DP Pensions Ltd

SIPP Information Booklet

Member Benefits

About your Benefit Options

This booklet provides general information on the benefits available to our SIPP clients. It covers:

- The importance of making an informed decision
- When and how benefits can be taken
- The Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA)
- The pension commencement lump sum (also known as tax free cash).
- Pension options, including annuity purchase as well as income drawdown through Flexi Access Drawdown (FAD) and Capped Drawdown.
- Uncrystallised Funds Pension Lump Sum (UFPLS)
- Phased drawdown (i.e. taking benefits from part of your fund rather than all of it).
- Benefits available to your beneficiaries in the event of your death.

Please note that an annuity is the only option which guarantees the level of pension that you will receive for the whole of your life. Payments under income drawdown may go down as well as up.

About this booklet

This booklet provides basic information about the benefit options for members of our SIPPs. Accessing your pension savings is a complex process which can lead to irreversible decisions and we recommend that you obtain financial advice and/or guidance to help you with your decision making.

An FCA regulated financial adviser will be able to advise you on all of the options available to you and identify which ones best suit your needs.

Pension Wise is a free and impartial service set up by the government which offers guidance and will help you understand what options you have. The Pension Wise website is https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise alternatively you can call 0800 138 3944.

This booklet is based on our understanding of current legislation and HM Revenue & Customs (HMRC) practice and every care has been taken to ensure it is correct. It is issued by DP Pensions Ltd for use by our SIPP clients and no responsibility to any third party is accepted if the information in this booklet is used for any other purpose. The legislation and HMRC practice may change in the future.

Please contact us if you would like this document in an alternative format

Contents

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This is an important document. You should keep it safe for future reference.

MEMBER BENEFITS: THE BASICS

Important: How do you make sure you are making an informed decision?

One of the advantages of our SIPP is that it gives you a great deal of flexibility over the timing, nature, size and frequency of the benefit payments that you take from it. However, all of these options mean that taking your benefits is a complex process. It can lead to irreversible decisions. Taking large benefit payments from your SIPP may not be tax efficient or sustainable, especially if you are reliant on your pension to support you for the rest of your life. It is therefore essential that you have all of the information necessary to make an informed decision on what is best for you.

This booklet gives you information about the options available, but it is information of a general nature and is not specific to your needs or circumstances. DP Pensions Ltd is not a financial adviser and we are not authorised by the Financial Conduct Authority (FCA) to give you financial advice in connection with taking your benefits. We do, however, have an obligation to make sure that you have been given every opportunity to get the information that you need to choose the most suitable option to meet your current and future requirements and that you are aware of the potential risks and tax implications. There are two places that you can go to get help. These are:

- **FCA Regulated Financial Adviser** - If you have a financial adviser then please discuss your options with them, so that they can give you advice before you make any decisions. If you do not have a financial adviser please refer to MoneyHelpers website for more information about finding one. Their website can be found at: https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser.
- **Pension Wise** –This is a service set up by the government for the public which provides free impartial guidance on benefit options. This service can be accessed:
    - online at https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise,
    - over the phone on 0800 138 3944, and
    - face-to-face at certain locations of the Citizens Advice Bureau.

When you want to take your benefits, you will need to complete our Member Benefits Form.

If you have received advice from an FCA regulated financial adviser they will also need to sign the Member Benefits Form to confirm that they have advised you in this matter. On receipt of your completed and signed form we will then be able to proceed with processing your benefits.

If you have not received advice from an FCA regulated Financial Adviser the FCA requires us to take you through some additional steps before we can proceed with your request. These three additional steps are detailed below. We provide a link to an online questionnaire in the member benefits form which guides you through these three processes and a paper-based version is available as well should you require it:

The Stronger Nudge

If you have not received advice from an FCA regulated Financial Adviser or you send the paperwork required to take benefits from your SIPP directly to us regardless of whether you are advised or not, the FCA require us to take you through the Stronger Nudge process. The process requires us to encourage you to take pensions guidance if you have not been advised by a regulated financial adviser.

Retirement Risk Warnings

If you have not received advice from an FCA regulated financial adviser, the FCA requires us to ask you some additional questions about your individual circumstances so that we can provide you with some additional information (risk warnings). The purpose of this is to make sure that you have taken into account all of the factors necessary to make an informed decision based on the benefits and risks involved. We will not be able to proceed with processing your benefits until you have answered those questions and been provided with the risk warnings. Once you have that information you can then decide if you wish to continue as originally instructed, or if you would like to do something different.

Investment Pathways

The FCA published a review in June 2018 in response to the "pensions freedom" rules applying to drawdown from 2015. Under the review the FCA wanted to ensure that scheme members were fully engaged with their pension options and made ‘informed decisions’. Where people received advice on their pension arrangements, the FCA thought these individuals were overall well supported, however the FCA were concerned that advice was not affordable or appropriate for everyone and it was these individuals who were perhaps most at risk when presented with the array of options available when coming to take their pension benefits. In short, the FCA are concerned that members are not making active investment decisions in drawdown and are not considering if their existing investments are still appropriate.

To address this concern, the FCA has introduced 'Investment Pathways' which is a process aimed at consumers who, given the prompts to take financial advice already in place, decide to access their pensions through drawdown (or transfer in a drawdown plan) without taking advice. A further decision needs to be made when entering drawdown as to how your drawdown fund should be invested. The Investment Pathways process is designed to meet this purpose.

When can you take benefits?

You can normally take benefits at any time from age 55. It is not necessary to stop working or 'retire' when you take your benefits. The act of taking your benefits is referred to as 'crystallisation' in the Legislation.

