Carey Pensions UK

Specialist pensions for specialist people

KEY INFORMATION LEAFLET

The Benefit Options available through the Carey Pension Scheme

This document is applicable to the Carey Pension Scheme and its purpose is to give you important information about the options available to you when you decide to access your pension savings. You should read this document carefully so that you understand your options.

As your SIPP administrator, Carey Pensions UK LLP and Carey Pension Trustees UK Limited as your Trustees are not permitted by our regulator, the Financial Conduct Authority (FCA), to provide advice and this includes advice on the best retirement options for you. Therefore, it is important that you fully understand the decisions you will need to make when considering accessing your pension.

You should either seek free and impartial guidance from the Pension Wise service on your retirement options and / or obtain appropriate independent advice from a qualified and FCA regulated financial adviser before accessing your pension savings (please note financial advisers will charge you a fee for providing advice).

The Pension Wise service is able to provide free guidance on accessing pension savings to consumers aged 50 and above on how they will be able to access their pension savings when they reach the minimum pension age of 55. Their contact details are provided below:

Pension wise

Tel: 0800 1383944
www.Pensionwise.gov.uk

If you have not sought advice we would also suggest that you consider the contents of the Money Advice Service factsheet 'Your pension: it's time to choose' as it contains helpful information that might assist you in fully understanding your retirement options. This document can be found on the Money Advice Service website detailed below, which is another Government provided and free information service:

the Money Advice Service

Tel: 0800 1387777
www.moneyadviceservice.org.uk
enquiries@moneyadviceservice.org.uk

It is also important to remind you that you have the ability to shop around as other pension providers might offer pension products that are more appropriate for your needs and may offer a higher level of retirement income.

Benefits can only be taken from the age of 55 except in the case of serious ill health and terminal illness.

OPTIONS	DETAILS
Take No Action	Your plan will remain as it is currently and the value of your fund will rise and fall depending on your investment choices and investment performance. You are able to access your pension savings at a later date at a time that suits you.
Tax Free Cash (Pension Commencement Lump Sum)	A proportion of your fund, up to 25%, may be taken from when you reach your minimum retirement age of 55. The benefit payment may be taken at any time after age 55 and does not have to be taken all at once. Tax Free Cash is normally paid before either an annuity is purchased or a drawdown pension arrangement is entered into.
Capped Drawdown	Capped Drawdown is the existing arrangement that a member of the Carey Pension Scheme may use to access their pension income. Note: Capped Drawdown is not available after 5th April 2015, unless you have previously accessed your pension under this method. It is different from an annuity contract, as it is not a secured pension for life. A member is able to take an annual pension amount (at their chosen frequency) up to your maximum permitted income limit. Various factors affect your maximum income limit, such as your age, the value of your remaining fund, gilt yields and rates set by the Government Actuarial Department (GAD). Income limits must be reviewed regularly (every three years up to the age of 75 and annually thereafter) which means the income available to you under Capped Drawdown is not guaranteed. It is likely that your maximum income limit will rise and fall from one review to the next. For an existing Capped Drawdown arrangement, you will be able to continue in Capped Drawdown as long as you do not exceed the maximum annual income or you can choose to convert to a flexi-access drawdown arrangement (explained below). Your plan will remain as it is currently and the value of your fund will rise and fall depending on your investment choices and performance, and income is not guaranteed.
Flexi-access Drawdown	Flexi-access Drawdown is a method of accessing your pension savings, after your Tax Free Cash sum has been paid, either as a one-off income payment or in amounts of your choosing, at a time that suits you. Each income payment will be taxed at your applicable rate of Income Tax (i.e. basic rate 20%, higher rate 40% and / or additional rate 45%) through Pay As You Earn (PAYE). There is no maximum limit on the income and you can access the whole value of your SIPP if you so choose. No periodic reviews will be carried out. The payment could affect the rate and amount of Income Tax that is paid in a tax year, as the UFPLS may affect your tax code and take you into another tax band if you already receive income from other sources. As soon as you take income using Flexi-access Drawdown, your Annual Allowance is reduced to the Money Purchase Annual Allowance (MPAA). Currently, the Annual Allowance is £40,000 and the MPAA is £4,000 Please note under the MPAA you are not able to utilise previous tax years unused contribution allowances ('Carry Forward'), so £4,000 is the maximum you can pay into your pension.

