



If you have any questions, please
call your Client Services Team on

01382 573737

Select SIPP

Taking pension benefits guide

Please read this guide in conjunction with the Alliance Trust Savings Handbook and the appropriate Key Features documents.

Alliance Trust Savings does not give advice. If you are unsure whether to take your pension benefits, what option to choose, or the consequences of your choice, you should seek independent advice from a financial adviser. Definitions of terms used can be found in the glossary at the end of this guide.

Your pension benefit options – a summary

You can take your benefits from your Select SIPP in a number of ways:

- purchasing an annuity
- income withdrawal
- lump sum

Purchasing an annuity

An annuity is purchased from an insurance company, and is designed to provide you with an income stream for life.

You can purchase an annuity with all or part of the balance of your Account from which you have not already taken pension benefits. While we do not offer annuities, we do arrange to purchase them for you on your instructions.

You can choose the type of annuity that you would like us to purchase, and instruct us to make the purchase.

You can select your preferred annuity provider, and you can give us the general parameters that you would like to include in your annuity – for example, whether or not to include a spouse or civil partner pension, and whether annuity payments should increase each year.

The amount of the annuity that will be paid to you will depend on the available value of your Account at your pension date, as well

as the annuity rates applicable at the time.

If we receive no instruction concerning your protected rights fund prior to your 75th birthday, we will purchase an annuity for you.

Income withdrawal

You can decide to take pension benefits, using all or part of your Select SIPP, in the form of income withdrawal. The amount of income you can withdraw will depend on your age:

If you decide to take protected rights benefits as well as non-protected rights benefits, you cannot proportionally take more from the protected rights benefits than the non-protected rights benefits. It is not possible for benefits to be taken only from the protected rights account whilst deferring benefits from the non-protected rights account.

If you have a protected rights account, you must purchase an annuity prior to your 75th birthday.

Before age 75 - unsecured pension

This allows the investments you hold in your Select SIPP to remain invested as you withdraw an income. You can choose the level of income you require, subject to a maximum annual limit. The maximum annual income limit is based on 120% of a single life annuity, which could have been bought by your unsecured pension fund. There is no minimum income requirement. The maximum annual limit is set by the government, and is reviewed every five years. You can make a request for your own maximum income limit to be recalculated on any of your income withdrawal anniversary dates.

From age 75 - alternatively secured pension (non-protected rights only)

This operates in a similar way to the unsecured pension option although the maximum annual limit which you can

withdraw is lower than the unsecured pension maximum. The maximum annual limit is based on 90% of a single life annuity for a 75 year old, regardless of your actual age. The minimum income is set at 55%. The income limits are recalculated annually.

If you are withdrawing an income from your Select SIPP using either of the options described above, you can also ask us to purchase an annuity for you at any time, although this is not compulsory.

Income withdrawal involves extra costs and extra investment risk compared with buying an annuity. If you are unsure about income withdrawal and whether it is suitable for you, you should seek professional advice.

Lump sum

Can I take a lump sum when I take pension benefits?

Yes. Prior to age 75, you can take a pension lump sum, tax free, of up to the lower of:

- 25% of the value taken to provide pension benefits, or
- 25% of the lifetime allowance.

Please bear in mind HM Revenue & Customs (HMRC) has introduced tax charges to help prevent lump sum payments being 'recycled' back into a pension scheme as a contribution. If you are receiving a lump sum and are unsure whether the recycling rules affect you, please take professional advice.

Trivial lump sum

In most cases, if you are aged between 60 and 75, it may be possible to obtain the value of all your pension funds in a lump sum if the total value of your pension entitlements from all sources is deemed to be 'trivial'. The trivial limit is calculated as 1% of the Lifetime Allowance (see below), and is £17,500 for the 2009/10 tax year.

Please note that if you choose to receive the

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value of your pension funds as a lump sum, part or all of your lump sum payment may be subject to income tax.

