

## Carey Pensions UK

*Specialist pensions for specialist people*

### Key Features:

#### The Benefit Options available through the Carey Pension Scheme Plans

The purpose of this document is to give you important information about the benefit options, known as benefit crystallization, available to you when you come to take benefits from one of the Carey Pension Plans.

The range of Carey Pension plans that this document is applicable to includes:

- ◆ Self Invested Personal Pension;
- ◆ Group Schemes of the above;
- ◆ Small Self Administered Scheme

You should read this document carefully so that you understand the course of action you are taking, and then keep it safe for future reference. The document sets out the aims of the Benefit Options of the scheme, what your commitments are once you have commenced taking benefits and then outlines certain risks you should be aware of. We have also included some questions and answers about taking benefits. Within this Key Features document we have indicated where you can obtain further information, where applicable.

#### Aims of the Benefit Options of the Carey Pension Plans

These options are designed to let you:

- ◆ Take retirement benefits in a flexible way through a combination of a tax free lump sum and/or income taken directly from your fund.
- ◆ Allow your spouse, civil partner or dependants to receive benefits after your death.
- ◆ Retain control of your pension fund investments. Investment decisions can be made by you or with your adviser.
- ◆ Take benefits at retirement in stages, if you want to.
- ◆ Retain the option of buying an annuity should you choose to do so.

#### Your commitments

Once you have commenced taking retirement benefits, your commitments include:

- ◆ To draw income within limits set by Her Majesty's Revenue & Customs (HMRC) - [please see our Questions & Answers section for more details.](#)
- ◆ Taking responsibility for the management of the investments in your fund. You can manage them

yourself or through an investment adviser.

- ◆ To adhere to the Terms & Conditions of our pension plans. [Please see our Terms & Conditions for more details.](#)
- ◆ Paying our fees for administering your retirement benefits on your behalf.

#### Risk factors

Below are outlined risks associated with taking benefits, particularly income, directly from your pension plan. Some of the risks below refer to the investment performance of the funds in your pension. Remember that you or your adviser are responsible for the investment decisions. In many instances, the products you invest in will also have key features documents that will outline the specific risks applicable to that investment and you are recommended to read these as well as this document.

- ◆ Investment performance or charges may be better or worse than expected which could affect the potential size of your pension fund and therefore the benefits you receive.
- ◆ Investment conditions can affect your pension income and may not sustain your income requirement.
- ◆ If you convert your pension fund to an annuity then prevailing interest rates can affect annuity rates (generally speaking lower interest rates means lower annuity rates).
- ◆ Unisex rates are being introduced from December 2012 which could mean reduced rates for annuities commenced after that date.
- ◆ The fees we charge to administer your pension are fixed (subject only to annual increases outlined in the Terms & Conditions) - this means that the fees could become disproportionate to the value of your fund, for example if investment values fall and/or you have withdrawn a significant portion of your fund as income.

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- ◆ There may be a delay in receiving benefits if some of your investments cannot be sold quickly. For example there could be a delay in selling a property.
- ◆ Once you have started taking full benefits from your pension, you cannot pay any further money into that pension arrangement, although in some cases you may still be able to make further contributions to a pension arrangement.
- ◆ If you exceed HMRC limits applying to the overall amount of your pension benefits or the income taken, sizable tax charges could apply.
- ◆ You can cancel the plan within the first 30 days. If you have already invested before canceling, you could lose out. Some investments cannot be cancelled and others may be worth less than you paid in.
- ◆ The favourable tax treatment of pensions could change in the future.

### Questions & Answers

#### About the Retirement Options Available

##### What are the pension benefit options available to me?

From the age of 55, you have choices on how to take the pension benefits from your scheme. These include:

- ◆ A tax free lump sum - this is known as a 'pension commencement lump sum' and allows you to take up to 25% of your fund as a tax free lump sum.
- ◆ An income taken directly from your fund, subject to Her Majesty's Revenue & Customs (HMRC) limits - this is known as drawdown pension and can either be capped where the amount you draw is subject to a limit or, subject to certain conditions covered later, flexible where no limit applies.
- ◆ If you do not elect to take your tax-free lump sum on commencement of taking benefits, you cannot take it at a later date.

