

GM Self-Invested Pension Scheme Key Features

This document outlines the most important things you should know about the GM Self-Invested Pension Scheme “(The Plan)

This document should be read in conjunction with the Terms of Business, which together with the membership application form will constitute a legally binding agreement.

Please read this and the other documents mentioned carefully

Its aims

- Provide a boutique Self-Invested Pension Scheme designed to meet your individual requirements.
- To provide you with greater control over your pension fund by making you a Co-Trustee of the plan by way of a supplementary Trust Deed.
- To provide you with a means to save for your retirement in a tax-privileged manner;
- To provide a pension when you retire – or if you prefer, a reduced pension with a pension commencement lump sum;
- To give your spouse or civil partner and/or dependant(s) a lump sum, pension – or both – should you die before taking benefits;
- To allow you to make your own investment decisions, in conjunction with your adviser, even if you are drawing an income, in accordance with the rules of the plan;
- To allow the full range of investments as permitted by HM Revenue & Customs in the Registered Pension Scheme Manual.
- Allow flexibility when taking benefits from your SIPP in stages and/or deferring the purchase of an annuity, enabling you to consider changes in market rates;
- To enable you to take (or continue to take) income from your pension without buying an annuity before reaching the age of 75 under unsecured income and from age 75 under alternatively secured pension);
- Allow flexibility when making provisions for your spouse, civil partner and/or dependants including the availability of a lump sum before age 75 (taxed if you are drawing an unsecured income) or to draw taxable income in the event of your death.

Commitment

- You commit to make a one-off contribution, regular contributions or a transfer(s) to your SIPP.
- There is no commitment on your part to continue making contributions and there is no penalty for ceasing or reducing contributions.
- You must normally wait until you are at least 50 before taking your benefits (increasing to 55 from 6 April 2010).
- You should consider increasing your contributions each year if you want your pension to keep up with your income as you approach retirement.
- Under current legislation you must either use your SIPP to buy an annuity by age 75 or from age 75 you will receive an alternatively secured pension.

Risk Factors

Many things could happen to alter the level of your pension at retirement. Your pension could be affected in the event of:

- Your pension being taken earlier than your chosen retirement date;
- Contributions into the plan being reduced or ceased;
- The investment performance of the underlying assets in the plan being lower than assumed.
- The annuity rates, or the rate used to convert your SIPP into an income falling when you retire;
- A change in the tax treatment of registered pension schemes in the future;
- A pension sharing order being made by court against your SIPP reducing the value of your SIPP by the value of the pension debit;
- You transferring your SIPP to another pension arrangement with higher charges.

Other factors that could affect your pension include:

- The value of your investment can go down as well as up. You may not get back what you put in.
- It may take time to realise the value of certain underlying assets, e.g. property and collective investment funds that invest in property.
- The value of property held within your SIPP will reflect the valuer's opinion and is not a guarantee of the value.
- The risks associated with your SIPP may increase for certain categories of underlying assets as chosen by you or your authorised adviser or investment manager.
- You should also be familiar with the content of the key features that may be issued by the product provider of any underlying asset.
- High withdrawals of income are unlikely to be sustainable during the unsecured income period. They might also reduce your potential annuity.
- Annuity rates can change substantially over short periods of time, both up and down. They could be worse when you buy an annuity than they are now.
- The longer you wait before buying an annuity, the greater your risk of lower levels of income.
- Under unsecured income and alternatively secured pension you will not receive the benefit of cross-subsidy from the funds of annuitants who have died as you would under an annuity.
- The maximum income that can be withdrawn under alternatively secured pension after age 75 is significantly less than the maximum that applies before age 75.
- If you or your employer pay contributions to this and any other registered pension that are in aggregate in excess of the annual allowance you will be personally liable to pay a tax charge.
- If you are unsure whether a SIPP or taking an income from a SIPP is suitable for your requirements, it is recommended that you speak to a financial adviser.

Key Features of the Self Invested Pension Scheme

➤ What is a personal pension?