When can I take pension benefits?

You can take pension benefits at any time from the age of 50 (55 from 6 April 2010), even if you have not retired. You can take pension benefits by purchasing an annuity or by withdrawing an income in the form of an unsecured pension or alternatively secured pension.

Do I need to give up work if I take pension benefits?

No.

When do I select a date for taking pension benefits?

When you open your Select SIPP you must inform us of the date you anticipate when you would like to take pension benefits on the application form. This date is known as your pension date.

Can I change my pension date?

Yes. You can change this date at any time by contacting us in writing.

Can I take pension benefits in stages?

Yes. You can take pension benefits from your Select SIPP at different times. Funds held in your Select SIPP not yet used to provide benefits will be called uncrystallised funds. Funds used to provide you with pension benefits, e.g. unsecured pension, will be called crystallised funds.

Do I need to sell investments before my pension date?

You may need to. It is your responsibility to think ahead as to when you may need to realise all or part of your fund to enable you to purchase an annuity, take payments in the form of income withdrawal, or take a pension lump sum. You may also wish to rearrange the investments held in your Select SIPP to take account of your changing circumstances. You will find information

on available investments in the Investment Choice Booklet available within the Literature Centre at www.alliancetrust.co.uk.

Will you contact me nearer my pension date?

Yes. We will contact you at least four months before your pension date to remind you about your options. You must tell us whether or not you are going to take benefits on your pension date and, if so, whether you are purchasing an annuity or exercising income withdrawal (either as an unsecured pension or an alternatively secured pension).

You will also have to provide details of other pension arrangements as we are required to test your total pension benefits against the lifetime allowance.

Points to consider before taking pension benefits

Before taking pension benefits it is important to consider whether there will be a lifetime allowance charge.

What is the lifetime allowance?

This is an overall ceiling on the amount of tax privileged pension benefits that you can draw. The lifetime allowance applies to all your pension benefits from all sources.

The lifetime allowance for 2009/10 is £1.75m. It will increase to £1.8m in 2010/11 and remain at that level until 2015/16. When you decide to take your pension benefits, in whole or in part, these will be assessed against the lifetime allowance at that time.

What happens if my pension entitlements exceed the lifetime allowance?

If your total pension entitlements exceed the lifetime allowance when you decide to take pension benefits, the excess over the lifetime allowance may be subject to a 'lifetime allowance charge'.

The excess can either:

- be taken as a lump sum, in which case

the lifetime allowance charge will be 55%, or

- be taken as regular income, in which case the excess will be subject to a lifetime allowance charge of 25% and the income taken will be subject to income tax at your marginal tax rate when received.

What are the transitional arrangements?

The transitional arrangements have been set up to ensure that anyone with pension benefits built up before 6 April 2006 will not, in specific circumstances, be subject to tax under the simplified regime that would not have applied if the regime in place on 5 April 2006 had continued unchanged. Pension benefits could be protected in different ways:

- primary protection
- enhanced protection
- pension lump sum protection
- lower pension age than 50 protection

It is your responsibility to identify whether or not protection is appropriate to your personal circumstances. Primary protection and enhanced protection were only available if you registered for this type of protection with HMRC before 5 April 2009.

Primary protection

Primary protection was available if your total pension funds, from all sources, exceeded £1.5m at 5 April 2006, and will apply if you take pension benefits on or after 6 April 2006.

Your pension fund is registered as at 6 April 2006. Once registered, HMRC will have calculated your personal lifetime allowance and this will be used to determine whether a lifetime allowance charge applies when you take pension benefits. Primary protection cannot be given up.

Enhanced protection

If you have obtained enhanced protection, you should be able to protect the whole fund (including any future growth) from the lifetime allowance charge as long as no further

contributions are paid to any registered pension scheme. If further contributions are paid, protection is lost unless you have also registered for primary protection.