You can also purchase an annuity with all or part of your pension fund - an annuity is a guaranteed income you receive in exchange for the fund used to buy it. Annuities can be short term (i.e. five years) or payable for life, and where you choose, payable for the lifetime of your spouse or civil partner. The annuity would be purchased through, most typically, an insurance company. [\(The pension benefit options are summarised on the table on Page 3.\)](#)

##### When can I take benefits?

You may take income from your Pension from age 55. You may also take benefits earlier if you suffer illness or an accident which leaves you permanently unable to carry out your current occupation, and you cease that occupation.

On death, different tax treatments apply depending whether you die before or after 75. [\(Please see the Death Benefits section on Page 6\).](#)

##### Are pension payments taxable?

A pension or income withdrawal payment is treated as earned income and is taxable. We will deduct income tax from any payments we make.

##### How do I commence taking my pension benefits?

To commence benefits, you or the person dealing with your affairs should contact your adviser or us at the address later in this document. We will let you know the information we need to pay benefits as quickly as possible. Please remember that you may not be able to convert certain assets, such as property, into cash immediately. This could delay payment of your benefits.

##### How does drawing an income from my pension fund differ from an annuity?

Drawing an income directly from your pension fund provides maximum flexibility, subject to HMRC limits, as to when and how you take your income from your pension fund. For example you can elect not to draw an income at all in one year, whereas another year you could draw income.

Drawing an income directly from your pension fund means the fund is available, subject to investment conditions, to provide benefits to your beneficiaries in the form of a lump sum or pension. Both the income and any lump sum available for your beneficiaries will be determined by investment conditions which of course cannot be guaranteed.

An annuity on the other hand is purchased with your pension fund - therefore you lose control of the fund as it has been 'swapped' for an income.



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Option	From age 55
Tax Free cash sum	Up to 25% of your fund can be taken as a tax free lump sum
Use your fund to 'buy' a lifetime or five-year pension income, often referred to as an annuity	An annuity can be purchased, the amount of which will be determined by the value of your pension fund and interest rates (generally speaking lower interest rates mean lower pension) and the type of pension benefits you are buying (e.g. an increasing or level pension and whether any guarantees or dependants benefits are included). If you are in poor health or have a lifestyle that could adversely affect your life expectancy (e.g. heavy smoker), then the annuity income could increase.
Draw a pension income directly from your pension fund, often referred to as income withdrawal or income drawdown	You may withdraw an income within certain limits. The minimum income is zero, meaning you could take the tax free cash sum and then leave the remaining funds invested, or you could take up to the capped income that is linked to a rate set by the Government Actuary's Department (GAD). The current maximum rate is 100% of the GAD rate.
Minimum income requirement	Additional flexibility on the amount of pension drawdown that can be taken applies once you have achieved a 'minimum income requirement', currently set at £20,000 per annum. This minimum income level must be met by 'secure' pension income such as state pensions, pension annuities or scheme pensions paid by a registered pension scheme.
A combination of the above	<p>You could take a combination of the benefits described above and you do not have to take benefits all in one go. The way in which you take benefits is flexible and can be structured to meet your individual requirements.</p> <p>Once the minimum income requirement (above) has been met, any remaining funds within your pension can be accessed to provide additional income, without being subject to the cap of 100% of the GAD rate mentioned previously. Any withdrawals will be subject to your highest rate of income tax.</p>
Protected Rights benefits	Until 2012, some extra rules apply to pension funds comprising protected rights. In broad terms, if you wish to buy an annuity with your protected rights fund, where you are married or have a civil partner, a 50% pension must be built in for your spouse or civil partner. Any annuities purchased must be lifetime annuities. You can take income withdrawal from protected rights funds, however you must take income from a similar proportion of your non-protected rights fund. Any subsequent purchase of an annuity would also be subject to these proportions meaning that both funds would be used.

