Key features

Flexible Income Pension Plan (FIPP)

keyfacts®

Hornbuckle

Introduction

The Financial Conduct Authority is the independent financial services regulator. It requires us, Hornbuckle, to give you this important information to help you to decide whether our Flexible Income Pension Plan (FIPP) is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

This document explains how the FIPP works, your commitments and the risks involved in saving for your retirement. Before you complete an application form, you should also read the Terms and Conditions document and Fee Schedule and keep all these documents safe for future reference.

The Hornbuckle FIPP is a type of Self Invested Personal Pension (SIPP). A SIPP is a type of personal pension that allows you to control where you invest your money.

Hornbuckle do not give financial advice so if you are unsure whether a FIPP or taking income from a FIPP is suitable for your requirements, you should speak to a financial adviser.

Its aims

The Hornbuckle FIPP is designed to provide you with:

- a means to save for your retirement in a tax-privileged manner;
- the ability to make your own investment decisions, in conjunction with your investment manager or financial adviser, even when you are drawing an income;
- a cash lump sum;
- the flexibility to take pension benefits in stages, without having to buy an annuity (further details are available on page 3);
- flexibility over the provisions for your spouse, civil partner and/or dependants upon your death (further details are available on page 4).

Your Commitment

Your commitments include:

- ensuring that you understand the features, benefits and risks of the Hornbuckle FIPP;
- making at least a single contribution, regular contributions, a transfer payment or a combination;
- maintaining a sufficient cash balance within your FIPP to cover the next income payment if you choose to draw income direct from your FIPP;
- maintaining a balance of £1000 in the FIPP bank account;
- normally, waiting until you are at least age 55 before taking your benefits;
- being responsible for investment decisions either on your own, or with your investment manager or financial adviser.

Risk factors

The level of income at retirement is not guaranteed and may be lower than illustrated if:

- you take benefits earlier than planned;
- you stop or reduce any regular contributions being paid;
- the investment returns are lower than illustrated;
- you purchase an annuity and the annuity rates are lower than illustrated;
- the charges increase at a higher rate than illustrated (further details are available on page 5);
- tax rules or legislation changes in the future;
- gilt yields, which affect the maximum pension you are allowed to receive under capped drawdown, have reduced.

Income withdrawal risks

You should be aware of the following risks if you choose to draw an income direct from your FIPP using capped drawdown or scheme pension:

- high income withdrawals may not be sustainable;
- there is no guarantee that your income will be as high as that provided by an annuity using capped drawdown, however using scheme pension could provide a similar or higher level of income;
- the value of the remaining pension fund may not be enough to maintain income at your chosen level;
- taking income withdrawals may reduce the value of the fund if investment returns are lower than your chosen level of income;
- the higher the level of income taken, the less you will be able to provide for dependants;

- the charges to your FIPP may increase more than assumed in the illustration(s);
- once all of your FIPP is being used to provide scheme pension you will not be able to make further contributions or transfers in.

Investment risks

Investment risks include:

- some investments are higher risk than others and you should therefore understand the risk profile of the underlying investments;
- the investment performance of the underlying assets may be worse than assumed in the illustration(s);
- some investments may be harder to sell than others, such as commercial property, and you may not be able to sell them when you want to;
- if you choose to invest in assets with a low return (e.g. cash) it may be that your scheme pension will need to be reduced in the future.

If you cancel the plan during the 30-day cancellation period the money returned may be less than the money paid in if the value of the investment has fallen in the meantime.

Taxation risks

Taxation risks include:

- pensions and tax legislation and tax rates may change and create additional tax liabilities on you or your pension fund;
- due to the nature of the scheme pension, HMRC closely monitor schemes such as the FIPP and may change legislation if necessary to avoid any perceived abuse.

Questions and Answers

What is a FIPP?

A FIPP is a type of Self Invested Pension Plan (SIPP) that offers customers a wide choice of assets in which to invest, as opposed to just a selection of funds. SIPPs typically allow you to take full control of the underlying assets, or to appoint an authorised fund manager to do this on your behalf. The FIPP also offers a wider range of income options in retirement, including scheme pension.

What is Scheme Pension?

Scheme pension is an alternative way of taking benefits directly from the FIPP (rather than using your fund to purchase an annuity). Scheme pension under the FIPP is likely to be most suitable for members with a short life expectancy, i.e. those aged over 75 or younger members in serious ill health.

Under the scheme pension option you effectively exchange your fund for an agreement from the FIPP to pay a scheme pension to you for the rest of your life. The fund exchanged becomes the 'scheme pension fund' and is used to pay the scheme pension.

The level of income that your scheme pension fund can provide is actuarially calculated before your scheme pension starts. This calculation is based upon the size of your scheme pension fund, expected investment return, your age and your state of health (self-certified) at the time of applying for scheme pension.

The level of the scheme pension is reviewed against the remaining level of your scheme pension fund by the actuary every 3 years. Following a review the actuary may recommend a variation in the level of scheme pension payments. This will be the case where the remaining amount of your scheme pension fund is considered to be higher or lower than the amount needed to support the current scheme pension level for the rest of your life.