Pension lump sum protection

If you are a member of an occupational scheme and you had a right, prior to 6 April 2006, to take a lump sum in excess of 25%, you should take professional advice before transferring to the Select SIPP as any transfer may affect your right to take this pension lump sum.

Protecting your pension age

Other types of pension schemes set up prior to 6 April 2006 may have a retirement age earlier than age 50. If you are a member of such a scheme, you may be able to protect your right to take pension benefits at this earlier age. If you have this entitlement, you should take professional advice before transferring to the Select SIPP.

You must remember that protection is a complex subject. If you are unsure whether it applies to you, or what action, should be taken, you should take professional advice specific to your own personal circumstances.

Pension benefit preparation

Introduction

You will have to inform us of your personal circumstances as this will determine whether or not any lifetime allowance tax charge is due when you decide to take pension benefits. When you decide to take pension benefits it is known as a benefit crystallisation event.

What is a benefit crystallisation event?

This is the term used when you decide to use all or part of your fund for pension benefits. In other words, the benefits taken are 'crystallised' to provide pension benefits.

The following are benefit crystallisation events:

- unsecured pension becomes payable and again at age 75

- lifetime annuity is purchased before age 75
- an authorised lump sum is payable (either as a tax free lump sum or serious ill health lump sum)
- lump sum death benefits are payable
- transfer to a qualifying recognised overseas pension scheme

Each of these events will trigger a test against the lifetime allowance.

How is the lifetime allowance tested?

When a benefit crystallisation event occurs, the relevant funds must be valued and tested against the lifetime allowance. For this purpose, the market value of your pension fund assets is used. If you have pensions in payment on or before 5 April 2006, then these will be valued at 25 times the annual pension being paid, or 25 times the maximum income available from income withdrawal at the date of your first post 6 April 2006 benefit crystallisation event.

What information must I provide to get my pension benefits?

In order that we can determine what proportion of the lifetime allowance has been used up, you will need to provide the following information, by completing our *Taking Pension Benefits Form*, before any benefit calculations and lifetime allowance tests are carried out:

- the amount being crystallised under the Select SIPP
- the date you intend to take these pension benefits
- the amount of any pension lump sum that you wish to take
- details of any other pension benefits under any other scheme you anticipate crystallising prior to drawing pension benefits under the Select SIPP, or at the same time
- how much of the lifetime allowance that has been crystallised previously under other registered pension schemes.

You should have received statements from other providers at each benefit crystallisation event. Please tell us if any statements are outstanding as this may delay the process

- if this is your first benefit crystallisation event, current income details of any pensions that came into payment on or before 5 April 2006
- details of enhanced protection under the transitional arrangements
- details of primary protection under the transitional arrangements, including information on your lifetime allowance entitlement

You must provide us with all the information appropriate to your personal circumstances before we can proceed. You should be aware that there are penalties under the legislation for providing incomplete or false information.

Taking pension benefits – what is the process?

Once you have provided us with all the relevant information regarding this benefit crystallisation event, we will:

- value your pension fund being used for pension benefits, using the market value on your pension date
- establish whether a lifetime allowance charge is due
- calculate your pension benefits based on your request
- provide you with the necessary Key Features, Income Withdrawal illustration and forms for completion if you are taking income withdrawal as an unsecured pension or alternatively secured pension

If you are taking benefits from your protected rights account, we will check that you are not taking more income proportionally than from your non-protected rights account.

Full details of the charges can be found in the *Table of Charges*.

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Annuity purchase

What if I decide to purchase an annuity?

If you decide to purchase an annuity you may need to sell investments in advance to realise cash for any pension lump sum elected and annuity purchase. You must bear in mind dealing procedures and settlement times. If you are purchasing an annuity, you should be aware that annuity rates differ between insurance companies. If you shop around you may get a better deal which may result in a higher income for your retirement.

How do I arrange an annuity purchase?