The normal minimum pension age (the age which you can start taking benefits from your SIPP) will be increasing from age 55 to 57 with effect from 6th April 2028.

In what circumstances can you take your benefits before age 55?

If you become permanently incapacitated and cannot carry on your normal occupation (or one of a similar nature), then you will be able to crystallise your benefits earlier. You may also be able to take your benefits before age 55 if your SIPP is made up of funds transferred from a pension scheme with a lower pension age provided that the transfer to your SIPP complied with certain HMRC requirements.

Is there a limit on your benefits?

There is no limit on the benefits that may be provided under your SIPP. However, when you take benefits from your SIPP, the total value of all of your pension funds will be tested against your Lump Sum Allowance (LSA) and your Lump Sum and Death Benefit Allowance (LSDBA). Further information regarding these limits can be found in the Limit on Benefits section.

What benefits are available to you?

When you take benefits from your SIPP, you have the following options:

1. **A lump sum from part of the fund that you have crystallised and an income from the rest.**

- **The lump sum** under this option is called a pension commencement lump sum (PCLS). It is currently tax free and is commonly referred to as tax free cash (TFC). It is usually limited to the lower of:

1) Your available Lump Sum Allowance
2) Your available Lump Sum and Death Benefit Allowance
3) Your applicable amount (25% of the amount you are crystallising)

You may be able to receive a higher amount if you have registered for protection of your tax free lump sum rights or if you have a transitional tax free cash certificate. If this is the case then please give details on our Member Benefits Form and also provide us with a copy of the certificate.

- **The income** is taxed as earned income. You have different options for how you want to take your income:
  - **Annuity** You can use your fund to purchase an annuity. If you select this option then your pension fund is passed to an insurance company who guarantees to pay your pension for the rest of your life.
  - **Drawdown** - alternatively, you can draw an income directly from your fund through income drawdown. If you select this option then you can continue to invest your pension fund beyond your retirement. There are two forms of income drawdown.
    - **Flexi Access Drawdown (FAD)** – You can draw any level of income from your fund however taking an income payment under FAD will trigger the money purchase annual allowance rules which reduces the amount that can be paid into your SIPP from £60,000 to £10,000 per annum for money purchase schemes.
    - **Capped Drawdown** – You can draw any level of pension up to a maximum amount each year. However capped drawdown is only available to members who already had funds in this SIPP in capped drawdown prior to the 6th April 2015.

2. **A lump sum payment of the whole of the fund that you have crystallised.**

   This is called an **Uncrystallised Funds Pension Lump Sum (UFPLS)**. With an UFPLS, 25% of the payment is tax free (like the PCLS in option 1 above) and the remaining 75% is taxed as earned income subject to available allowances. Both elements of an UFPLS must be paid at the same time and so if you choose this option payment will be made on the last working day of the month in which we have all the documents and funds required to be able to proceed. Please note that cleared funds must be in your account by the 20th of the month for payment to be made on the last working day of the month.

Can you still pay contributions after you have taken benefits from your SIPP?

Yes, contributions can still be paid to your SIPP after you have taken benefits, but the amount that can be paid in and receive tax relief will depend on what benefit option you have selected.

- **Standard Annual Allowance** - This is the total amount that can be contributed to a pension scheme each year and will qualify for tax relief. The standard annual allowance is currently £60,000 and you can also carry forward any unused relief. More details on contributions and the limits can be found in your SIPP Key Features. If you take your benefits in the form of a lifetime annuity that cannot decrease in amount or capped drawdown then the standard annual allowance will continue to apply.

  Money Purchase Annual Allowance (MPAA) – In certain circumstances the standard annual allowance may be reduced. These circumstances include taking an income payment under flexi access drawdown, taking an Uncrystallised Funds Pension Lump Sum, taking a stand alone lump sum with Primary Protection, taking income under a flexible annuity and exceeding the maximum drawdown amount under Capped Drawdown. When this happens you are said to have triggered the MPAA rules which will reduce your annual allowance from £60,000 to £10,000 per annum for money purchase schemes. Money purchase schemes are ones which do not guarantee a level of pension in retirement. Your SIPP is a money purchase scheme. Special rules apply to 'final salary' schemes. The MPAA rules will apply from the day after the trigger event occurred. The MPAA rules also prohibit the ability to carry forward any unused annual allowance. If you flexibly access your pension savings we will issue you with a Flexible Access Notification which will explain the reason for the notification being issued along with confirmation of any actions you will need to take.
- **Tapered Annual Allowance -** If you have adjusted income of over £260,000 and your threshold income is more than £200,000 your annual allowance will be reduced by £1 for every £2 by which your adjusted income exceeds £260,000, subject to a maximum reduction of £50,000.

Please refer to our Tapered Annual Allowance Information Sheet for a detailed explanation and examples.

Please also note that you are not permitted to use any of your tax free lump sum payments to fund a large increase in your pension contributions. This is known as 'recycling' and could result in substantial tax charges.

ANNUITY

What is an Annuity?

An annuity is an insurance company product which is used to pay your pension for the rest of your life. It is purchased using a lump sum from your scheme. You can use your whole crystallised fund to purchase an annuity which will pay your entire pension or you can use just part of it. You can add different options and get different types of annuity depending on your needs and circumstances.

How is your pension calculated?