	Your fund will remain invested and if it does not perform as expected, this will impact on how long your future retirement income will last. If high levels of pension payments are taken, this may mean that your on going level of income will not be enough for your future retirement needs. Therefore it is important that it is regularly reviewed so that you can make further decisions during your retirement. The value of your fund will rise and fall depending on your investment choices and performance, and income is not guaranteed.
Uncrystallised Funds Pension Lump Sum (UFPLS)	UFPLS is a benefit payment made directly from pension funds which haven't been accessed before. It is different from any of the drawdown options, as the payment does not take your SIPP into drawdown. The payment is split between a 25% Tax Free Cash element and the remaining 75% is taxed as income at your applicable rate of Income Tax, through PAYE. The payment could affect the rate and amount of Income Tax that is paid in a tax year, as the UFPLS may affect your tax code and take you into another tax band if you already receive income from other sources. You must also have remaining Lifetime Allowance to take this benefit payment. The Lifetime Allowance is the amount of pension fund you can build up without paying a tax charge and is currently £1,055,000 (tax year 2019/20). If you have any of Her Majesty's Revenue and Customs (HMRC) Pension Enhanced or Primary Protections in place and you have protection for lump sum rights which exceeded £375,000 on 5th April 2006, you are unable to access your pension benefits using UFPLS. You should seek regulated financial advice before deciding on how you will take your benefits. Taking UFPLS payments from your fund will mean your residual fund will remain invested and if your fund does not perform as expected, this will impact on how long your future retirement income will last you. If high levels of pension payments are taken this may mean that your on going level of income will not be enough for your future retirement needs. Therefore, it is important that it is regularly reviewed so that you can make further decisions during your retirement. The value of your fund will rise and fall depending on your investment choices and performance, and income is not guaranteed.
Small Pots	A small pot, for these purposes, is a pension fund that hasn't been accessed before which is less than £10,000 when taken at the age of 55 or later. A tax free element of up to 25% of the fund may be taken and the remainder of the fund is taxed at your applicable rate of Income Tax. You may take a small pot payment from up to three pension arrangements. Your Annual Allowance remains unaffected by taking a small pot benefit payment, therefore you will be able to contribute up to £40,000 per annum to a pension arrangement based on your gross earnings, unless you have previously triggered the Money Purchase Annual Allowance (MPAA) under a different arrangement.
A Lifetime Annuity	A Lifetime Annuity is a type of retirement income offered by insurance companies which provides you with a regular guaranteed payment for life. In exchange for your pension funds, you will receive a secured income from