It is a tax-efficient investment vehicle, designed to help you save for your retirement. At retirement you will have a fund to be used to provide or buy a suitable pension.

➤ What is a Self-Invested Personal Pension?

A Self-Invested Personal Pension (SIPP) is a type of personal pension which allows you to make your own investment decisions in conjunction with your adviser, if applicable, within a range of investments permitted by regulations. These may be further restricted by the rules of the specific SIPP.

Please be aware that stakeholder pension schemes are also available in the market and might meet your needs at least as well as a SIPP.

➤ What tax benefits are available?

Personal contributions normally qualify for full tax relief, including tax at the higher rate. This is provided that such contributions to this and other pensions are less than your earnings or the annual allowance, if lower, and that all contributions to your pensions in any year are less than the annual allowance, except in specific circumstances. The annual allowance is set by the Government for each tax year.

You pay contributions net of basic rate tax.

We will reclaim the basic rate tax and add it to your SIPP. If you are a higher rate taxpayer, you would receive the difference between the basic and the higher rate personally and this would usually be received in the form of a reduction of your tax bill. This is usually done via your Tax Return or by notifying your local Tax Office. If your employer also makes contributions, their contributions will be made gross and may be treated as an allowable deduction from the profits of your employer. These count towards the annual allowance.

Once contributions are paid into your SIPP, they are invested free of UK tax except in a few exceptional circumstances. There is no UK tax on investment income. UK tax deducted at source on income (other than tax on dividends from UK equities) can be reclaimed, and there is no capital gains tax on your investment gains. It may not be possible or feasible to recover overseas tax.

When you retire you can normally take up to 25% of your pension benefits (subject to the lifetime allowance) as a tax free pension commencement lump sum. If you take a pension commencement lump sum you will get a smaller pension.

➤ Can I make extra contributions?

It is entirely flexible. You can increase or decrease the level of contributions or you can stop altogether. You can start again later at a higher or lower level. However, to benefit from the tax benefits your personal contributions must be less than your earnings and the total pension contributions must normally be less than the annual allowance.

To give your benefits the best chance of keeping pace with your earnings, you would be wise to review your contributions regularly, every year if possible.

Regular monthly contributions are usually paid by standing order. Additional one-off single contributions are normally paid by cheque. Annual contributions can be paid by either method.

➤ **What happens if contributions stop?**

The full value of your SIPP will stay invested in the investments chosen by you or your adviser and will continue to benefit from any investment return.

We will continue to make an annual administration charge in accordance with the policy.

➤ **Where will my SIPP be invested?**

You can make the investment decisions for your SIPP yourself (either having been advised by your adviser or not) or you can choose your own investment manager.

You, your adviser or your investment manager can choose how your SIPP should be invested between broadly: quoted stocks and shares; investment trusts; gilts; unit trusts; open ended investment companies (OEICs); commercial property; and deposit accounts.

At any time, you can remove that investment manager and choose another; or you can decide to make the investment decisions yourself. In the event that neither you nor your investment manager gives instructions, your SIPP will be invested in an interest bearing bank account. We will not generally be responsible to you for any loss (including loss of profit) in relation to any investment or investment transactions.

Your questions answered

➤ **What happens if the fund manager of an underlying asset fails?**

It depends on the status of the fund manager. If the fund manager of an underlying asset (eg. unit trust, OEIC or investment trust) is authorised and regulated by the Financial Services Authority and fails to meet its obligations then, where the fund manager is covered by the Financial Services Compensation Scheme (FSCS), we may be able to make a claim in relation to any loss under the FSCS in respect of the assets held for your SIPP. The value of any compensation will depend upon the type of asset held.

➤ **Can I transfer my SIPP to another pension?**

Yes; you can transfer the whole or part of your SIPP to another UK registered pension scheme or, in certain circumstances, to an overseas scheme at any time provided the whole of your SIPP has not been used to purchase an annuity. If you transfer part of your SIPP then you may lose enhanced protection or any entitlement to a lump sum in excess of 25% of the SIPP value. We do not make a specific charge for a transfer out, however investment and property transaction fees and charges may be incurred on the sale or transfer of the underlying assets.