The level of income an annuity pays is set by the insurance company and will depend on, among other things:

- The size of your pension fund (after taking your PCLS); the larger your fund, the higher your income will be.
- Your age – the older you are the higher your income will be. This is because, on average, an older person has fewer years left to live than a younger person.
- Your health or lifestyle – some annuities pay you a higher-than-normal income if your health or lifestyle threatens to reduce your lifespan (impaired life annuity).
- The benefits you choose, for example
  - whether the annuity is just for you (single life), or will continue to your spouse or partner on your death (joint life)
  - whether the annuity is level or escalating (e.g. at 3% per annum or in line with inflation), or
  - if it is guaranteed to pay out for a minimum number of years, even if you die during that time (guaranteed).
- Long term gilt yields.

Annuity rates vary from one insurance company to another, so you should make sure you shop around to get the best deal. Your financial adviser can help you with this.

How do you set up an annuity?

If you purchase an annuity to pay your whole pension, then we will sell all of the investments held within your scheme. We will transfer the total cash value of your scheme to your chosen insurance company. At this point we will cease to have any involvement in your pension.

What are your commitments?

You will need to shop around with your financial adviser to find a suitable annuity. In particular, you should consider whether you wish to provide a pension to your spouse/partner after your death; whether you may qualify for an enhanced annuity; and whether you want your annuity to increase over time.

What are the advantages?

The income from an annuity is guaranteed for life, which means that it cannot go down. If you have selected an escalating annuity then the increases are also guaranteed.

What are the risks?

The pension paid by an Annuity may be lower than the initial income available from capped or flexi access drawdown (however this may be offset by the security of knowing exactly how much money you will get for the term of the annuity). Once you have purchased a lifetime annuity, you cannot change your mind if your circumstances change in the future. You cannot transfer your annuity from one insurance company to another once it has been purchased. You may not benefit from future growth in your fund once you have bought the annuity. The benefits available to your family may also be more limited than the benefits available if you were drawing your pension under drawdown (see Death Benefits section). The rates used to set annuities change continuously, which means that the timing of your annuity purchase can be very significant.

FLEXI ACCESS DRAWDOWN

What is Flexi Access Drawdown (FAD)?

FAD is similar to capped drawdown in that it allows you to continue to invest your Plan while drawing an income from it. However, unlike capped drawdown there is no maximum annual amount, which means that you can draw out your whole fund if you would like (subject to income tax). However, it may not be tax efficient or sustainable to do so. The minimum annual amount is nil, meaning that you do not have to draw any pension if you do not wish to.

Taking an income under FAD will trigger the Money Purchase Annual Allowance rules which will reduce your annual allowance from £60,000 to £10,000 per annum for money purchase savings.

How frequently is your pension reviewed?

Your pension will not be reviewed. You will be able to draw any level of income up to and including the whole value of your fund.

How can Flexi Access Drawdown be paid from your fund?

We operate a payroll system which pays pensions under PAYE on the last day of each month. You should tell us by the 20th of the month if you would like us to commence or change your pension payments. You can elect to receive your pension monthly, quarterly, half yearly and annually; or you could elect to receive pension payments on an ad hoc basis as and when needed. You can change the level and timing of your pension payments at any time (subject to the constraints of our payroll system).

If we do not have a tax coding notice for you then your pension will be taxed using a temporary rate called an emergency rate until HMRC issue you and us with a tax code. Our Pension Payments Guide gives further information on what to do to ensure that the correct tax code is applied as well as what happens if you underpay or overpay tax.

What are your commitments?

You will need to choose an initial level of income which is appropriate for you, you should ensure that the level of income that you choose is sustainable and meets not just your needs now but your need for income in later life. You will also need to work with your adviser to determine and keep under review your investment strategy for the fund. You should regularly review your income level and whether to purchase an annuity. You should ensure that there is sufficient cash in your SIPP bank account to make your pension payments when they become due. Finally, you must advise us of any changes to your personal circumstances that might affect your Plan or your ability to receive benefits.

What are the advantages?

Flexi Access Drawdown allows you to draw an income directly from your fund without any limits. This means you keep control over the investment of your pension scheme as well as the timing and level of income taken from your fund. If your fund performs well then there is the possibility of an increased pension (or ultimately a higher annuity) in the future.

What are the risks?

Flexi Access Drawdown is not suitable for everybody and it is important that you take advice from an FCA regulated financial adviser and/or guidance from Pension Wise if you are thinking of taking this option.

It involves extra investment risk compared with buying a lifetime annuity straight away. The investments remaining within your pension may fall as well as rise and this could decrease lump sums and/or income that you can take in the future.

If you take large payments from your fund or you take the whole of your fund then you may not have sufficient funds available to support you in the future. Drawing larger sums from your fund could also result in you paying more tax than you otherwise would do.

By taking your benefits through Flexi Access Drawdown your annual allowance will reduce and you will not be able to re-instate it to a higher amount later.

CAPPED DRAWDOWN

What is Capped Drawdown?

Like FAD, Capped drawdown allows you to continue to invest your Plan while drawing an income from it, but unlike FAD it is limited to a maximum annual amount set by HMRC. The minimum is nil, meaning that you do not have to draw any pension if you do not wish to. You can take any level of pension up to the maximum amount each year and can change the level you receive at any time.

Capped drawdown is not an option for members who crystallise their benefits for the first time after 6th April 2015. Members who had designated funds to capped drawdown prior to 6th April 2015 can continue with this option as long as they have not triggered the money purchase annual allowance rules. Taking more income than the current annual maximum calculated for your capped drawdown fund will result in the fund being automatically converted to a flexi access drawdown fund (FAD) and would trigger the money purchase annual allowance rules.

How is your pension calculated?