	the Annuity Provider for the rest of your life. The amount you receive will depend on the type of Annuity you purchase and the rates applicable at the time of purchase. The income you receive from the insurance company is subject to Income Tax under the PAYE system. Below are some examples of the choices you may add to your annuity depending on your circumstances: 1. <u>An annual increase inline with prices</u> You may choose a pension that increases each year by inflation, 3% or 5%, or you may select no increases. The greater the level of annual increase requested the lower the initial income payment will start at. 2. <u>A nominee's benefit when you die</u> Depending on your circumstances you may choose to leave pension benefits to your spouse, partner, children or other people you have nominated. The individuals you nominate do not need to be dependent on you. The percentage of your pension provided for your nominees following your death will depend on your circumstances and you should seek guidance or regulated financial advice before you make a decision. Your nominees may also select a lump sum payment following your death. 3. <u>Guarantee period</u> A guaranteed period is a set amount of time that the annuity will be paid. If you die within this period your beneficiaries will receive a lump sum that equates to the value of the pension for the remaining period of the guarantee. For example, if you have selected a five year guarantee and you receive two years of pension payments prior to your death, the beneficiaries will receive the remaining three years pension as a lump sum paid in accordance with your wishes. The nature of your annuity will depend on the terms the annuity providers are willing to offer at the time of purchase and the level of income will be affected by annuity rates available at the time. Retirement income calculations and payments will depend on your circumstances such as lifestyle i.e. smoking, and you may benefit from an enhanced annuity if you are in ill-health, so circumstances that may shorten your life expectance.
A Combination of any of the above	A combination of any of the pension benefits described above is available to you. The way in which you take benefits is flexible and can be structured to meet your individual requirements.
Death Benefits from a SIPP	Death benefits payable from a pension arrangement are flexible. The benefits that will be available to your beneficiaries and/or nominees from your scheme after you die will depend on your age at the date of death and whether you have already accessed your pension savings. Death benefit lump sum Benefits payable to your nominees as a lump sum are tax free if you are under the age of 75 when you die. This is the case, even if you had been paid pension benefits from the scheme prior to death. If you are over the age of 75 when you die, your nominees are able to take a lump sum, however these will be subject to tax at the nominee's applicable rate of income Tax. Nominee's drawdown pension Your nominee(s) may wish to receive a pension income rather than a lump

	sum. In this case, the fund would remain in its existing state until the nominee wishes to take benefits. The nominee's income will be tax free if you die before you reach the age of 75, and taxed at the nominee's applicable rate of Income Tax if you die after the age of 75. Death benefits must be paid to the beneficiaries and nominees within two years of Carey Pensions being notified of a member's death, otherwise tax charges may be levied.
FURTHER INFORMATION Money Purchase Annual Allowance (MPAA)	If you access benefits "flexibly" from a money purchase pension arrangement (which your SIPP is) you will be subject to the £4,000 annual allowance for money purchase savings (the "£4K MPAA"). This runs in parallel to the "normal" Annual Allowance ("AA") which is currently £40,000. Please note that the MPAA has reduced to £4,000 in 2017 and remains the same in 2019/2020, therefore, you should seek regulated financial advice before making a contribution if you are already flexibly accessing your pension benefits. Once triggered, the £4K MPAA regime operates in all future tax years for new money purchase savings across all schemes. If such savings for a tax year are within £4,000 no special action is required; if over £4,000, there will be an Annual Allowance charged in accordance with your applicable rate of Income Tax that you will need to identify and pay. Under the £4k MPAA you are not able to utilise previous tax years unused contribution allowances ('Carry Forward'), so £4,000 is the maximum you can pay into your money purchase arrangements. This is subject to you having sufficient gross earnings.
Cancellation Period (Tax Free Cash and Income Withdrawals)	When you enter drawdown for the first time there is a cancellation period of 30 days from the date of payment of Tax Free Cash and/or pension income. If you change your mind and wish to cancel, please notify us immediately and we will supply you with the form we require you to complete, sign and return, which we must receive back from you within the 30 day period. If we have already made your pension payment, you will be required to return this to us as soon as possible.
Guaranteed Guidance ("Pension Wise")	The Government has provided a service so that everyone from age 50 can have access to free and impartial guidance on how they will be able to access their pension savings when they reach the minimum pension age of 55. "Pension Wise" has been set-up to provide the guidance to members of pension schemes prior to them accessing their benefits. Please see page one of this factsheet for Pension Wise's contact details. The guidance is provided by The Pension Advisory Service and The Citizens Advice Bureau and will not recommend any retirement options or products to meet your individual needs. If you require specific advice you should seek this from a qualified financial adviser, who is regulated by the Financial Conduct Authority.
Shopping Around	It is important to shop around and consider all retirement options as other providers might offer pension retirement products that are more appropriate for your needs and may offer a higher level of retirement income. This is particularly important if you are intending to purchase an 'annuity' with your pension savings as rates can vary between providers.

Please also see the Retirement Risk Warnings Factsheet, for further important information about the risks and implications of accessing your pension savings, which you should read before proceeding.