You should consult regularly with your Financial Adviser to review the investment performance of your scheme pension fund against expectations. When the actuary recommends a variation in the scheme pension level you should consider carefully whether or not to act on that recommendation. If the actuary recommends a reduction and you decide not to follow this recommendation there is a significant risk of your scheme pension fund running out before you die. There is also a risk that investment performance which does not match expectations may lead to your scheme pension fund not sustaining the level of income or running out before you die.

Except where your scheme pension fund is exhausted, a scheme pension must be paid at least annually until your death. There is an option to select a pre-determined term of 10 years. This means that if you die within 10 years of starting scheme pension, the income will continue to be paid to your dependants, providing that there are sufficient monies remaining in your scheme pension fund. If there are any funds remaining at the end of the predetermined term a dependant's pension may also be paid.

By choosing scheme pension you should have considered and rejected the option of a lifetime annuity.

You should carefully consider the decision to enter into scheme pension as it is rarely, if ever, possible to move to other options, including capped or flexible drawdown once you have commenced scheme pension.

The continuation of Scheme Pension cannot be guaranteed as payments are made from the Scheme Pension Fund, the value of which can fall as well as rise. If this fund is exhausted, any scheme pension payments will stop.

Who can pay into my FIPP?

- You can pay personal contributions.
- Other people can pay personal contributions on your behalf e.g. your spouse, parent or grandparent.
- Your employer can pay contributions.

Hornbuckle can arrange for a contribution or a transfer value to be paid by a transfer of assets. A contribution paid in this way may create a liability to capital gains tax, but will qualify for tax relief as if it were a cash contribution.

What are the tax advantages?

- No UK tax on income or capital gains is payable by your pension fund, although your pension fund may not recover the tax credit on dividends.
- You can normally take a tax-free lump sum when you start to take your pension income. (See section on retirement benefits on page 3).
- If you die before reaching age 75 and before taking any benefits, the value of your fund will normally be available as a tax-free lump sum for your beneficiaries. (See section on death before taking benefits on page 4).
- Pension income is taxed in the same way as earnings, but is not subject to National Insurance.
- If your employer also contributes to your FIPP their contributions will not normally affect your tax position (no "taxable benefit in kind" for you).

Will my personal contributions receive tax relief?

You will be eligible for tax relief on your personal contributions if you have a source of UK taxed earnings.

- We will reclaim the basic tax relief and add it to your FIPP. If you are a higher or additional rate tax payer, you may be able to claim some or all of the extra relief through your tax office.

However, you will not receive any tax relief on new contributions paid into your FIPP on or after your 75th birthday, or if you have entered Flexible Drawdown (with any pension provider).

What benefits are available at retirement?

- You can use your FIPP to take pension income and tax-free cash in stages.
- Each time you apply to take pension income, you can normally also take a tax-free lump sum of up to 25% of the total fund being used for that application.
- You may take your pension as capped drawdown, scheme pension or by buying an annuity from a pension provider.
- If you take a capped drawdown, you will be invited to choose the amount and frequency of withdrawals from the pension fund. We determine the maximum annual withdrawal based on legislation. There is no minimum requirement. Until age 75, the limits must be reviewed at least every 3 years. From age 75, the limits must be reviewed annually.
- If your total benefits from all schemes exceed the lifetime allowance, you will be subject to a lifetime allowance charge on the excess. You should speak to a Financial Adviser if you require further information.
- If you take a scheme pension the amount of your pension will be based on what the scheme actuary calculates the scheme can afford for your expected lifetime. You may choose the frequency of the payments (scheme pension must be paid at least annually) and these payments can have a pre-determined term of 10 years. (Further details are available on page 2.)

How much can I invest in the FIPP?

- You can invest as much as you like, but excessive contributions may not be tax-efficient.
- If your personal contributions exceed your annual limit, you will not qualify for tax relief on the excess.
- The annual limit is the greater of 100% of relevant UK earnings or £3,600 if your earnings are £3,600 or less.
- In addition, if total contributions (personal and employer) from all sources exceed the annual allowance then you will be taxed at your marginal rate on the excess over the annual allowance.

Details of the current annual allowance can be found at www.gov.uk/tax-onyour-private-pension.

How will contributions be invested?

- Contributions will be paid directly into an interest bearing current account, currently with Bank of Scotland, before being invested according to your wishes. The interest paid is variable and full details of the current rates are available at www.hornbuckle.co.uk/interest-rates
- We do not vet investment decisions. These decisions are solely your responsibility, acting in conjunction with any financial adviser you appoint. We do however retain the right to refuse to accept any investment without having to give a reason. Normally we will only exercise this right where we believe that the investment may give rise to financial liability, a breach of regulatory requirements, or has not been properly promoted.
- In the absence of an instruction from you as to how money should be invested, it will be held in the Bank of Scotland FIPP bank account.
- In the absence of an instruction from you, we will sell assets in the sequence specified in the Terms and Conditions in order to pay benefits, charges and taxes.