The maximum pension that you can take is 150% of the relevant Government Actuary Department (GAD) rate. This rate is determined by your age and returns from Government securities. We will apply this rate to the value of your crystallised fund at the time it is first used to provide pension drawdown and at each review. You can then take any level from zero up to the maximum amount each year.

How frequently is your pension reviewed?

We will review your maximum pension every three years until you reach age 75, and annually from then on. The annual review will be on the anniversary of your scheme year after you reach age 75. Your maximum pension may go up or down at these reviews. When we review your pension we will use the value of your fund at the time of the review and apply the appropriate GAD Rate based on your age at the review date. You can ask us to review your pension at the end of any pension year (i.e. an anniversary of the date your fund was put into capped drawdown), and you may decide to do this if you believe that there is scope for your pension to increase due to a growth in fund value. You can also purchase an annuity at any time using all or part of your fund.

How can Capped Drawdown be paid from your fund?

We operate a payroll system which pays pensions under PAYE on the last day of each month. You should tell us by the 20th of the month if you would like us to commence or change your pension payments. You can elect to receive your pension monthly, quarterly, half yearly and annually; or you could elect to receive pension payments on an ad hoc basis as and when needed. You can change the level and timing of your pension payments at any time (subject to your maximum pension and the constraints of our payroll system).

If we do not have a tax coding notice for you then your pension will be taxed using a temporary rate called an emergency rate until HMRC issue you and us with a tax code. Our Pension Payments Guide gives further information on what to do to ensure that the correct tax code is applied as well as what happens if you underpay or overpay tax.

What are your commitments?

You will need to choose an initial level of income which is appropriate for you (and which is within HMRC limits), you should ensure that the level of income that you choose is sustainable and meets not just your needs now but your need for income in later life. You will also need to work with your adviser to determine and keep under review your investment strategy for the fund. You should regularly review your income level and whether to purchase an annuity. You should ensure that there is sufficient cash in your SIPP bank account to make your pension payments when they become due. Finally, you must advise us of any changes to your personal circumstances that might affect your Plan or your ability to receive benefits.

What are the advantages?

Capped Drawdown allows you to draw an income directly from your fund. This means you keep control over the investment of your pension scheme as well as the timing and level of income taken from your fund. If your fund performs well then there is the possibility of an increased pension (or ultimately a higher annuity) in the future.

What are the risks?

Capped Drawdown is not suitable for everybody and it is important that you take advice from an FCA regulated financial adviser and/or guidance from Pension Wise if you are thinking of taking this option. It involves extra investment risk compared with buying a lifetime annuity straight away. Your pension may go down when it is reviewed in the future, because the value of your fund may go down (or not grow sufficiently) and / or the Gilt Index Yield may go down. Also, the annuity that you can buy in the future may be lower than the annuity you could have purchased at the outset. This is because the value of your fund may go down (or may not have grown sufficiently) and / or annuity rates may get worse.

UNCRYSTALLISED FUNDS PENSION LUMP SUM

What is an Uncrystallised Funds Pension Lump Sum (UFPLS)?

An UFPLS is an alternative way of accessing your pension benefits and can only be taken from funds not already in drawdown. It allows you to take a one off payment or series of payments whilst keeping the remainder of your pension uncrystallised.

You can normally take an UFPLS at any time from age 55 (or earlier if you meet the ill health conditions) and like drawdown it is not necessary to stop working or ‘retire’ when you take your benefits.

When you take an UFPLS payment, 25% of the payment will be tax free and 75% of the payment will be taxed as pension income at your marginal rate of income tax.

If you have primary protection and/or enhanced protection with protection of lump sum rights of more than £375,000 or you have a lifetime allowance enhancement factor you cannot be paid an UFPLS.

It is possible to receive an UFPLS payment and to elect for part or your entire remaining fund to be in drawdown.

Payment of an UFPLS is a relevant benefit crystallisation event and we will be required to test the value of your pension fund against your Lump Sum Allowance (LSA) and your Lump Sum and Death Benefit Allowance (LSDBA).

Taking an UFPLS payment will trigger the Money Purchase Annual Allowance rules which will reduce your annual allowance from £60,000 to £10,000 per annum for money purchase savings.

How is your pension calculated?

There is no maximum or minimum pension calculated under UFPLS as the fund that is crystallised is paid out in its entirety.

How is an UFPLS paid?

Both elements of an UFPLS must be paid at the same time. Payment will be made on the last working day of the month in which we have all the documents and funds required to be able to proceed. Please note that cleared funds must be in your account by the 20th of the month for payment to be made on the last working day of the month. Both elements will be paid through our payroll system and the 75% of the payment that is taxed as pension income will have the tax deducted from it before we pay you the net amount. We will account for the PAYE due to HMRC.

If we do not have a tax coding notice for you then your pension will be taxed using a temporary rate called an emergency rate until HMRC issue you and us with a tax code. Our Pension Payments Guide gives further information on what to do to ensure that the correct tax code is applied as well as what happens if you underpay or overpay tax.

What are your commitments?

You will need to decide how much of your fund you want to take an UFPLS from. You will also need to work with your adviser to determine and keep under review your investment strategy for the remaining uncrystallised fund. You should regularly review your income requirements and whether to purchase an annuity with any remaining funds in your SIPP. You should ensure that there is sufficient cash in your SIPP bank account to make your UFPLS payment(s). Finally, you must advise us of any changes to your personal circumstances that might affect your Plan or your ability to receive benefits.

What are the advantages?

UFPLS allows you to draw payments directly from your fund as and when needed whilst keeping the remainder of your pension uncrystallised.

