transact
SIPP Income Withdrawal

Key Features Document

Integrated Financial Arrangements plc
A firm authorised and regulated by the Financial Services Authority

KEY FEATURES

Key Features of the Transact SIPP Income Withdrawal

Important

This document should be read carefully together with your personal illustration and any specific pension Key Features Document. If you have any queries or require additional information please contact your Adviser.

This Key Features Document provides you with the information you need to consider before making the decision to take benefit from your Transact SIPP and must be read in conjunction with the Key Features Document & Transact Terms and Conditions for the Transact wrap service (incorporating a General Investment Account and ISA) **(the Transact Terms and Conditions)**. The definitions set out in Section 1 of the Transact Terms and Conditions shall also apply to these Key Features or as defined in the Finance Act 2004.

The Financial Services Authority is the independent financial services regulator. It requires us to give you this important information to help you to decide whether the pension you are applying for 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.

Aims

The aims of the Transact SIPP Income Withdrawal are:-

- To offer the flexibility to take an Unsecured Pension within certain limits to age 75 – and then an Alternatively Secured Pension thereafter – from your fund without having to buy a pension annuity.
- To allow you to vary the level of income each year, within certain limits, to suit your individual circumstances.
- To allow you to take part of your fund as a tax-free lump sum (also known as a 'pension commencement lump sum') when you first draw an income.
- To continue to invest your fund in a tax efficient environment whilst you draw an income.
- To allow you to buy a short-term annuity with part of your fund whilst you continue to withdraw income from the remainder.
- To provide for your spouse/U.K.-registered civil partner (within the meaning given by or recognised as such under UK legislation) (**Civil Partner**) and/or dependant(s) in the event of death.
- To allow you to buy a lifetime annuity at any time, therefore reducing the risk of having to buy an annuity when rates are unfavourable.
- To provide flexibility in the provision of benefits for your spouse/Civil Partner and/or dependant(s) when you die, whether before or after taking benefits.

and, in respect of transfer payments:-

- To enable benefits under existing Registered Pension Schemes to be transferred into an appropriate Transact pension.
- To enable your existing benefits to be held in a scheme other than that within which they were accumulated.
- To provide a more flexible income than you would receive from your current pension arrangement.

Your Commitment

By taking Income Withdrawal from your Transact SIPP, you are making the following commitments:

- To understand that HMRC regulations state that you cannot normally take benefits from your Transact SIPP until age 50 until 5th April 2010 and age 55 thereafter (or age 60 at all times in the case of Safeguarded Rights), although the fund can be transferred to another Registered Pension Scheme.
- To maintain a minimum cash balance in your Transact SIPP as specified on page 7 following.

For Unsecured Pension, Phased Retirement and Alternatively Secured Pension Benefits:-

- To accept that you can only withdraw income each year according to the limits set by the Government Actuary's Department (GAD) and until such time as you decide to buy a pension annuity.
- To make income withdrawals within the permitted levels as determined in relation to the GAD tables.
- To understand that you will receive your tax-free lump sum in instalments if you choose to phase your benefits.
- To ensure that you will use the balance of your fund at age 75 to buy a pension annuity or provide benefits by way of Alternatively Secured Pension, at which stage no further tax-free lump sum can be taken.
- To understand that Alternatively Secured Pension benefits are subject to more restrictive rules on the maximum income that can be paid and that these limits are subject to a review every 12 months.

For Protected Rights Benefits:-

- To accept that you will only be able to start taking benefits before normal minimum pension age if you retire due to incapacity or serious ill-heath.
- To understand that you will be able to take up to 25% of your Protected Rights benefits as a tax-free lump sum when you retire before age 75.
- To accept that any part of your Protected Rights fund not taken as a tax-free lump sum will be used to provide income where necessary.
- To understand that if you are married or have a Civil Partner and choose to purchase a lifetime annuity, an allowance will be made to pay your husband, wife or civil partner 50% of your pension when you die.