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Unlike the income options above, which are determined largely by investment conditions, once you have commenced an annuity the income is then guaranteed for the lifetime of the annuity. In most cases, you will need to state the terms of the annuity at the time of purchase i.e. whether you want the annuity to increase each year or remain level, whether the annuity should continue after your death for the benefit of a spouse or civil partner. Once you have set these terms, they cannot then be altered if your circumstances change - therefore, in this regard, they are less flexible than drawing an income directly from your pension fund. The risk though, depending on the type of annuity selected, will often be less, especially where a guaranteed annuity is purchased.

You are recommended to take advice from a suitably qualified financial adviser when deciding the right pension option for you.

### Who will administer my pension benefits?

Carey Pensions UK LLP will administer your pension and the benefits payable in accordance with the Trust Deed and Rules. This involves the day to day running of your pension, ranging from processing pension payments, transfers, investments and tax returns, to ensuring the pension adheres to HMRC rules and regulations.

### Who are Carey Pensions?

Carey Pensions UK LLP is authorised and regulated by the Financial Services Authority under FSA Registration Number 501747. You can check this on the FSA's website at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)

Carey Pensions UK LLP is part of Carey Group.

Carey Group is an independently owned off-shore financial services company providing administration and trustee service for off-shore funds/trusts/pensions such as QROPs/QNUPs and international pension plans.

Carey Group shareholders are the partners of one of the largest international law firms in the Channel Islands — Carey Olsen.

### Will I have a pension scheme bank account?

Each Carey pension is set up with a dedicated bank account with Royal Bank of Scotland. It will be through this bank account that all transactions, including pension payments

out of the fund will be made. You do not need to keep all your money in this bank account and it can be invested elsewhere. Interest is payable on each separate account and the rate depends on how much money is in each individual account. The prevailing interest rates are available on our website.

### What will my plan be worth?

The ongoing value of your plan will depend on how much income you take, the charges paid, and how well the investments perform.

We will send you an annual statement showing how your plan is doing. The valuation of certain assets such as property may not be precise. If you need precise figures, we will ask professional experts to value the assets for which they would charge a fee.

### What are the charges?

We charge fees to cover the cost of administering your pension fund. In broad terms, these fees cover such things as setting up the payroll for paying the pension income, the ongoing administration of the pension plan and carrying out certain transactions. The fees for administering your pension are detailed in full in our Fees Schedule which can be found on our website.

We aim to make our fees open and transparent so most administration activities that we are likely to carry out on your behalf are detailed in our fee schedule. Occasionally a situation may arise, for example a particularly complicated investment transaction, where we need to charge additional fees for the work carried out - in such circumstances, we will notify you before carrying out any work and agree with you the basis of charging this additional fee i.e. whether it will be a fixed fee or linked to the time spent on the task, and we will agree with you any limits to the fee incurred.

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 levied by the investment companies. Examples of extra costs include solicitors' fees, unit trust set-up fees, and the cost of selling assets to provide income withdrawal. If you don't have enough money in the pension bank account to cover our charges, we can sell assets from the plan to meet these costs.

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### Pension Fund Investments

#### What can I invest in?

Based on which of The Carey Pension Scheme product range you hold, the investment options available to you will continue unaffected by taking your retirement benefits. This means you, or your advisers, can continue to choose from a wide range of investments, as long as these are allowed by HMRC and agreed by the administrators, Carey Pensions. Investment choices include:

- ◆ Bank and Building Society accounts
- ◆ UK commercial land or property
- ◆ Borrowing
- ◆ Insured policies
- ◆ Managed funds (including investment trusts, unit trusts and OEICs)
- ◆ Quoted and unquoted stocks and shares
- ◆ Contracts for difference
- ◆ Traded endowment policies
- ◆ Hedge funds
- ◆ Venture capital trusts
- ◆ Futures and options

(Please remember that not all of the above investment options are allowable through the Carey Personal Pension plan).

If there is anything else you would like to invest in, please contact us to see if this will be allowed.