What are the risks?

UFPLS is not suitable for everyone and it is important that you take advice from an FCA regulated financial adviser and/or guidance from Pension Wise if you are thinking of taking this option especially with regards to your future income needs and tax implications.

It involves extra investment risk compared with buying a lifetime annuity straight away. The investments remaining within your pension may fall as well as rise and this could decrease lump sums and/or income that you can take in the future.

If you take large payments from your fund or you take the whole of your fund then you may not have sufficient funds available to support you in the future. Drawing larger sums from your fund could also result in you paying more tax than you otherwise would do.

By taking your benefits through UFPLS your annual allowance will reduce and you will not be able to re-instate it to a higher amount later.

PHASED DRAWDOWN

Do you have to take benefits from your whole fund in one go?

No, you do not have to take benefits (crystallise) from your whole fund. Instead, you can take benefits from part of your fund leaving the rest uncrystallised. This means that instead of taking your benefits in one go, you could take your benefits in stages by crystallising portions of your fund as and when you need to.

How does phased drawdown work?

Each portion of your fund that you take benefits from will pay you a pension commencement lump sum and pension. You can therefore crystallise an amount of your fund that would provide you with the lump sum and/or pension that you need.

You can use annuity purchase, flexi access drawdown or capped drawdown (if you are eligible) to pay your pension under phased drawdown.

How are your crystallised and uncrystallised funds valued?

When you take benefits from part of your fund, it is split into two pots. Our system calculates the value of these pots and expresses it as a percentage of the total value of your fund. The size of the crystallised and uncrystallised funds will be determined by the following events:

- Benefits are paid out of your crystallised fund (in the form of PCLS and pension), which would reduce the value of that fund relative to your uncrystallised fund.
- Funds are paid into your uncrystallised fund (in the form of uncrystallised transfers in or contributions), which would increase the value of that fund relative to your crystallised fund.
- You take benefits from more of your scheme (at which point funds are moved from your uncrystallised fund to your crystallised fund).

LIMIT ON BENEFITS

Is there a limit on my benefits?

The benefits available from your SIPP will depend on your age and the size of your fund at the time you take them. The total value of all of your pension funds will be tested against your Lump Sum Allowance (LSA) and your Lump Sum and Death Benefit Allowance (LSDBA).

What is the Lump Sum Allowance?

The Lump Sum Allowance (known as the pension commencement lump sum) is the maximum tax free lump sum payment that you can receive from all pension arrangements. The table below gives more information regarding the maximum Lump Sum Allowance and Lump Sum and Death Benefit Allowance.

What is the lump sum and death benefit allowance?

It is a new allowance which all authorised lump sum and lump sum and death benefits are tested against. For an individual with no form of protection the Lump Sum and Death Benefit Allowance is currently set at £1,073,100.

At a relevant benefit crystallisation event, on death or on the payment of a serious ill health lump sum the amounts paid out will be tested against your Lump Sum and Death Benefit Allowance.

The table below shows the Lump Sum Allowance and Lump Sum and Death Benefit Allowance limits for an individual depending on their circumstance.

Protection	Applicable Amount	Lump Sum Allowance	Lump Sum and Death Benefit Allowance
None	25% of the amount being crystallised	£268,275	£1,073,100
Fixed Protection 2012	25% of the amount being crystallised	£450,000	£1,800,000
Fixed Protection 2014	25% of the amount being crystallised	£375,000	£1,500,000
Fixed Protection 2016	25% of the amount being crystallised	£312,500	£1,250,000
Individual Protection 2014	25% of the amount being crystallised	25% of the Individual Protection figure	Your individual protection figure – which will be between £1.25 million and £1.5 million
Individual Protection 2016	25% of the amount being crystallised	25% of the Individual Protection figure	Your individual protection figure – which will be between £1 million and £1.25 million
Enhanced Protection (no protected tax free cash)	25% of the amount being crystallised	£375,000	Value of uncrystallised rights held on 5th April 2024
Enhanced Protection (protected tax free cash)	% confirmed on certificate	Lower of % applied to fund at crystallisation or % of fund value at 5th April 2023	Value of uncrystallised rights held on 5th April 2024
Primary Protection (no protected tax free cash)	25% of the amount being crystallised	£375,000 x the primary protection factor	£1,800,000 x the primary protection factor
Primary Protection (protected tax free cash)		There is a formula to use which changes depending on the date of any previous crystallisation	There is a formula to use which changes depending on the date of any previous crystallisation

What if the value of my SIPP is in excess of the Lump Sum Allowance

It is not possible for the SIPP to pay a tax free lump sum in excess of the Lump Sum Allowance. If the size of your pension fund is in excess of your available Lump Sum Allowance any excess will be moved into your drawdown pot and any pension payments from this pot will be taxed at your marginal rate of income tax.

What if the value of my SIPP is in excess of the Lump Sum and Death Benefit Allowance

Any payments from the SIPP on death which are in excess of the Lump Sum and Death Benefit Allowance will be taxed at the recipients marginal rate of income tax.

What payments will be deducted from my Lump Sum Allowance?

The following payments will be deducted from your Lump Sum Allowance:

- Payment of a tax free lump sum referred to as a pension commencement lump sum
- The non taxable amount of an Uncrystallised Funds Pension Lump Sum (UFPLS)

What payments will be deducted from my Lump Sum and Death Benefit Allowance?