You arrange an annuity with an insurance company, usually through a financial adviser or annuity bureau. You must provide us with details of the annuity arrangements at least ten days in advance of your pension date. You must also make clear whether you want us or the insurance company to arrange for the payment of any pension lump sum.

What happens if I ask you to pay me the pension lump sum?

If we are arranging for payment of the pension lump sum, then we will need to carry out benefit crystallisation event tests and full details will have to be provided to us. After the benefit crystallisation events (the annuity purchase and lump sum payment) has been assessed, we will have established whether or not there is a lifetime allowance charge. This lifetime allowance charge, if applicable, will be deducted from the fund. The charge will be paid to HMRC by us when due.

The balance of the fund will be used to:

- pay the pension lump sum to you. The level can be decided by you, within the limits
- pay the balance of the residual fund to the insurance company to purchase an annuity

What happens if I ask you to transfer my benefits (including pension lump sum) to the insurance company?

If you decide that the insurance company is to pay the pension lump sum to you, we will transfer to the insurance company the value of the fund from which you wish to take pension benefits for 'immediate vesting'. This can be the most efficient option to arrange if you wish to aggregate this fund with any other funds from other providers.

If you elect this option, we will transfer the value of your funds as a cash payment to the insurance company as a transfer. The benefit crystallisation events (the annuity purchase and lump sum payment) will then be carried out by the insurance company. It will then be the responsibility of the insurance company to establish under these benefit crystallisation events whether there is a lifetime allowance charge due.

Income withdrawal - unsecured pension

What will you provide in respect of pension benefits I wish to take in the form of an unsecured pension?

Once you have provided all the necessary information regarding this benefit crystallisation event, we will:

- confirm the amount of pension benefits used as a percentage against the lifetime allowance
- confirm whether there will be a lifetime allowance charge in respect of these pension benefits. Any charge due will be reported to HMRC by us and paid when due
- confirm the maximum pension lump sum and the maximum annual income that can be taken in respect of the fund value elected for pension benefits under the Select SIPP
- provide you with documentation so that you can confirm the pension lump sum payable and the income you wish to take

Do I operate my Select SIPP fund in the same way as before?

Yes. When you take your benefits as an unsecured pension, your Select SIPP operates in the same way as before, subject to the following important features:

- when you reach age 75, your Select SIPP will be automatically designated as an alternatively secured pension unless you decide to purchase an annuity by that point
- you will have to ensure that there is sufficient cash held in the deposit account to meet any income payments due

How much income can I take?

The maximum annual income you can take each year from your unsecured pension will be based on 120% of the single lifetime annuity which could have been bought by your unsecured pension fund (after any pension lump sum has been taken) on your pension date. Every five years, the maximum annual limit is recalculated. You can also request for the maximum income to be recalculated on any of the anniversary dates during the five year period.

Is there a minimum income I must take?

No.

How frequently can I receive income payments from my unsecured pension fund?

You may receive your income monthly, quarterly, half yearly or yearly. Payments are made directly to your bank account by BACS credit transfer on the 20th of the month or the next business day.

Payments are classified as taxable income, and are usually made net of tax at the basic rate. If we receive a coding notice or other special circumstances apply, then the payments made to you and tax deducted will be adjusted accordingly.

Can I change the amount I am taking as an income?

Yes. You can adjust your pension income at any time by writing to us and can take up to the maximum annual limit. You can also decide to stop income payments at any time. We require at least ten days notice before changing the amount of income that you wish to take. If you wish to change the amount, the charge is £10.00 plus VAT.

Does the amount of income I can withdraw vary over time?

Every five years, we will revalue your unsecured pension fund and recalculate the maximum annual income. We will notify you of the new maximum limit, ask whether you wish to change your income payments and make the necessary alterations. You can also request for the maximum income to be recalculated on any of the anniversary dates during the five year period.

We will provide you with an illustration of your pension benefits under the Select SIPP and the lifetime allowance notification every year. The charge for the annual illustration and notification will be £50 plus VAT.