Risks

In addition to the Risks set out in the Key Features Document & Terms and Conditions for the Transact wrap service (incorporating a General Investment Account and an ISA), which relate to Transact generally, specifically in respect of taking Income Withdrawal, you should also be aware of the following risks:

- The maximum income you may take is restricted by GAD limits.
- If you take high levels of income during the early years and/or a large initial tax-free lump sum at outset, this may reduce the potential benefits available to you in the future.
- If, instead of buying a lifetime annuity at the outset, you elect to take the same amount from your fund, you will need increasing investment returns each year to purchase the same level of annuity at a later date. It is possible that your fund may not provide the investment returns required.
- In certain circumstances, phasing your tax-free lump sum may cause the loss of some of your tax-free entitlement where this was greater than 25% of your fund based on benefits in existence as at 5th April 2006.
- Annuity rates are linked to current interest rates and these can change substantially over short periods of time. Annuity rates could be worse in the future than they are now.

- The purchasing of a pension annuity achieves a ‘pooling’ of mortality risk and a cross-subsidy exists between those pensioners who die sooner than expected and those who live longer. This is known as “mortality gain”. If you do not purchase a pension annuity the subsidy is foregone in exchange for a higher initial death benefit and this can have the effect of providing a lower final pension. This is referred to as “mortality drag”.
- Your investment may not grow at the rate you anticipate or at the rates detailed in your personal illustration. The benefits may therefore be more, or less, than those shown.
- Protected Rights benefits may not be as much as the S2P entitlement given up.
- When you draw a pension or buy a lifetime annuity, the amount you get will depend on the value of your plan and current interest rates at that time.
- The actual proceeds of your pension will depend upon performance of the underlying investments which you have selected. The value of the investments can fall as well as rise and you may get back less than your original investment.
- Charges may vary in the future from the level shown and this could affect the value of your fund.
- Tax law and practice may change in the future and affect your plan.

In respect of transferring your existing pension to Transact:-

- For some transfers you may be giving up:-
    - As regards benefits held on 5th April 2006, the right to any transitional protection of your tax-free lump sum if benefits are not transferred to your Transact Section 32 Buy Out Bond on a wind up or as part of a block transfer to the Transact SIPP.
    - A pension which is guaranteed and is linked to your salary at the date you left your existing scheme.
    - Possible increases of this pension during the course of payment.
    - Some life assurance (please ask your Adviser about this).
    - A potential spouse/Civil Partner/dependants’ pension.
- The benefits we pay may be less than the benefits you are giving up.
- If you are transferring your fund from a defined benefits occupational pension scheme, you may be giving up guaranteed benefits with some allowance for inflation.
- Tax relief will not apply in respect of transfers in.
- You should ensure that you are aware of any charges made by a ceding manager for any transfers, and that you are aware of the ceding manager's policy on transferring investments on as in-specie or re-registration basis.
- You have the right to change your mind within 30 days of receiving your policy documents and, should you do so, we will try to return the transfer payment less any fall in investment value. You should, however, be aware that the transferring scheme may not be willing to take the transfer back. In these circumstances you could elect to proceed with the transfer to Transact or transfer to another provider who is willing to accept it.

Your Questions Answered

Is the Transact SIPP a 'Registered Pension Scheme'?

Yes. The Transact SIPP is registered under Part 4 of the Finance Act 2004. A Registered Pension Scheme will continue to qualify for various exemptions in respect of investment growth and income.

How can I take income from my fund?

Unsecured Pension income is available from your Transact SIPP after your tax-free lump sum has been taken. Rather than buy a lifetime annuity, an income may be drawn directly from the fund and/or a short-term annuity can be purchased with part of your fund to provide an alternative source of income for up to five years per annuity.

Alternatively Secured Pension (ASP) benefits are also available in your Transact SIPP from age 75. This means that income can continue to be withdrawn directly from your pension fund rather than having to buy a lifetime annuity. A tax-free lump sum is, however, no longer available when benefits are paid under ASP.

Phased Retirement is also available in the Transact SIPP. This facility allows you to take your tax-free lump sum and regular income in stages up to age 75, rather than using your entire fund to buy a lifetime annuity or provide benefits by way of an Unsecured Pension. Please note, however, that where the tax-free lump sum entitlement is subject to transitional protection, then in certain circumstances it may not be possible to phase benefits without losing this protection.

