

## **GM Self-Invested Pension Scheme**

### **Risk Warning Notices**

#### **A Long Term Commitment**

A self invested personal pension (SIPP) is a long-term means of saving to provide benefits on retirement. The contributions are paid to an independent trustee, which will safeguard investments. The trustee may delegate to you certain powers to decide how monies held within the SIPP may be invested. You are not entitled to enjoy any benefits from a SIPP until you reach retirement age (or earlier if you are retiring for medical reasons) which is 50 currently but will be rising to 55 in April 2010.

#### **Execution Only Services**

The SIPP is offered on an execution-only basis. Guinness Mahon Trust Corporation ("Trustee and Administrator") does not provide financial or investment advice.

The SIPP and/or the investment services described on this website may not be suitable for everyone. The circumstances where a SIPP may not be suitable for an investor include:

- Where an investor is inexperienced it may not be suitable to take out a SIPP that contains an execution only stockbroker
- Where an investor has a small fund and a cautious attitude to risk as charges may erode the value of the fund
- Where an investor takes out a SIPP to make contributions when they are close to or already over the Lifetime Limit or where they have Enhanced Protection as tax charges may apply and protections would be lost
- Where an investor takes out a SIPP to transfer in other plans that may have guaranteed benefits, higher pension commencement lump sum entitlements or lower normal retirement dates as these benefits may be lost upon transfer

Please refer in particular to the warning below concerning transfers from occupational schemes. If you have any doubts about the suitability of the SIPP or you need advice, you should consult a suitably qualified independent financial adviser or other professional adviser.

#### **Benefits and Returns**

The tax reliefs and basis of taxation as well as the law and regulations relating to SIPPs may change in future. The value to you of any tax benefits will depend on your tax position at the relevant time.

Your benefits are dependent upon a number of factors, although not a complete list; these factors include future contribution levels, the age at which you commence benefits and external influences such as investment returns, inflation, interest rates, annuity rates and charges.

The investment returns on the assets held in a SIPP may be less than those shown in any illustrations you may receive.

## Investments

We do not provide investment advice or investment recommendations. Any information provided by Guinness Mahon Trust Corporation via our website or contained within any of our documentation is provided solely to enable you to make your own investment decisions and must not be treated as a recommendation to buy, sell or otherwise deal in any particular investment or investment service.

The value of investments and the income from them may fall. You may get back less than your original investment. Past performance should not be seen as a guide or indicator of future performance. Past performance information contained on this site may not be current and you should refer to the relevant offer document or fact sheets, etc for up-to-date past performance information.

Some investments are particularly risky, for example, some smaller company and emerging market shares including penny shares. There may be a big difference between the buying price and the selling price of these shares, and therefore if they have to be sold immediately, the sale proceeds may be much less than the purchase price.

Some investments do not have a second hand market or may be very illiquid. If these investments have to be sold at short notice you may not get back what you originally put in and you may have to sell at a considerable discount to the underlying price.

You may be able to deal on behalf of the SIPP in a range of investments at different levels of risk.

If you are in any doubt about the suitability of an investment as an asset of a SIPP, you should consult an independent adviser with knowledge and expertise concerning such investment, or delegate your investments to a professional investment firm.

Investments in mutual funds such as authorised unit trusts and open-ended investment companies sold on a distance basis without the provision of advice do not carry a right of cancellation under the FSA Rules.

## Transfers from Occupational Schemes

If you have, now or in the future, the option of joining an employer's occupational pension scheme, or a pension to which they will contribute, you should consider joining it or making additional contributions. A SIPP can be taken out in conjunction with an occupational scheme and can be used to provide additional benefits but you should always consider joining the occupational scheme in the first instance.

The value of occupational schemes can be transferred to a SIPP. However, before transferring you should check that you will not lose any valuable benefits including Guaranteed Annuity Rates, guaranteed investment returns or membership rights which your existing policy may include. In the case of Final Salary Schemes you should always seek independent financial advice and obtain a transfer analysis before proceeding with any transfer.

By transferring other pension benefits into a SIPP you may:

- Give up the right to guarantees in the form of benefits;
- Give up guarantees on the amount you will receive;
- Give up guarantees on the future level of increases that will be applied to your pension;
- Give up the right to receive a terminal bonus on with-profit pension plans; and
- Have a penalty applied to your existing pension plan if it is transferred;

We offer an execution-only service and recommend that you seek professional advice from a suitably qualified financial adviser if you are considering transferring existing pension benefits into the SIPP.

### **Cost Effectiveness**

The cost effectiveness of a SIPP may depend on a number of factors, including:

- the size of a SIPP in relation to the initial and ongoing costs (including our charges, which may increase in future);
- the type of investments held;
- your attitude to risk
- the frequency with which you deal; and
- the size of transaction you undertake.