The following payments will be deducted from your Lump Sum and Death Benefit Allowance:

- Any pension commencement lump sum paid– the amount of the tax free lump sum paid
- The total non taxable amount paid of a stand alone lump sum
- The non taxable amount paid of an Uncrystallised Funds Pension Lump Sum (UFPLS)
- The total of any serious ill health lump sums paid
- The total of any Uncrystallised Lump Sum Death Benefits paid
- The total of any Drawdown Lump Sum Death Benefits paid

TRANSITIONAL TAX FREE CASH CERTIFICATE

If you took benefits from a pension scheme prior to 6th April 2024 and took less than 25% as a tax free lump sum you may be eligible to apply for a transitional tax free cash certificate. You can not apply for the certificate if you had used 100% of your available Lifetime Allowance and / or if you have enhanced protection with lump sum protection over £375,000. HMRC are providing further details on their website as to when it may be appropriate to rely on a transitional tax free cash certificate.

If you wish to rely on a transitional tax free cash certificate the certificate must be received before your first crystallisation post 6th April 2024.

LIFETIME ALLOWANCE

The Lifetime Allowance ceased to exist on the 6th April 2024. Previously when benefits were taken from a pension fund (a benefit crystallisation event) they were tested against the Lifetime Allowance and the growth in any crystallised funds as well as any uncrystallised funds were also tested when you reached age 75. The Lifetime Allowance has been replaced with two new allowances – the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA).

If you take benefits from your pension fund after the 6th April 2024 we will test the value of these benefits against your LSA and LSDBA.

If you have taken benefits from your pension fund before the 6th April 2024 and wish to take more benefits after the 6th April 2024 we will use a standard formula provided by HMRC to covert the Lifetime Allowance percentage figure into a Lump Sum Allowance and Lump Sum and Death Benefit Allowance figure.

FURTHER CONSIDERATIONS

How is the remaining fund invested?

Whether you choose drawdown or UFPLS you will have the same choice of investments within your Plan. Unless we are instructed otherwise your residual fund will stay invested in your remaining investments following your benefit withdrawal. Different investments have different risks and so it is important that they are suitable for you.

Sustainability of income over time

You should think about how much you take out every year and how long your money needs to last. You can sell investments to create available funds for withdrawals. This will cause the value of your Plan to fall over time if your withdrawals exceed the amount by which your Plan grows. If you decide to encash your entire Plan you must first consider what other retirement provision you have in place. A financial adviser can help you to create an investment strategy for your Plan. They can advise you on the suitable investment risk and how much you can take out to budget for your future needs.

The need to review, make further decisions about, or take further actions during the life of the Plan

Your circumstances, whether it be financial or health, are likely to change throughout your retirement and therefore you may need more or less money in certain years ahead. It's important to regularly review your Plan to continue to make sure it meets your needs. The investments remaining within your Plan may fall as well as rise and this could decrease lump sums and/or income that you can take in the future. Certain investments may be difficult to value and/or sell when access is required, leading to potential costs and/or delays in payment of benefits.

What is the impact on means-tested benefits?

Increasingly state benefits are becoming means-tested. Often means-testing is based on a person's individual wealth and/or income rather than necessarily what funds are held in their pension pot. Accessing pensions savings through drawdown or lump sums could increase a person's wealth and/or income that could impact on any means-tested benefits received. This could even apply where the pensions savings accessed are passed on to others. You should consider the impact on any means-tested benefits as a result of accessing your pensions savings via drawdown or lump-sums. It is important that this is taken into account when deciding whether to access your pension savings as there is a risk that any means-tested benefits may be adversely affected. If you are unsure how this might affect you we recommend that you speak to an FCA regulated financial adviser.

What is the effect of costs and charges on the income being drawn?

When you take benefits from your fund and make a withdrawal we charge a one off fixed fee for the cost of the administration and a fixed annual fee if you are receiving a pension payment. Although this money is not taken from your withdrawal, it is taken from the residual fund and so will reduce the overall benefits that you are able to take from your Plan. You should consider how often you need to make a withdrawal and where possible plan ahead for the foreseeable future in order to keep the costs to the minimum. A financial adviser can advise you on how much you need to take out, how often you need to make withdrawals and help set targets for future income/capital needs.

As well as a charge for processing your request to take benefits from your pension fund and a charge for the administration of any pension payment(s) DP Pensions Ltd as administrators of your pension scheme levy additional charges depending on the use of your scheme. A current fee schedule can be found on our website https://www.dapco.co.uk/literature/. You should consider these charges as well as any additional charges that may be charged by your financial adviser and / or investment manager that you have appointed and any fund charges that may be incurred when deciding on the level of income that should be drawn and also use this information as part of your review as to whether the SIPP is the most suitable product for you.

Tax implications

As mentioned earlier, when you come to take benefits you can withdraw up to 25% tax free from your Plan. You pay Income Tax on the other 75%. Money you take from your Plan comes with the tax already deducted. We may also take off any tax due on your State Pension depending on your other income. In addition to this you could also pay Income Tax on other income such as earnings from employment or self-employment, money from rental income, savings, investments and any taxable state benefits you might get. You may pay emergency tax when you take money from your Plan but you can claim this back from HM Revenue and Customs. Please refer to our **Pensions Payment Guide** on our website for further information.

You should shop around for a retirement income product as, depending on the choices you make, you may get a more suitable product elsewhere. A financial adviser will be able to advise you on all of the options and products available to you and identify which ones best suit your needs. Pension Wise is a free and impartial service set up by the government which offers guidance and will help you understand what options you have. The Pension Wise website is https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise alternatively you can call 0800 138 3944.

DEATH BENEFITS

What benefits are available from my SIPP?