How do I invest into a Transact SIPP?

Before opening a Transact SIPP you should consult your Adviser and read the Transact Terms and Conditions. Then simply complete the appropriate application form(s). If you are transferring benefits, the second part of the transfer application form must be completed by the scheme administrator of the transferring scheme and returned together with the transfer payment. We will open the Transact SIPP you have applied for as soon as we receive application details and your initial contribution and/or transfer payment.

Before transferring any existing pension benefits, you should consult your Adviser who will provide you with all the necessary information, including a Transfer Value Analysis report if the transfer is from a previous employer's final salary scheme. We will execute all instructions as soon as it is practicable for us to do so. Our aim is to commence all transactions within one business day of our receipt of your instructions and, if appropriate, cleared funds. However, there are often circumstances, particularly when awaiting funds arising from the disposal of investments, which may require longer periods for the transaction to be commenced. All non-cash investments will be registered in the name of Transact Nominees Limited.

How do I manage my Transact SIPP facility?

We do not give investment advice and you should consult your Adviser about all matters of financial planning and the resultant investment decisions.

Once your Transact SIPP is open, you or your Adviser (if authorised by you to do so) may give us instructions to buy or sell assets by telephone or via your PIN-protected pages on our website (www.transact-online.co.uk), as well as by post or fax. We will commence all buy or sell orders within the time limits specified in the Transact Terms and Conditions. Any cash balances will be held in our name in one or more interest-bearing client accounts on which the interest rates will vary.

How do I follow the progress of my Transact SIPP?

We will send you a letter of confirmation when your Transact SIPP is opened. Each time there is an investment purchase or sale or a deposit in your pension (except when done automatically on a regular basis), you and your Adviser will receive written confirmation.

Transaction details, asset prices and valuations will be available on your secure pages on our website. Twice each year we will send you and your Adviser full portfolio statements. Of course, fund and share prices and yields are available from some daily newspapers, such as the Financial Times.

We do not normally forward copies of reports and accounts or scheme particulars issued by the providers of investments unless we have agreed otherwise with you (this being a service for which there will be a charge).

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When can I take my benefits?

Until 5th April 2010 you may not take benefits until you are aged 50. From 6th April 2010 this will be increased to 55. Any Safeguarded Rights cannot be taken before age 60. However, in certain circumstances, such as serious ill-health or where you have an occupation with a low retirement age, you should still be able to take your pension earlier. You no longer need to stop working to take pension benefits from an occupational scheme and any pension you take will no longer have to provide for annual increases.

In addition, if your total pension funds from all sources on a nomination date are less than 1% of the standard lifetime allowance (see page 7 for details), you will have the option to commute these benefits as a cash lump sum, 25% of which will be tax-free, any time from age 60.

What can I expect to get when I retire?

- The amount of your pension will depend upon the size of your fund when you take your benefits and interest rates at that time. The size of your fund will depend upon contributions paid, how long you invest for, investment growth and any charges deducted.
- You may use the fund you have accumulated to provide an income in your retirement by buying a lifetime annuity, or by taking up to 25% of your fund (or possibly more where transitional protection applies) as a tax-free lump sum with the balance being used to purchase a reduced pension annuity or provide an Unsecured Pension. Where you choose to purchase an annuity, you will be free to choose the provider of your annuity.
- Should you buy lifetime annuity you may want to provide a pension for your spouse/Civil Partner or other dependant(s) when you die, or a pension that increases each year during your retirement. These options would reduce the initial level of your own pension.
- Any Protected Rights must provide a spouse's/Civil Partner's pension in the event of death. If you are single, a lump sum may be paid.
- If you select to receive an Unsecured Pension, the maximum level of income that you can withdraw from your fund is 120% of the limit set by the GAD. Within this limit you are free to vary the level of income that you take at any time to age 75. The GAD limits vary depending upon factors such as your age and the size of your fund. They are set when you start to draw benefits from your plan and are recalculated every five years. The GAD limit for the first five years is shown on your personal illustration. We may sell assets to obtain cash for income payments in accordance with the Transact Terms and Conditions. At the anniversary of each unsecured pension year you may request that the maximum income be reviewed. Regardless of whether you request these reviews we will still recalculate the maximum income every five years from when your plan first started providing unsecured pension benefits.
- There is no minimum amount of Unsecured Pension that must be paid in a pension year (although the minimum withdrawal amounts detailed in the Transact Terms and Conditions will always apply).
- Where you elect to phase benefits, each payment will be split between a tax-free lump sum taken from your fund and taxable income provided from either your fund or from payment of a pension annuity.
- Once you reach age 75, income withdrawal may only be provided by way of an Alternatively Secured Pension. Any tax-free lump sum entitlement not used up prior to age 75 will be lost. The maximum level of income that you can withdraw from your fund is 90% with a minimum payment of 55% of the limit set by the GAD (the minimum will be paid automatically if you do not request an income). Within these limit you are free to vary the level of income or make withdrawals on an ad-hoc basis. The income limits are set when you start to take benefits and are recalculated on your birthday.