If there is a small portfolio of assets, or the portfolio deals excessively, the value of the assets of the SIPP may be eroded and the costs may be disproportionate to the value of the assets held within the SIPP.

Multiple investments and frequent dealing in small amounts may also result in excessive costs.

### **Annuities**

An annuity is a long term contract with an insurance company whereby a retired person pays an amount from their pension fund to the insurance company, and in return, the insurance company makes a recurring annual payment, often in monthly installments, which may be constant, or increasing, and the recurring payments usually continue until the death of the person receiving the annuity. In addition the annuity can also contain a guarantee period and/or a spouse's/dependent's pension. Any additional facilities added to the annuity at outset have a cost and are reflected in a lower starting income.

Conventional annuities (compulsory purchase annuities are long term investments and cannot be cancelled or transferred to another provider once set up. They do not have a "cash-in" value. There are some other annuities, such as temporary annuities, that provide more flexible benefits, however, if you are unsure about which annuity is right for you, please seek independent financial advice.

Annuities may have cancellation rights but these are only available for a limited period. Annuities are covered by the Financial Services Compensation Scheme. This acts as a limited safety net should an annuity company become unable to meet its annuity obligations.

There is no guarantee that annuity rates will improve in the future. Due to increasing longevity and other factors, annuity rates may fall. If you choose to purchase an annuity with the assets held in the SIPP, the level of pension you receive when you purchase the annuity may be lower or higher than the pension previously being paid under Unsecured Pension (explained below) and/or the annuity you could have purchased previously.

### **Unsecured Pension**

Unsecured Pension is an alternative to buying a lifetime annuity when a person is eligible to take retirement income (it is not a requirement that a person has to retire in order to take benefits from a SIPP). It allows a person to draw an income from his pension fund while the fund remains invested. The way this works is that a person can take his pension commencement lump sum entitlement and then draw a regular income from what is left and this is subject to tax at their highest marginal rate.

The maximum level of income that can be drawn is 120% of the Government Actuary Department (GAD) rate (this is broadly equivalent to the amount one would get from a level single-lifetime annuity). There is no minimum amount.

Meanwhile the rest of the pension fund stays invested in the portfolio of investment assets in what is currently a favourable tax environment. It is important to bear in mind that an income will be taken from a fund that remains invested in asset-backed investments, such as the stock market, property or gifts.

Every five years, a pension provider must review the amount of income a person withdraws (although that person may request this to be done on an annual basis by sending a request in writing to the Retirement Benefits Team). This amount is calculated by using the value of the pension fund at the date of the review (unless the person specifically requests a date, which will have to be within 60 days of the review date) the person's age at the time and the applicable GAD rates. This will create a new maximum and minimum level.

In addition, if you take your pension commencement lump sum entitlement in installments then each time you take an additional lump sum the income is re-calculated. It is important to note that if the market has fallen between the time you last took a lump sum and now, your income may actually fall even though you have taken an additional amount into Unsecured Pension. If you are unsure how you are going to be affected, please call our Retirement Benefits Team in the first instance.

Taking income withdrawals may erode the capital value of your fund, especially if investment returns are poor and a high level of income is taken; this could result in a lower income than anticipated in future.

If income withdrawals near, or at, the maximum permitted by HMRC are taken in the years immediately after commencement of benefits, such income withdrawals may not be sustainable,

The higher the pension you choose to receive in the first few years, the higher the probability that your pension may have to reduce in subsequent years.

People should also be aware of the concept of 'mortality drag'. When a person takes an income via Unsecured Pension they delay the purchasing of an annuity. By delaying the purchase of an annuity, the person is not just passing up income they could have been receiving but also the benefit of any cross-subsidy.

All other things being equal, for a person's pension scheme to maintain its annuity purchasing power, an additional investment return must be achieved in order to compensate for this loss. The extra growth that's required is called 'mortality drag'.

As your pension with us may only be one aspect of your overall retirement planning, you should seek independent financial advice to ensure that all of your needs are taken into account when planning your retirement.

### **Alternatively Secured Pension**

If you choose to receive your pension via Unsecured Pension, there is no longer a requirement to purchase an annuity by your 75th birthday. If you continue to take income from the fund after age 75 you will be converted to an Alternatively Secured Pension, which means that you must take an income between the minimum and maximum levels specified by HMRC. The maximum income permitted by HMRC will reduce significantly compared to that before age 75. The benefits payable on your death after age 75 will be more restricted and the remaining fund on your death may be subject to significant tax charges, including inheritance tax.

