets, as detailed in the Permitted Investments Schedule on our website. We may require you to take advice from your financial adviser before investing in certain asset classes.

You are responsible, along with your investment manager or financial adviser, for any decisions about how your plan is invested.

How well your investments perform before and during retirement will determine the value of the benefits you can draw from your plan. It is important that the choice of investments in your investment portfolio reflects your financial needs and circumstances.

When you make contributions or transfers to your plan the proceeds will be held in cash in your plan bank account, unless you have given us an instruction as to how the money should be invested.

What happens if I die before age 75?

If you die before reaching the age of 75 the benefits in your plan can normally be paid tax-free to your beneficiary or beneficiaries. The benefits can be paid as a lump sum (or a number of lump sums) or a pension income.

If the value of your pension savings exceeds your remaining lifetime allowance then any excess will be subject to a tax charge (see the section above titled "Are there any limits on the amount I can save into my plan?").

What happens if I die after age 75?

If you die after you reach the age of 75 your plan can be paid as a lump sum or drawdown pension to your beneficiary or beneficiaries, but any payments will be subject to income tax.

How will my state pension benefits be affected?

If you reach state pension age on or after 6 April 2016 the additional savings you make into your plan will not affect your state pension.

If you reached state pension age before 6 April 2016 then your pension savings may have been taken into account when determining your eligiblity for Pension Credit.

For further information on how your pension savings may affect your state pension you should contact your financial adviser. You can also find further details on the Government's website.

Charges

Depending on what arrangements you reach with your financial adviser to pay them for their services, and on the investments you hold in your plan, your plan may be subject to a number of different charges.

Our charges

We will charge you fees for the setup and administration of your plan. These fees will be deducted from the cash held in your plan or, if there is not enough cash, we may arrange for the sale of investments held in your plan to meet the value of our unpaid fees.

We charge an annual administration fee, and additional fees may be incurred depending on the other services you use.

Full details of the charges we will apply to your plan can be found in the Fee Schedules. We publish separate Fee Schedules for plans holding only a single investment (“Single Investment SIPP Fee Schedule”) and those holding multiple investments (“Full SIPP Fee Schedule”).

You can find copies of our latest Fee Schedules on our website.

Bank of Scotland and Metro Bank also pay us a variable rate of interest based on the money held with them in our pension plan bank accounts.

The rate of interest paid to us by Bank of Scotland is 0.00% AER* as of August 2016.

The rate of interest paid to us by Metro Bank is 0.60% AER* as of August 2016.

If you have a Bank of Scotland or Metro Bank account in your plan, you can find details of the interest rate you will receive on our website. You can also contact us for further information.

You can find copies of our latest fee schedules and explanations of what these fees are for on our website.

*annual equivalent rate.

Adviser charges

If you have agreed to pay your financial adviser a fee that relates to advice or other services they have provided (or will provide) to you concerning your plan, we can pay the fee to them directly from your plan.

We will require your agreement in order to facilitate the payment of a fee (or fees) to your financial adviser.

Investment charges

If you appoint an investment manager they may charge you a fee in relation to the management of investments that they make on behalf of your plan.

Charges may also apply to the individual investments in your plan (for example, a management charge applying to a fund levied by the fund manager), whether or not those investments are made by an investment manager on behalf of your plan.

For further details you will need to refer to your investment manager and/or the investment providers concerned.

Bank charges

Each of our plans has an instant access cash facility, whether as part of a pooled bank account or in an individual bank account for that plan. Certain transactions, such as the conversion of payments into a different currency, will incur bank charges that will be deducted from the cash held in the plan (or plans) to which they relate.

Your right to change your mind

You have a 30-day right to cancel:

- An application to establish a new SIPP.
- A transfer from another registered pension scheme to your SIPP.
- Your first request for drawdown pension from your SIPP.