#### What can't I invest in?

You can't invest in:

- ◆ Residential property
- ◆ Property such as art, antiques, wine, jewellery, classic cars, racehorses etc. - this is referred to by HMRC as 'taxable moveable property' and can be subject to tax charges.

#### How do I decide what to invest in?

You can appoint an investment adviser or manage the investments yourself. You (or your adviser) must tell us what investments to make. We will not give you any advice.

When making investment decisions on a pension fund from which you are taking pension income, there are some important considerations that you and/or your adviser should be aware of:

- ◆ Liquidity - you may look to your pension investments to provide funds to meet your income requirements or you may decide to use all or part of your pension fund to purchase an annuity for you or your dependants therefore you may wish to consider how accessible your pension investments are - a delay in disposing of assets could lead to delays in providing funds to provide the benefits you or your dependants require.
- ◆ Risk - you may wish to consider your investment objectives and attitude to investment risk as you move into retirement. Your pension investments may now need to provide you with an income, whereas previously you were investing for capital growth. You may have a minimum income level you require in which case, investment volatility may adversely affect these requirements.
- ◆ Cash Reserves - to counter the two previous points, you may wish to consider keeping a minimum balance in the scheme bank account sufficient to cover your income requirements in the short term.

The above are merely considerations for you or your adviser to take into account when moving in to retirement and should not be construed as advice or recommendations from Carey Pensions UK.

You can change your choice of investments whenever you like. Please remember that the investment provider may charge you for this. Also remember that it can take some time to buy or sell certain types of investments, e.g. property.

### Limits and Transfers

#### Is there a limit on my plan?

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.

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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).

### Can I transfer my plan?

You can transfer your entire plan to another Registered Pension Scheme at any time. Any Protected Rights held in the plan must be transferred in their entirety. There are also constraints on the type of scheme to which Protected Rights can be transferred. If you transfer the whole plan, it will come to an end. Any protection you have applied to HMRC for could be lost if you transfer. You should speak to your financial adviser before taking a transfer.

## Death benefits from the SIPP

### What happens on death?

The table on Page 7 summarises the benefits payable, comparing pre-retirement benefits with those that apply once you are taking benefits.

Please note in relation to the table on Page 7, there are additional constraints on the benefits that can be provided from any Protected Rights funds. If there is a surviving spouse, or civil partner, the Protected Rights Fund must be used to provide that individual with an income either by purchase of a pension payable on your death or by income withdrawal.

For the purposes of the table on Page 7:

A dependant is normally defined as a spouse, civil partner or child under the age of 23 although this definition can also extend to someone who was financially dependant on the deceased, perhaps through mental impairment or physical disability; Where a lump sum is paid, this can be paid to a wide range of 'beneficiaries' including family, friends or trusts.

### Are lump sum death benefits taxable?

As mentioned in the table above, any lump sum benefit paid before benefits are taken and before the age of 75 are paid tax free. Once over age 75 and/or where benefits are taken, the lump sum would be taxed at 55%. In most cases the fund value would not be subject to Inheritance Tax (although it would of course then form part of the beneficiaries' estate).

### How are death benefits claimed?

To claim death benefits, the person dealing with your affairs should contact your adviser, or us directly, at the address shown later in 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.



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	Funds not being used for Income Withdrawal	Funds are being used for Income Withdrawal
<b>Can dependant benefits be provided if the total value of the benefits from all the pension arrangements is greater than the LTA described in the 'Limits' section of this document?</b>	Yes - The fund is available to provide benefits to a spouse, civil partner or dependent children or other beneficiaries. The dependant pension can either continue as income withdrawal or the fund can be used to buy an annuity for the dependant(s).	Yes - The entire fund is available to provide dependant pension benefits as income withdrawal or the fund can be used to buy an annuity for the dependant(s).
<b>Can a lump sum be paid?</b>	Yes - if death occurs before the age of 75 then no tax charge is applied.	Yes - however a tax of 55% applies to the lump sum payable.  In the absence of any dependants, the lump sum could be paid to a charity without deduction of tax.
<b>Can I nominate to whom a lump is paid?</b>	Yes, by completing an expression of wish form that records for the trustees of the SIPP your wish as to whom the lump sum should be paid. The lump sum can be paid to individuals or to trustees of a trust, for example a spousal by-pass trust.	Yes, by completing an expression of wish form that records for the trustees of the SIPP your wish as to whom the lump sum should be paid. The lump sum can be paid to individuals or to trustees of a trust, for example a spousal by-pass trust.