Can I transfer my unsecured pension fund to another provider?

Yes. However the unsecured pension fund cannot be added to an existing unsecured pension fund that is already set up. You would have to set up a new arrangement with the provider. You should take professional advice before making any decision.

Can I transfer an unsecured pension fund from another provider?

Yes. However the unsecured pension fund cannot be added to an existing unsecured pension fund that is already set up. These must be retained in a separate plan.

Can I decide to buy an annuity with my unsecured pension fund?

Yes. You can decide to purchase an annuity at any time with your unsecured pension fund.

What happens if there is insufficient cash in my Select SIPP to pay the income due or the pension lump sum?

If there is insufficient cash to make a payment, we will write to inform you. However, it is your responsibility to ensure that there is sufficient cash held in your Select SIPP to make any payments to you. If you wish to ensure that there is no interruption to your income payments it is important that you maintain sufficient cash within your Select SIPP.

Income withdrawal - alternatively secured pension (non-protected rights only)

When I reach age 75 can I continue to take an income from my fund?

Yes. When you reach age 75, your unsecured pension under the Select SIPP will be automatically designated to an alternatively secured pension, unless you decide to purchase an annuity before then. Further information on the alternatively secured pension is detailed overleaf.

What if I have some uncrystallised funds in my Select SIPP by the time I reach age 75?

At age 75, your Select SIPP (non-protected rights) will be automatically designated to an alternatively secured pension unless you decide to purchase an annuity before then. You should be aware that you will not be able to take a pension lump sum once you have reached age 75. If you have any uncrystallised funds and wish to receive a pension lump sum you should ensure you take pension benefits before your 75th birthday.

When I reach age 75 will my benefits be tested against the lifetime allowance charge?

Yes. When you reach age 75, the value of any uncrystallised funds and any unsecured pension fund will be tested against the lifetime allowance. If you took benefits in the form of income withdrawal before 6 April 2006, this element of your unsecured pension

fund will not be tested against the lifetime allowance when you reach age 75.

Do I have to provide you with any information when I reach age 75?

We will contact you at least four months prior to your 75th birthday. You will have to provide us with the information detailed under the section, 'what information must I provide to get my pension benefits?'.

Once you have provided all the necessary information regarding this benefit crystallisation event, we will:

- confirm the amount of benefits used as a percentage against the lifetime allowance
- confirm whether there will be a lifetime allowance charge in respect of these benefits. Any charge due will be reported to HMRC by us and paid when due
- provide you with an illustration confirming the maximum and minimum annual income that can be taken as an alternatively secured pension
- provide you with documentation so that you can confirm the income you wish to take
- you must buy an annuity with your protected rights fund before your 75th birthday

Do I operate my Select SIPP fund in the same way as before?

Yes. When you take your benefits as an alternatively secured pension your Select SIPP operates in the same way as before.

You must ensure that there is sufficient cash held in the deposit account to meet any income payments due.

How much income can I take?

The maximum annual income you can take each year from your alternatively secured pension fund will be based on 90% of the single lifetime annuity, based on annuity rates for a 75 year old regardless of your actual age.

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Is there a minimum income I must take?

Yes. The minimum income is 55% of a single lifetime annuity. The income limits will be recalculated every year.

How frequently can I receive income payments from my alternatively secured pension fund?

You may receive your income monthly, quarterly, six monthly or annually. Payments are made directly to your bank account by BACS credit transfer on the 20th of the month or the next business day.

Payments are classified as taxable income, and are usually made net of tax at the basic rate. If we receive a coding notice or if other special circumstances apply, then the payments made to you and tax deducted will be adjusted accordingly.

Can I change the amount I am taking as an income?

Yes. You can adjust your pension income at any time by writing to us and can take up to the maximum annual limit. You can also decide to stop income payments at any time. However, you must take at least the minimum income requirement in any pension year. We require at least ten days notice before changing the amount of income that you wish to take. If you wish to change the amount, the charge is £10.00 plus VAT.