Why is there a minimum cash balance?

The minimum cash balance of 2% is necessary to allow us to collect commissions and charges, as well as to fund any regular withdrawals you request.

What is the position regarding taxation?

You benefit from a number of tax advantages:

- Up to age 75, you will be entitled to a tax-free lump sum of 25% of your pension fund and this sum could be greater if your fund qualifies for protection.
- Any sale of investments held in a Transact SIPP does not generally attract capital gains tax.
- There is no income tax payable on investments held in a Transact SIPP although any advance corporation tax paid on dividends cannot be reclaimed.
- The value of any tax benefits that are available through your Transact SIPP will depend upon your personal circumstances. Tax legislation can change at any time.
- When you retire, the pension you receive, whether from a pension annuity or as income payments from the fund, will be taxed as earned income. Part of the proceeds at retirement may be taken as a tax-free lump sum with a corresponding reduction in pension income.

How are maximum benefits calculated at retirement?

- The maximum pension and tax-free lump sum total that you can take at retirement without incurring an additional tax charge when benefits are taken will be based on the value held in all Registered Pension Schemes of which you are a member (including any Protected Rights) up to the standard lifetime allowance. The published standard lifetime allowance limits are as follows:

Tax Year	Standard Lifetime Allowance
2007/08	£1.60 million
2008/09	£1.65 million
2009/10	£1.75 million
2010/11	£1.80 million

- You are permitted to accumulate a fund which is greater than this, but a ‘lifetime allowance charge’ (sometimes called a ‘recovery charge’) will be payable on any excess funds which are paid out over and above the lifetime allowance. The charge is 55% where this excess is taken as a lump sum, or 25% where the excess is retained in the scheme and used to pay pension benefits, and will be deducted as appropriate prior to the payment of benefits.
- When unable to establish how much lifetime allowance has been used, the administrator may apply a Lifetime Allowance Charge.
- You may be able to protect your funds from the above additional tax charges by registering your funds for “primary” and/or “enhanced” protection. Please consult your Adviser for full details on this.

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How are benefits paid out at retirement?

- At any time after retirement, the accumulated fund may be used to provide an income in retirement by buying a lifetime annuity from a chosen provider, or an amount (normally 25% of the fund) may be taken as a tax-free lump sum and the balance used to purchase an annuity.
- If you choose to take an Unsecured Pension, your tax-free lump sum entitlement must be taken at outset and the level of income payable with the remainder of your fund can be varied from as low as zero to as much as 120% of the relevant GAD limit. The GAD limits vary depending upon factors such as your age and the size of the fund and are reviewed every five years. They are shown in your personal illustration.
- Alternatively, a short-term annuity can be purchased with a portion of your fund whilst an Unsecured Pension is in payment. Amongst other things, this annuity must be for a term of not more than five years and expire no later than your 75th birthday.
- From age 75 onwards, an Alternatively Secured Pension must be used to provide income which may be as low as 55% and as high as 90% of the relevant GAD limit. This limit is reviewed every twelve months and is calculated as if you have remained 75 years old.
- We may sell assets to obtain cash for income withdrawals for Unsecured Pension and Alternatively Secured Pension benefits in accordance with the Transact Terms and Conditions.