The full value of your Plan will be used to provide lump sum and/or pension benefits to your spouse, civil partner and other beneficiaries. The Trustee of the SIPP has discretion to select who will receive the benefits, but will take account of any beneficiaries nominated by you in the Expression of Wish section of your SIPP Application Form or subsequently. You can complete a new Expression of Wish at any time.

Your beneficiaries can take their benefits as a lump sum. All lump sum payments with effect from 6th April 2024 will be tested against the new Lump Sum and Death Benefit Allowance. If you were under the age of 75 on death, then the lump sum death benefit will be tax free providing that payment is made within 2 years of your death and is within the lump sum and death benefit allowance, otherwise it will be taxed at the recipient's marginal rate of income tax. If you were over the age of 75 on death, then the lump sum is taxable at the recipient's marginal rate.

Your beneficiaries also have the right to take their benefits as a pension. Each beneficiary can take their pension through an annuity or flexi access drawdown. If you were under the age of 75 on death, pension payments to a beneficiary will be income tax free if designated within 2 years, otherwise they will be taxed at the recipient's marginal rate. If you were over 75 on death, then any pension payments will be taxed at the recipient's marginal rate.

What happens if I die after I have purchased a Lifetime Annuity?

If you had purchased a Lifetime Annuity then any payments to your spouse and/or dependants would depend on the terms of that Annuity. If you provided for a spouse/dependants pension then this would be paid to them for their life. If you die shortly after purchasing the Annuity then payments would continue for any guaranteed period specified at the time of purchase.

MISCELLANEOUS

Your right to change your mind

When you first choose to take income drawdown benefits from your Plan, you have the right to cancel this option within 30 days of the date you take benefits. You will have to return any pension commencement lump sum and/or income that has been paid to you.

You can exercise this right by writing to us at our normal address.

You do not have a right to cancel if you select to receive an Uncrystallised Funds Pension Lump Sum.

Valuing your SIPP

In certain circumstances we must value your SIPP in order to determine the level of benefits that you can take. Listed shares must be valued on a 'mid-market' basis and properties must be independently valued by a surveyor. Property valuations must be dated within 6 months of your crystallisation date and be a red book valuation. There may be costs attached with obtaining such valuations and these costs will be paid by your SIPP. In addition, some 'non standard' investments like unlisted shares and certain unregulated funds can be difficult to value. In valuing them we will rely on the advice of professionals which may also incur a cost which will be paid from your SIPP.

If HMRC challenges any of the valuations then any resulting tax consequences will be paid by you personally and/or your SIPP.

If there are not sufficient funds in your SIPP to cover any of these costs then you will be responsible for paying them personally.

Liquidity

The ability of your fund to pay your desired benefits is dependent on there being sufficient liquidity. It is your responsibility with the help of your adviser, if you have one, to make sure that arrangements are in place to have sufficient cash available in your fund to meet your current and future needs. We will not be able to make your benefit payments unless there are sufficient cleared funds in your Plan bank account.

Can we provide advice about your pension options?

Neither DP Pensions Ltd nor D A Phillips & Co Ltd can provide advice regarding any aspect of your benefit options nor about your SIPP in general. It is important that you take professional advice and/or guidance to help you with making your decision.

Tax free cash recycling

There are rules geared towards preventing pension scheme members from using their pension commencement lump sum to fund further contributions to their pension schemes. These rules are complex, and we can provide further information if needed, but please note that you should not use your lump sum for this purpose.

CONCLUSION

You have a great deal of flexibility over the timing, level and nature of the benefits that you take from your pension scheme and it is important that you select the option that is best for you. It is vital that you take professional advice and/or guidance to ensure you fully understand your options and their accompanying risks.

We hope that you found this booklet useful. We would appreciate any feedback on it and on any other aspect of our service that you feel could be improved.

If you have any further questions then please do not hesitate to contact us.

Glossary of Terms - Member Benefits

This section is provided to help explain some of the terms that you may come across when taking benefits from your pension fund.

A

A-Day

The 6th April 2006 – the date that changes to pension legislation came into effect, otherwise known as pensions tax simplification.

Annuity

A retirement product that provides you with a guaranteed income. This could either be for life or for an agreed number of years. It is purchased from an annuity provider using pension savings and you can buy an annuity with some or all of your pension fund at any time. We do not provide annuities.

C

Capped Drawdown

A way before the 6th April 2015 of taking an income payment from a pension fund. There was a limit or “Cap” on the amount that you could take out as a pension payment each year. Only individuals who were in Capped Drawdown prior to the 6th April 2015 can continue to be in Capped Drawdown, no new Capped Drawdown plans can be established. A Pension commencement lump sum (PCLS) usually up to 25% of the fund that you crystallise can be taken and an income payment paid between the income limits set. It is possible to convert a plan in capped drawdown to flexi access drawdown at any time.

Capped Drawdown Pension

Pension income paid from a Capped Drawdown fund (subject to the maximum limit).

Crystallise / Crystallised / Crystallisation

The process of accessing your pension fund by moving a certain amount (this may be some or all of the value of your pension fund) from the Uncrystallised pot (where you haven’t taken any benefits from the fund) to a Crystallised pot (where you have taken at least some benefits from the fund).

D

Dependant’s flexi-access drawdown fund

A flexi access drawdown fund set up after a members death to enable the payment of pension income to a dependant which has been nominated by the member.

Drawdown Pension

The payment of a pension from crystallised funds.