Does the amount of income I can withdraw vary over time?

Every year, we will revalue your alternatively secured pension fund and recalculate the income limits. We will notify you of the new limits, ask whether you wish to change your income payments and make the necessary alterations. A charge of £100.00 plus VAT will be due for the recalculation of the income limits.

Can I transfer my alternatively secured pension fund to another provider?

Yes. However, the alternatively secured pension fund cannot be added to an existing

alternatively secured pension fund that is already set up. You would have to set up a new arrangement with the provider. We can arrange for the benefits to be transferred but you should take professional advice before making any decision.

Can I transfer an alternatively secured pension fund from another provider?

Yes. However the alternatively secured pension fund cannot be added to an existing alternatively secured pension fund that is already set up. These must be retained in a separate Account. We can arrange for the benefits to be transferred but you should take professional advice before making any decision.

Can I decide to buy an annuity with my alternatively secured pension?

Yes. You can decide to purchase an annuity at any time with your alternatively secured pension.

What happens if there is insufficient cash in my Select SIPP to pay the income due?

If there is insufficient cash to make a payment, we will write to inform you. However, it is your responsibility to ensure that there is sufficient cash held in your Select SIPP to make any payments to you. If you wish to ensure that there is no interruption to your income payments it is important that you maintain sufficient cash within your Select SIPP. Please remember, you must withdraw a minimum income each year.

Death benefits This section applies to non-protected rights only

What happens to my Select SIPP if I die?

Death prior to taking pension benefits

If you have not taken pension benefits prior to your death, the value of your Select SIPP may be available to your beneficiaries as a lump sum, or as income.

The value of any uncrystallised fund in your Select SIPP may be available to your beneficiaries as a lump sum. This payment will be made by us, as trustee of the Select SIPP. If you have completed an expression of wish as part of your application, we will take your wishes into consideration, but, in accordance with the rules of the scheme, the ultimate decision must lie with us as to whom payments will be made to on your death. As a result, normally no inheritance tax will be levied on any lump sum paid to your beneficiaries. Alternatively, you may have already written to us stating your wish for your spouse and/or dependants to receive an income in the event of your death.

If a lump sum payment is made this will trigger a benefit crystallisation event and a test against the lifetime allowance as at the date of your death. The personal representatives will be responsible for determining whether any lifetime allowance charge is due and the recipient of the lump sum death benefit will be liable for any lifetime allowance tax charge.

Death benefits from an unsecured pension

An unsecured pension allows the investments you hold in your Select SIPP to remain invested as you withdraw an income.

The value of any crystallised fund in your Select SIPP can be paid to your beneficiaries as a lump sum (known as an unsecured pension fund lump sum death benefit), less a charge to income tax (currently 35%). This charge is called a special lump sum death benefits charge. Normally, no inheritance tax is payable on the lump sum.

No lifetime allowance test is triggered where an unsecured pension fund lump sum death benefit is paid.

Alternatively, the value of any crystallised fund can be used to provide an income for your spouse and/or dependants. This can take the form of a dependant's annuity, unsecured pension or alternatively secured pension. No lifetime allowance test will arise in this case

Death benefits from an alternatively secured pension

If there are any dependants, the value of your pension fund must be used, to provide dependants' pensions in the form of an annuity, unsecured pension or alternatively secured pension.

If you have no dependants on your death, then any remaining parts of your Account can be paid, tax free, to one or more charities that you had nominated prior to your death.

This payment will be tax free if paid within six months.

All other lump sum payments, including transfers to the pension funds of other scheme members, are not 'authorised payments' and will be subject to unauthorised payment tax charges and Inheritance Tax.

What happens if I die having purchased an annuity with my Select SIPP?

The death benefits payable will be dependent upon the terms and conditions of the annuity purchased with your chosen insurance company.