What benefits are paid out if I die?

Unsecured Pension

- Your fund may be used to buy a spouse/Civil Partner/dependants' lifetime annuity which would not be tested against the value of the standard lifetime allowance or your enhanced personal allowance.
- Benefits can be provided in the form of a dependant's Unsecured Pension where the dependant is under age 75, or as an Alternatively Secured Pension where the dependant is aged 75 or over. This income will be paid within specified GAD limits based on your spouse/Civil Partner/dependant's age and gender and will be reviewed every five years for Unsecured Pension or every twelve months for Alternatively Secured Pension.
- Any Protected Rights or Requisite Benefits must be used to provide an income for your spouse/Civil Partner if you have one.
- Your dependants could otherwise elect to take the remainder of your fund less a tax charge of 35%.

Alternatively Secured Pension

- If you die after age 75, your spouse or Civil Partner or other dependants may elect to continue drawing income to the maximum level allowed either as Unsecured Pension or Alternatively Secured Pension depending on their age.
- A dependants' Alternatively Secured Pension cannot be guaranteed and hence will cease as soon as your dependants die.
- If you have no spouse/Civil Partner or your dependant(s) dies while receiving an Alternatively Secured Pension then the remaining fund may be used to provide any other dependant(s) at the time of your death with a dependants' annuity, Unsecured Pension or Alternatively Secured Pension.
- If you have no other surviving dependants, the remaining benefits must be paid to charity. These remaining benefits can be paid to a nominated charity as a lump sum. Where no nomination has been made Transact will select a charity on your behalf to receive the payment.

How is income from investments dealt with?

If you buy assets that make dividend or interest payments, these will be collected by us and deposited as cash in your Transact SIPP in which they were earned.

Can I change my mind?

Should you wish to change your mind within 30 days of (a) the date on which we accept your application, (b) the date on which you elect to take benefits in full or in part from your pension, please write to Integrated Financial Arrangements plc at Domain House, 5-7 Singer Street, London EC2A 4BQ.

If you exercise your right to cancel, you will get back the amount you invested less any fall in the value of the underlying assets of your pension at the time we receive your written instruction. In respect of pension transfers, your investment will be returned to the ceding scheme or, if the ceding scheme will not accept it, to another registered pension scheme, less any shortfall arising from a fall in the markets.

This is your notification to cancel. A separate cancellation notice will not be issued after your contract has been accepted. We will notify your adviser if you wish to cancel your pension facility.

What is Pension Sharing and Pension Earmarking?

Should you and your spouse/Civil Partner divorce, the court may issue a pension sharing order under which your fund may be reduced. The amount of any reduction would then be available to your ex-spouse/partner to transfer to a Registered Pension Scheme of their choice. Pension sharing may affect any transitional protection that applies to your pension funds.

Should you divorce, the court may issue a pension earmarking order as an alternative to a pension sharing order for a portion of the accrued fund to be paid to the ex-spouse/partner upon the member's retirement. The benefits would also be earmarked to the ex-spouse/partner if the member subsequently transfers to another Registered Pension Scheme. Please note, Transact do not allow the earmarking of benefits.

What are the charges?

We will levy our own commissions ("Transact Commissions") on your Portfolio according to the following tariff. The current rates applicable to the commission types mentioned below are set out in the Transact Commissions Table in the Transact Commissions, Charges and Discounts Schedule, but may be varied with changes to our charging structure and are in addition to any other charges explained in Clause 6 of the Transact Terms & Conditions.

Transact Initial Commission: Whenever we use New Cash to buy an Investment for you, we will deduct from your Portfolio an amount equal to the percentage specified against Initial Commission in the Transact Commissions Table multiplied by the cost of the Investment in question.

Transact Switch Commission: Whenever we use Switch Cash to buy an Investment for you, we will deduct we will deduct from your Portfolio an amount equal to the percentage specified against Switch Commission in the Transact Commissions Table from time to time multiplied by the cost of the Investment in question.