E

Enhanced Protection

This previously had two benefits, it was used as a way of protecting pension funds that had built up from the Lifetime Allowance Charge and had the ability to give the member a higher tax free cash entitlement. With effect from the 6th April 2023 the lifetime allowance charge was abolished and so this benefit no longer applies. You can no longer apply for Enhanced Protection.

F

Fixed Protection

This previously had two benefits, it was used as a way of protecting pension funds from the Lifetime Allowance Charge and had the ability to give the member a higher tax free cash entitlement. With effect from the 6th April 2023 the lifetime allowance charge was abolished and so this benefit no longer applies. There are three different Fixed Protection's:

- Fixed Protection 2012 fixes an individual's Lifetime Allowance at £1.8 million
- Fixed Protection 2014 fixes an individual's Lifetime Allowance at £1.5 million
- Fixed Protection 2016 fixes an individual's Lifetime Allowance at £1.25 million.

You can still apply for Fixed Protection 2016 if certain criteria are met see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm093210 but it is no longer possible to apply for Fixed Protection 2012 or 2014.

Flexi Access Drawdown (FAD)

Is a way of accessing your pension savings. Funds are crystallised and there is no maximum annual income limit and you do not have to take any income at all if you don't wish to. Drawing an income payment under FAD will trigger the money purchase annual allowance rules which will reduce the amount that you can contribute (your annual allowance) from £60,000 to £10,000 for money purchase savings.

Flexibly accessing pension benefits

If you take a pension payment from a pension plan that is in flexi access drawdown or if you take an Uncrystallised Funds Pension Lump Sum (UFPLS) you will have flexibly accessed your pension benefits. This means that the amount that you can contribute is reduced from £60,000 to £10,000 for money purchase schemes.

I

Individual Protection (IP)

This previously had two benefits, it was used as a way of protecting pension funds from the Lifetime Allowance Charge and had the ability to give the member a higher tax free cash entitlement. With effect from the 6th April 2023 the lifetime allowance charge was abolished and so this benefit no longer applies.

There are two different Individual Protections:

- Individual Protection 2014 - to have obtained this an individuals pension savings must have been more than £1.25 million at 5th April 2014 (subject to a maximum of £1.5 million).
- Individual Protection 2016 - An individuals pension savings must have been more than £1 million on 5th April 2016 (subject to a maximum of £1.25 million)

You can still apply for Individual Protection 2016 as long as a number of conditions are met https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm094210 but it is no longer possible to apply for Individual Protection 2014.

L

Lump Sum Allowance (LSA)

The Lump Sum Allowance (known as the pension commencement lump sum) is the maximum tax free lump sum payment that you can receive from all pension arrangements.

Lump Sum and Death Benefit Allowance (LSDBA)

At a relevant benefit crystallisation event, on death or on the payment of a serious ill health lump sum the amounts paid out will be tested against your Lump Sum and Death Benefit Allowance.

M

Minimum Pension Age

This is the earliest age that you can usually access your pension savings and is set by the government. It is currently at age 55 but is rising to age 57 from 6th April 2028. It may be possible to access your pension savings earlier than the minimum pension age due to ill health or if you have a protected pension age.

Money Purchase Annual Allowance (MPAA)

The Annual Allowance (the amount that can be contributed to pension schemes each year while still benefiting from tax relief) is £60,000 (2024/25 tax year) however when certain events occur the Money Purchase Annual Allowance is triggered which reduces the amount that can be contributed to money purchase schemes from £60,000 to £10,000 per year.

O

Open Market Option (OMO)

Your right to purchase an annuity from any annuity provider.

P

Pension Commencement Lump Sum (PCLS)

A lump sum benefit, usually up to 25% of the value of the benefits that you wish to “crystallise” which is tax free, it is also known as Tax Free Cash (TFC).

Pension Review Date

For individuals in Capped Drawdown this is the date that the maximum income limit will be reviewed. Reviews are required every three years up until the members 75 birthday and then annually thereafter.

Primary Protection

This previously had two benefits, it was used as a way of protecting pension funds that had built up from the Lifetime Allowance Charge and had the ability to give the member a higher tax free cash entitlement. With effect from the 6th April 2023 the lifetime allowance charge was abolished and so this benefit no longer applies.

It is no longer possible to apply for Primary Protection. Individuals with Primary Protection have a primary protection factor which gives them a personalised allowance, sometimes an individual may also have a higher PCLS entitlement and if they do this will be shown as a monetary figure on the certificate.

R

Relevant Benefit Crystallisation Event (RBCE)

These are events defined by H M Revenue & Customs (HMRC) when an individual’s pension fund is required to be tested against their Lump Sum Allowance and Lump Sum and Death Benefit Allowance. An example of an RBCE event is when you crystallise your pension funds.

Retirement Age

The age that you choose to “crystallise” your pension fund for the first time. This cannot be before the minimum pension age unless you have a right to an early retirement pension age.

U

Uncrystallised Funds

Pension funds that have not yet been “crystallised” so no retirement benefits have been taken from them.

Uncrystallised Funds Pension Lump Sum (UFPLS)

An alternative way of taking pension benefits from a pension fund. 25% of the lump sum is tax free, with the remaining 75% taxable as pension income. Both elements of an UFPLS must be paid at the same time and we make UFPLS payments on the last working day of the month.

DP Pensions Ltd is registered in England at Bridewell House, Bridewell Lane, Tenterden, Kent TN30 6FA. Registered No. 4622475. DP Pensions Ltd is authorised and regulated by the Financial Conduct Authority (463171).

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Our SIPPs are operated and administered by DP Pensions Ltd. The trustee of the schemes is D A Phillips & Co Ltd.

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