

Select SIPP

Protected Rights

Alliance Trust Savings can now accept protected rights transfers into the Select SIPP.

This means that by transferring existing protected rights funds to the Select SIPP you can potentially benefit from greater control and investment choice. It also allows you to manage and view your pension assets in one place, which can lead to time and administrative savings.

What are protected rights?

In addition to the basic state pension, there is a further state pension which employees can build up during their working lives. This is known as the State Second Pension (S2P) - previously known as the State Earnings Related Pension Scheme (SERPS). The level of state pension you will receive depends on your earnings during your working life and your National Insurance record.

Since 1988 many individuals have 'contracted out' of SERPS or S2P by opting out of the scheme. In return, they receive a National Insurance rebate which is paid into a company scheme or a separate personal pension. These rebates, when placed in a SIPP, are called protected rights. The final pension depends largely on investment performance.

Regulations now allow these contracted out entitlements to be transferred into a SIPP. However, the protected rights element must be held separately from the non-protected rights.

We can accept transfers in of contracted out entitlements into the Select SIPP but please note you will not be able to contract out of the State Second Pension within your Select SIPP. Therefore, it will not be possible for contracted out rebates to be paid into your Select SIPP. If you

wish to continue to contract out then that will have to be through an alternative pension provider. In addition, we can only accept transfers from schemes from which you are not already withdrawing an income.

How do I transfer my contracted out entitlements to a Select SIPP?

If you have contracted out entitlements with another pension provider and wish to transfer them to your Select SIPP, you will need to complete a Select SIPP Transfer In form and return it to us at Alliance Trust Savings Limited, PO Box 164, 8 West Marketgait, Dundee, DD1 9YP. The form is available on our website at www.alliancetrust.co.uk or on request from us.

On receipt of your form, we will apply to transfer your contracted out entitlements from your other pension scheme into your Select SIPP. As with a transfer in of non-protected rights, you will receive a 30 day cancellation notice to cancel the transfer in request if you change your mind.

Please note, the protected rights will be held separately from your non-protected rights. Accordingly, you will need to provide us with separate investment instructions in respect of your protected rights.

What are the charges?

There will be a £50 plus VAT charge for transferring the value of your contracted out entitlements into your Select SIPP. There will be no separate annual charge for your protected rights fund. However, all other charges will apply separately in respect of your protected rights fund. Our Table of Charges is available at www.alliancetrust.co.uk or on request from us.

What benefits can I take using my protected rights Select SIPP?

You can take benefits from your protected rights fund when you reach the minimum retirement age which is currently 55.

You can take a tax free cash lump sum from your protected rights fund, which is 55.

You can also take an income from your protected rights fund under the unsecured pension option (up to age 75) which allows you to draw an income up to a maximum level. This maximum amount is reviewed every five years, although you can request for the maximum income limit to be recalculated on any of the intervening anniversary dates.

Where benefits are being taken from both

your protected rights and non-protected rights funds, the level of benefits taken from the protected rights fund cannot be proportionally higher than that taken from the non-protected rights fund. It is not possible for benefits just to be taken from the protected rights fund whilst deferring benefits from the non-protected rights fund.

Therefore, this means that when benefits are being taken, it is not possible to deplete the protected rights fund at a faster rate than the non-protected rights fund.

An annuity must be purchased using the whole of the protected rights funds prior to age 75. It is not possible to withdraw an income under the Alternatively Secured Pension (ASP) rules using a protected rights fund within the Select SIPP.

What death benefits are available from my protected rights Select SIPP?

The position on death for protected rights differs to that for non-protected rights funds.

If you are married or have a civil partner, no lump sum can be paid. All of the fund must be used to provide an income for the surviving spouse or civil partner.

If you are not married or have no civil partner when you die, then a lump sum can be paid to a person directed by you during your lifetime. Otherwise the fund will be paid to your estate.

All lump sums will be treated as forming part of your estate. Accordingly, inheritance tax may be payable on this sum.

In addition, if you are in income withdrawal when you die, an additional 35% tax charge will apply to any lump sum paid which will be deducted by the SIPP before the payment is made.

Further Information

If you require further information on protected rights, please contact us on **01382 573737** or email **contact@alliancetrust.co.uk**

Please note we cannot give advice. You should take professional advice before requesting to transfer protected rights to your Select SIPP.



This literature is printed on paper made from trees grown in sustainably managed forests.

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