Other Tax Issues and the Pension Scheme

Is my pension fund taxable?

Pension funds don't generally pay UK tax. Pension is taxed and tax credits deducted from UK dividends and some overseas dividends cannot be reclaimed by the Pension Scheme.

Are there any other taxes payable?

Any payment which is not allowed by 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 permit unauthorised payments and the terms of The Carey Pension Scheme do not allow such payments to be made.

Certain investments can attract tax charges of at least 40% and often more in some circumstances. These investments are referred to as 'taxable moveable property' - examples include antiques, fine wine and art. Investment in residential property and racehorses can attract similar charges. For this reason, we do not allow these types of investment within our pension schemes.

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### Further information

#### Can I cancel my plan?

When you enter into drawing an income from your fund for the first time you are entitled to a 30 day cancellation period. Usually we will delay any investment transactions until the cancellation period has elapsed. If however you instruct us to make any investments we will do so on the understanding that should you subsequently cancel your plan we will have to surrender the investments on your behalf meaning you will only receive the market value of the investment at that time. This could be less than you invested and is likely to be less the charges both we and the investment provider have levied.

#### What if I have a query or complaint?

If you have a query or complaint, please write to us at the address shown later in 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 are not happy with our response 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 No: 0845 080 1800; [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)
- ◆ Pensions Ombudsman, 11 Belgrave Road, London, SW1V 1RB; Telephone No: 020 7834 9144; [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)
- ◆ The Pensions Advisory Service Limited, 11 Belgrave Road, London, SW1V 1RB; Telephone No: 0845 601 2923; [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

#### Where can I find more information?

You can either speak to us or your adviser. Our contact details are provided later in this document. Unbiased information regarding the choices available in retirement can also be obtained from the Money Advice Service at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

#### Can I get an illustration of benefits?

An illustration of giving details of the potential benefits and costs can be supplied on request.

### 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, pension schemes are covered for 100% of the first £30,000 and 90% of the next £20,000, to a maximum compensation of £48,000. Further information about compensation arrangements is available from the FSCS website at [www.fscs.org.uk](http://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 statutory right 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 August 2011. 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 & Rules](#).

HMRC practice and the law relating to taxation is complex and depend on individual circumstances and changes which cannot be foreseen.

This product is an investment regulated by the Financial Services Authority. The Carey Pension Scheme product range is administered by Carey Pensions who are authorised and regulated by the Financial Services Authority with permission to establish, operate and wind up personal pension schemes.

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### Terms and conditions

This Key Features document gives a summary of the pension benefits available through The Carey Pension Scheme Plans. It does not include all the definitions, exclusions, terms and conditions of the various pension arrangements we administer.

The full contractual terms are set out in the Trust Deed & Rules and the Terms and Conditions. If you would like copies of these, or clarification of any of the information provided in this document, please ask your Financial Adviser or contact us at the address shown later in this document.

We have the right to change some of the Terms and Conditions. In this circumstance we will write to you to explain the reasons for any such changes.

### Contacting Carey Pensions

The administrator of The Carey Pension Scheme is Carey Pensions UK LLP. The trustee of The Carey Pension Scheme is Carey Pension Trustees UK Limited.

The address of both is:

**43 Shenley Pavilions  
Chalkdell Drive  
Shenley Wood  
Milton Keynes  
MK5 6LB**

Telephone: 01908 336010

Fax: 01908 506169

[www.careypensions.co.uk](http://www.careypensions.co.uk)

Email: [enquiries@careypensions.co.uk](mailto:enquiries@careypensions.co.uk)

Carey Pensions is authorised and regulated by the Financial Services Authority. Our FSA Registration Number is 123456. You can check this on the FSA's website at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register).