➤ **Can I be sure how much pension I will get?**

No; the size of your pension will depend upon:

- the value of your SIPP when you reach retirement;
- how long it has had to grow;
- the investment growth achieved by the underlying assets;
- the charges deducted;
- your age, sex and interest rates at the time you convert your SIPP into a pension.

➤ **What is unsecured income?**

It is an option open to anyone over 50 (55 from 2010) and under 75 with suitable pension fund assets which, if necessary, can be transferred in. It allows you to defer buying an annuity whilst still receiving an income from your SIPP. Your SIPP will normally be one arrangement under the Finance Act 2004, made up of 1000 units, some or all can be placed into an unsecured fund to provide you with unsecured income. You can do this in successive years to achieve a target income.

➤ **What is alternatively secured pension?**

It is an option open to anyone over 75 who has decided not to buy an annuity. You must receive a minimum level of income (currently 55% of the maximum income permitted) based on the value of your SIPP during each year. It allows you to continue to make your own investment decisions in conjunction with your investment manager or adviser, if applicable, in accordance with the rules of the plan, before buying an annuity.

It allows you to defer buying an annuity, in the hope that annuity purchase rates will improve above what they are now or until it better suits your needs/circumstances.

➤ **How much income can I take?**

There are limits laid down by the government as to the minimum and maximum amount of income you can receive under unsecured income and alternatively secured pension, as shown in your illustration(s).

The maximum limits aim to avoid excessive depletion of your SIPP.

You need to think about the level of income you need, bearing in mind any other sources of income you may have, as well as increases in the cost of living and the need to provide for your dependants.

You can vary the income level at any time, and even take one-off amounts at irregular intervals through the year. However, you must not exceed the maximum limit and, if taking an alternatively secured pension, the income must not be less than the minimum limit.

The limits for unsecured income and alternatively secured pension must be recalculated every five years and every year respectively and the income changed if necessary. At each review, we will provide an updated illustration showing the possible future benefits.

We will send you an annual statement showing the progress of your SIPP, allowing for withdrawals, charges and investment performance.

➤ **What happens if I die before taking benefits?**

A lump sum up to the value of your personal lifetime allowance can be paid to any nominated beneficiaries, who may be your spouse, civil partner, dependant or other individual, normally tax free.

Any amount of your fund over your personal lifetime allowance which is taken as a lump sum is subject to 55% tax charge payable by your personal representatives.

Alternatively the whole or part of your fund can be used to secure an income for your dependants by purchase of an annuity.

➤ **What happens if I die while taking an unsecured income?**

Your SIPP provides these options:

- your spouse or civil partner can continue unsecured income until he or she reaches age 75; or
- another dependant can continue unsecured income, in the case of a child this will generally cease at age 23; or
- your spouse, civil partner or dependant can buy an annuity; or
- if over 75, your spouse, or civil partner can convert the fund to an alternatively secured pension; or
- the remaining fund can be paid to your spouse, civil partner, other dependant or estate, subject to a tax charge (currently 35%).

When you choose the level of income to take, you should think carefully about whether there will be sufficient funds to provide for your dependants should you die before them.

➤ **What happens if I die while taking an alternatively secured pension?**

Your SIPP provides these options:

- your spouse, civil partner or dependant can buy an annuity; or
- if your spouse, civil partner or dependant (who is not a child) is under 75, the fund will convert to unsecured income until he or she reaches age 75, when it will convert back to alternatively secured pension; or
- if over 75, your spouse, civil partner or dependant can continue alternatively secured pension; or
- a child dependant can take an unsecured income generally until he or she reaches age 23; or

If you do not have any dependants the following options are available:

- a charity lump sum death benefit can be paid to the charity(s) of your choice
- Should you die and have no dependants and you have not made a nomination, the Trustee reserves the right to nominate a charity(s) on your behalf.