Transact Annual Commission: At the end of each month, we will deduct from your Portfolio amounts equal to :

- The percentage specified against Transact Annual Commission: New Cash in the Transact Commissions Table from time to time multiplied by the average value of New Cash balances over the month in question; and
- The percentage specified against Transact Annual Commission: Investments and Switch Cash in the Transact Commissions Table from time to time multiplied by the average value in Investments over the month in question and the average value of Switch Cash balances over the month in question.

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Adviser Payment: In addition to the Transact Commissions described above we will also deduct from your Portfolio, and pay to your Adviser on your behalf, those amounts that you agree with them will be paid in return for the intermediary services which are provided to you in relation to transactions as part of the operation of your Portfolio. These amounts will be collected and paid only as specified and authorised by you.

Are there any other Charges?

If there are other charges associated with collective investments (i.e. unit trusts and OEICs) that are levied by fund managers, then these will be charged to your Transact SIPP. However, you will receive the benefit of any rebates of these charges that we are able to negotiate on your behalf. When purchasing and selling equities on your behalf through licensed stockbrokers, we also endeavour to achieve reduced dealing charges, and Transact clients benefit from any rebates we are able to negotiate. In addition, equity dealing charges may be effectively reduced where purchases or sales are aggregated for more than one client.

We will charge to your Portfolio any stamp duty, government, bank or other charges, audit fees, taxes or imposts that arise out of the operation of your Transact SIPP (and which are not specifically excluded by the Transact Terms and Conditions).

There are some additional charges which are specific to certain Transact Wrappers and these are detailed in the appropriate Key Features Documents and the Transact Terms & Conditions.

What are the Automatic Discounts?

We will reduce Transact Annual Commission based upon the value of your Portfolio (portfolios may be linked, at our discretion, for discount calculation purposes). There are two scales of discount, "Premium" and "Platinum".

Premium Discounts – These are are shown in the table in the Transact Commissions, Charges and Discount Schedule and will apply to Portfolios in which the average Portfolio Value has been at the stated level for either the whole of the preceding Quarter or at all times since the Portfolio was opened, whichever period is shorter.

Platinum Discounts – These are are shown in the table in the Transact Commissions, Charges and Discount Schedule and will apply instead of Premium Discounts to Portfolios in which the average Portfolio Value has been at the stated level for either the whole of the two preceding Quarter or at all times since the Portfolio was opened, whichever period is shorter.

Initial Commission Rebate: This is shown in the Transact Commissions, Charges and Discounts Schedule and applies as a rebate of your Transact Initial Commission.

General Information

If you have a Query or a Complaint

We are authorised and regulated by the Financial Services Authority (FSA) and as such are bound by its rules. If you have a complaint you should write to our Compliance Officer at Integrated Financial Arrangements plc, Domain House, 5-7 Singer Street, London EC2A 4BQ. Should the matter still remain unresolved, you can contact the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. Any such action will not affect your right to take legal action.

Protection for Policyholders/Compensation

Should Integrated Financial Arrangements plc become unable at any time to meet claims against it, your interests will be protected by the Financial Services Compensation Scheme, which was set up under the Financial Services and Markets Act 2000. There are maximum levels of compensation you can receive under the Financial Services Compensation Scheme and your entire loss may not be covered. Further details are available on request.

Applicable Law

The Transact SIPP is governed by and construed in accordance with the laws of England and Wales and are subject to the exclusive jurisdiction of the English Courts.

October 2008

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The **Provider, Scheme Administrator and Trustee** of the Transact SIPP is Integrated Financial Arrangements plc (see below for contact and registration details)

The **custodian of the non-cash assets** for and on behalf of the Provider is:
Transact Nominees Limited
Registered Number: 3727527
Registered Office: Domain House, 5-7 Singer Street, London, EC2A 4BQ
A member of the Integrated Financial Arrangements plc group of companies.

The **appointed agent** of the Provider, and the **custodian of the cash assets** for and on behalf of the Provider is:
Integrated Financial Arrangements plc
Registered Number: 3727592
Registered Office: Domain House, 5-7 Singer Street, London, EC2A 4BQ
Authorised and regulated by the Financial Services Authority (entered on the register under number: 190856)