This guide should not be relied on as your sole source of information on your pension benefit rights. You should take professional advice based upon your own personal circumstances.

This section applies to protected rights only

Death prior to taking pension benefits

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, a lump sum can be paid to a person nominated by you during your lifetime. If no person has been nominated, 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.

If a lump sum payment is made this will trigger a benefit crystallisation event and a test against the lifetime allowance as at the date of your death. The personal representatives will be responsible for determining whether any lifetime allowance charge is due and the recipient of the lump sum death benefit will be liable for any lifetime allowance tax charge.

Death benefits from an unsecured pension

Any crystallised fund within your protected rights account must be paid as an income if you are married or have a civil partner. No lump sum can be paid.

If you are not married or have no civil partner when you die, a lump sum can be paid to a person nominated by you during your lifetime. Any lump sum payment will be subject to an additional 35% tax charge. If no person has been nominated, 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.

Death benefits from an alternatively secured pension

We do not permit protected rights to enter alternatively secured pension. You must have purchased an annuity using your protected rights fund by your 75th birthday.

What happens if I die having purchased an annuity with my Select SIPP protected right account?

The death benefits payable will be dependant upon the terms and conditions of the annuity purchased with your chosen insurance company.

Past performance is not a guide to future performance. The value of your investments and the income from them may go down as well as up. You may not get back, in the form of pension benefits, the amount you originally invested.

You must remember that the Select SIPP may not be able to provide you with the pension you expect at your chosen retirement date. Your pension income will depend on contributions made and how your investment grows and on interest rates at the time you retire.

Legislation and taxation may change in the future. The taxation privileges of pensions are dependent on individual circumstances, are not guaranteed and may change in the future. Any income or withdrawals taken will reduce the value of your pension fund.

Glossary

Alternatively secured pension

Payment of income withdrawals from the Select SIPP to a member who is aged 75 or over.

Annuity

An income which is paid to you for life by an insurance company, in exchange for the pension fund which you have accumulated up to the date you take your benefits. Once an annuity is purchased you cannot change your mind and get the money back or decide on a different kind of annuity. Annuity income is taxed as earned income.

Benefit crystallisation event

This is a defined event or occurrence that triggers a test of the pension funds you are crystallising against the lifetime allowance.

Crystallised fund

The fund under the Select SIPP that is being used to provide pension benefits.

Enhanced protection

The total value of the pension fund is registered under the transitional arrangements and provides the ability to protect the total value of the pension fund (including any growth) from the lifetime allowance charge as long as no further contributions are paid.

Lifetime allowance

This is an overall ceiling on the amount of tax privileged pension benefits that an individual can draw. This lifetime allowance applies to all your pension benefits from all sources.

Lifetime allowance charge

A charge to income tax that arises on any chargeable amount due at a benefit crystallisation event. The rate of charge is either 25% or 55% depending on whether the excess is taken as pension income or a lump sum.

Pension benefits

The term is used to describe the options you have when you decide to draw your pension (as income withdrawal or an annuity) from your pension fund.

Pension date

The date or dates on which you decide to take pension benefits. Generally, this is from age 50 (55 from April 2010). Some individuals may have an earlier pension date.

Pension entitlements

The term which is used to describe all types of pension schemes where you are entitled to pension benefits at your pension date or retirement date.

Pension lump sum

Under pensions legislation you are permitted to receive up to the lower of:

- 25% of the full fund value or part of the fund value taken to provide benefits, or
- 25% of the lifetime allowance

Primary protection

The total value of the pension fund is registered under the transitional arrangements, and provides the ability to potentially protect all or part of the pension fund from the lifetime allowance charge. Contributions can continue to be paid.

Protected Rights

The term which is used to describe monies accumulated from contracting out of the state second pension.

Uncrystallised fund

Funds held in the Select SIPP that have not yet been used to provide you with pension benefits.

Unsecured pension

Payment of income withdrawals from the Select SIPP to a member who is less than age 75.



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