➤ **When do I buy an annuity?**

You may buy an annuity at any time after age 50 (55 from 2010). Remember when you do you will have to buy at whatever annuity rates are available at that time, good or bad. An annuity is an income in retirement purchased by a lump sum such as an accumulated pension fund. It is often paid monthly for the rest of your life and can continue to be paid to a dependant such as a spouse or civil partner after your death. It can be for a fixed amount or can increase each year, for example according to changes in the cost of living. It provides greater certainty and security compared to the flexible but unknown future benefits of unsecured income or alternatively secured pension.

It is important not to wait too long before buying an annuity, since beyond a certain age you might not get as much from your annuity as you were taking in unsecured income or alternatively secured pension.

The older you are, the more annuities you can buy for your money. However, annuity purchase rates can also change at any time, up and down. When you buy an annuity you can buy this from whichever life insurer is offering the best rate, i.e. on the open market.

If you die after buying an annuity, any spouse's, civil partners or dependant's pension selected will continue for their lifetime.

If you die soon after buying an annuity, your annuity will continue to be paid for any guaranteed period specified at the time of purchase.

➤ **What are the charges?**

The charges for your SIPP are set out in our charging structure. You should read this as well as this document prior to completing the application form.

➤ **How much will the advice cost?**

This will be between you and your adviser. We do not give advice. If you have been charged for advice relating to the SIPP you may settle this personally or ask that it is paid by your SIPP by completing the relevant section of the application form. We will only settle such a fee with your written consent and upon receipt of an invoice from your adviser.

➤ **Are there any other risks?**

These are outline in the Risk Warning Notice which should be read in conjunction with the Terms of Business and returned back to us with the application form.

➤ **Your right to change your mind**

You may change your mind about having a GM Self-Invested Pension Scheme. When your policy starts you will receive a cancellation notice. This gives you the right to cancel it during the next 30 days.

In certain circumstances (i.e. if you wish to invest your SIPP in an underlying asset during this period) you may waive your right to cancel the SIPP during the initial 30 day period.

To waive your rights you must expressly request this in writing to us. If you do make this request then you will lose your right to cancel your SIPP.

If you cancel your policy you will receive a full refund of all your regular contributions. If you have made a one-off contribution and the value of any underlying investment(s) fall(s) before we receive your cancellation notice, an amount equal to the fall in value may in certain circumstances be deducted.

Please note that it may not be possible to return the funds received from a transfer in to the original pension arrangement should you cancel the transfer in within the cancellation period.

In this instance you will need to arrange for another pension arrangement to accept the transfer.

➤ **Contracting out**

The GM self-Invested Pension Scheme is not suitable for contracting out of the State Second Pension.

However protected rights resulting from the transfer-in of a cash sum in lieu of certain types of scheme benefits maybe accepted into the plan.

➤ **Tax**

Pensions will be taxed as unearned income. There are no tax disadvantages on stopping contributions or on transferring the benefits under your SIPP. Tax reliefs – outlined in this document – could be altered in the future.

The tax treatment and tax benefits of your SIPP outlined in this document are based on our understanding of current and proposed tax law at March 2009.

About Guinness Mahon Trust Corporation

We are authorised and regulated by the Financial Services Authority (FSA). Our FSA register number is.

You can check this on the FSA's Registry by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

Queries and complaints

For further information, or if you wish to complain about any aspect of the service you have received, please contact us at GM Trust Corporation Limited, 3 Castlefield Court, Church Street, Reigate, Surrey, RH2 0AH

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.

The Pensions Ombudsman can also deal with complaints and disputes with personal pension schemes.

The Pensions Ombudsman is completely independent and acts as an impartial adjudicator. The Pensions Advisory Service (TPAS) provides free help and advice to members of the public who have problems concerning their rights under personal pension schemes.

Its independent service is provided through a network of local advisers. The correspondence address for both organisations is 11 Belgrave Road, London SW1V 1RB.

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

Compensation

We are covered by the Financial Services Compensation Scheme (FSCS). You 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 information about compensation arrangements is available from the FSCS.

Law

All correspondence will be and has been made in English, including this document. In legal disputes the law of England and Wales will apply.

Full details of the legally binding contract between you and us are contained in the policy documents.