You should be aware that if you cancel any of the above transactions, any adviser fees already paid from your plan will not be included in the refund of contributions or transfer value. You may also be liable to pay any outstanding adviser charges.

Cancelling your SIPP application

You have 30 days from the date we issue your scheme member schedule to change your mind. If you wish to cancel your plan you are entitled to have repaid to you any money we have received, subject to the deduction of the amount of costs (if any) incurred by us, and any shortfall in value due to market fluctuations whilst the money was invested before your cancellation request. You will have to repay any amounts already paid to you (e.g. drawdown pension payments) under the contract.

We may decide not to invest your contribution(s) within the 30-day cancellation period. You can waive your right to cancel your plan in order that investment can take place sooner, but if you do so you will not be able to cancel your plan.

Cancelling your pension transfer

If you exercise your right to withdraw from a pension transfer we will attempt to cancel or repay the transfer. However, the transferring scheme may refuse to accept the payment. It might therefore be necessary for you to transfer your funds to an alternative registered pension scheme. If the transferred funds have been invested during the 30-day cancellation period you may receive back less than the amount that was originally transferred.

You cannot waive your right to cancel a pension transfer.

Cancelling your drawdown pension

If you cancel your request for drawdown pension from your plan you will be required to repay any lump sum(s) or income already paid to you.

You cannot waive your right to cancel a drawdown pension.

How to exercise your right to cancel

You may exercise your right to cancel by contacting us, quoting your name and plan reference. You must state whether you wish to cancel your plan, a specific transfer, or drawdown pension. To notify us by letter please write to the following address:

Client Servicing Team
Hornbuckle
Tyman House
42 Regent Road
Leicester
LE1 6YJ

You can also cancel by calling us on 0844 728 9090 or by emailing us at: clientservicing@hornbuckle.co.uk

Further information

Financial Services Compensation Scheme (FSCS)

The FSCS is a scheme established by the UK government to provide compensation to customers if an FCA regulated financial services company is declared in default, and is unable to meet its financial obligations.

As a member of the Private Pension you may be entitled to claim compensation if the provider of the bank account or one of the investments held in your plan is declared in default.

You may also be entitled to claim compensation under the FSCS if we are declared in default, and we are unable to meet our financial obligations.

You can find further information about the eligibility conditions and compensation limits that apply to the FSCS at: www.fscs.org.uk

Making a complaint

If you are not satisfied with any aspect of our product or service and wish to make a complaint, you can contact us in writing at:

Client Servicing Team
Hornbuckle
Tyman House
42 Regent Road
Leicester
LE1 6YJ

You can also call us on 0844 728 9090 or 0116 366 8600, or email us at: clientservicing@hornbuckle.co.uk

Calls to these telephone numbers are charged at the national rate.

Making a complaint will not affect your legal rights.

If you are not satisfied with our response and your complaint relates to the administration of your plan, you may refer your complaint to The Pensions Advisory Service (TPAS). TPAS is an independent non-profit organisation who can help you resolve a pension complaint or dispute. Their contact details are:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

0300 123 1047

You may also be able to refer your complaint to The Pensions Ombudsman (TPO), if it relates to how your pension plan is run. Their contact details are:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

020 7630 2200

Finally, you may also refer your complaint to the Financial Ombudsman Service (FOS), which is an independent dispute resolution service. Their contact details are:

Financial Ombudsman Service
Exchange Tower
London
E14 9SR

0800 0234 567

If your complaint relates to the advice or other services provided by your financial adviser, you should contact them so that they can respond in accordance with their own complaints procedures.

General

The Private Pension is governed by the laws of England and Wales. All parties shall submit to the exclusive jurisdiction of the courts of England and Wales.

All communications between you and us will be in English.

Full details of the features of the Private Pension can be found in the Terms and Conditions.

The information contained in this document is based on our understanding of current law and HM Revenue & Customs (HMRC) practice, which is subject to change.

To discuss our fees or products in more detail please contact your financial or professional adviser.