The first point to note is that if you do not inform us of your intentions before your 75th birthday you will be automatically converted to Alternatively Secured Pension on your 75th birthday. Any pension commencement lump sum entitlement that you have not used will be lost. Therefore it is important that you contact us at least six months before your birthday to discuss your options.

If you are converted to Alternatively Secured Pension, this does not affect your right to purchase an annuity at any time.

The maximum income allowable is based on 90% of the GAD factor applicable to a 75 year regardless of your actual age. The minimum is 55% of the same GAD factor. You must take an income between these two levels each year. Taking too much or too little can result in financial penalties.

In the event of your death, the type of benefits that can be paid will depend on whether you have any dependents at the time. Further details can be found in our Death Benefits Section below. As your pension with us may only be one aspect of your overall retirement planning, you should seek independent financial advice to ensure that all of your needs are taken into account when planning your retirement.

### **Death Benefits**

When you complete an Application for Membership to join our scheme there is a section on the second page entitled Nomination of Beneficiaries. Whilst it is not a mandatory requirement to complete this section, we strongly urge you to do so.

If we do not have a completed Nomination of Beneficiaries form then in the event of your death we will have no clear guidance as to who we should pay benefits to. Although in addition to the nomination we also request a copy of any Will and request information from the Executors of the Estate, ultimately we will have to make a decision based on what we believe your nomination would have been.

Also if your circumstances change (i.e. you get married, divorced or have children) and you want to change your nomination, please contact our Administration Team and they will be able to provide you with a form.

Please note that the SIPP is written under a Master Trust and we have absolute discretion when it comes to the payment of benefits to your beneficiaries. Although we will, in normal circumstances, follow the wishes expressed on the Nomination of Beneficiaries Form, in cases where there are disputes or the benefits requested cannot be provided based on the regulations we will make the final determination.

The Nomination of Beneficiaries Form is not in any way legally binding upon us. The benefits that are available to your nominated beneficiaries will depend on the status of your pension fund when you die.

The three distinct stages are:

1. Before any benefits have been taken
2. After benefits have been taken but before age 75
3. After age 75

#### Before any benefits have been taken

In death before retirement, the scheme can provide the following benefits on behalf of a dependent:

- Dependent's Unsecured Pension (where the dependent is aged under 75)
- Dependent's Alternatively Secured Pension (where the dependent is aged 75 or over)
- Dependent's annuity
- Dependent's scheme pension (we do not currently offer this product)
- Uncrystallised Funds Lump Sum Death Benefit

The Uncrystallised Funds Lump Sum Death Benefit is tested against the Lifetime Limit. Therefore if your fund is above this limit and you have no transitional protections, there would be a tax charge due on the excess above the Lifetime Limit. This is taxed at 55% and is payable by the beneficiary.

Beneficiaries can choose to take a mixture of benefits and if there is more than one beneficiary they each have their own choice as to the benefits they wish to choose.

### After benefits have been taken but before age 75

In death after retirement but before 75, the scheme can provide the following benefits on behalf of a dependent:

- Dependent's Unsecured Pension (where the dependent is aged under 75)
- Dependent's Alternatively Secured Pension (where the dependent is aged 75 or over)
- Dependent's annuity
- Dependent's scheme pension (we do not currently offer this product)
- Unsecured Pension Lump Sum Death Benefit

If a dependent chooses the Unsecured Pension Lump Sum Death Benefit, a tax charge of 35% of the fund is payable and needs to be deducted from the payment before it is made. This is because the scheme administrator is responsible for accounting for the tax. Beneficiaries can choose to take a mixture of benefits and if there is more than one beneficiary they each have their own choice as to the benefits they wish to choose.

### After age 75

If you die after age 75 and you have one or more dependents, then the following benefits can be paid:

- Dependent's Unsecured Pension (where the dependent is aged under 75)
- Dependent's Alternatively Secured Pension (where the dependent is aged 75 or over)
- Dependent's annuity
- Dependent's scheme pension (we do not currently offer this product)
- If you do not have any dependents then the following benefits can be paid:
- Charity Lump Sum Death Benefit

If you die leaving no dependents and no nomination, the scheme administrator can make the payment to the charity of their choice.

As Inheritance Tax planning can be a complicated matter we suggest speaking to an Independent Financial Advisor about your affairs. Furthermore, if you do not have a Will, we strongly urge you to make one.

Finally, we suggest that beneficiaries seek independent financial advice before deciding on how they wish the benefits to be paid.

I acknowledge that I have read and understood the Risk Warnings contained within this document. I confirm that the SIPP that I am applying for meets my personal needs and my investment requirements and capabilities.

**Signed:**

**Date**

**Full Name:**