Will my FIPP benefits affect my State Benefits?

- The benefits from a FIPP should only very rarely affect entitlement to state benefits.
- In particular, the state pension is not affected by income from other sources and the pension credit only has an impact on those with pension income which is well below what a FIPP investor could anticipate.

What happens if I die before taking the benefits?

Death before age 75

If you die before reaching age 75 and before taking any benefits, the full value of your fund will be used to provide for your beneficiaries, subject to HMRC rules and will usually be free of inheritance tax and other tax charges. (Your financial adviser can explain the tax charges if these are likely to apply to your death benefit.)

The value of your fund can be paid as a lump sum. If you have set up a valid trust linked to your FIPP, Hornbuckle will pay the lump sum to the trust. By setting up a trust in this way you can arrange for the benefits to go to the people you want to receive them, and it may speed up the payment of benefits. The trustees of this trust will have the responsibility of paying benefits to your beneficiaries.

If you have not set up a trust, the rules of the FIPP give the trustee wide discretion over the recipients of the lump sum. If you want the trustee of the FIPP to consider paying benefits to one or more persons in particular, you can complete an Expression of Wish form, which tells us who you would like to receive the lump sum. You can change details at any time. The FIPP trustee will consider all possible beneficiaries including those identified in your Expression of Wish form, in line with the rules of the FIPP.

Alternatively, some or all of your fund can be used to purchase an income for your dependants (in which case the income will be taxed like earnings under the PAYE system).

You should discuss payment of death benefits with your financial adviser.

Death after age 75

If you die on or after your 75th birthday, before taking any benefits, some or all of your fund can be used to provide a taxable income for your dependants. Alternatively the fund can be paid out to any of your beneficiaries (including dependants) subject to a 55% tax charge.

What happens if I die whilst taking the benefits?

This will depend upon how benefits are being taken. If you have purchased an annuity, it may provide a dependant's pension. The policy document will provide full details of the benefits available.

If you die whilst you are taking capped drawdown, the options available are the same as those for death after age 75 before taking benefits, as described in the previous section.

If there is no surviving spouse, civil partner or financial dependant, the cash lump sum, less a 55% tax charge can be paid out to your beneficiaries or can be paid tax free to charity (or a combination of the two).

If you die before reaching age 75 whilst you are taking capped drawdown but have remaining funds not allocated for paying capped drawdown, these funds can be paid as tax free lump sums, as described in the previous section.

If you die whilst taking scheme pension and you selected the predetermined term at outset and you die within this term, then income payments will be made to your dependant for the remainder of the term. If you have no dependants then these payments will be paid to your beneficiaries. These payments cannot be paid as a lump sum.

Any remaining funds, or funds where there is no predetermined term, can also be used to provide a taxable income for your dependants. Alternatively the fund can be paid out to any of your beneficiaries (including dependants) subject to a 55% tax charge.

How is the FIPP structured?

The FIPP is established using a master trust confirming the scheme rules (and a deed of appointment is used to create an individual trust for each member). The FIPP is supplemented by terms and conditions and in order to access the scheme pension option you must also sign a short agreement.

What are the charges?

- **FIPP administration:** Hornbuckle will charge fees for administering your FIPP. In addition to the set up and annual fee, the only other fees are transaction based ensuring that you only pay for the services you need -please refer to the separate fee schedule and Terms and Conditions for full details.
- **Adviser & consultancy charges:** We will facilitate the payment of any fees you have agreed to pay your financial adviser for the initial and any ongoing advice and or services only after we have received your written consent.
- **Investment charges:** There will also be charges associated with the underlying investments held within your FIPP. These charges will vary depending upon the investment type. Your financial adviser will be able to provide you with full details.

If you want to hold property or land in your FIPP then insurance cover will also be required. Your interest bearing FIPP bank account is provided by Bank of Scotland who pay Hornbuckle variable commission calculated on the aggregate cash balances held across all SIPP bank accounts.

All payments received into the Hornbuckle FIPP will be paid directly into an interest bearing current account, currently with Bank of Scotland, before being invested in accordance with your instructions. A variable market rate of interest is paid and full details of the current rates are available at www.hornbuckle.co.uk/interest-rates

Bank of Scotland pay Hornbuckle variable interest calculated on the aggregate cash balances held across all FIPP bank accounts. The rate of interest paid is dependent on how we manage the cash deposits held for FIPP members using a wide spread of maturities, as well as cash liquidity. In the event that monies are required to be repaid early, Hornbuckle would be liable for the break costs incurred. The interest generated is retained by us to reduce the fees which would otherwise be required.

Further information

Financial Services Compensation Scheme (FSCS)

The FSCS is a scheme established by the UK government to provide compensation to customers if an FCA regulated financial services company is declared in default, and is unable to meet its financial obligations.

As a member of the Hornbuckle Mitchell Private Pension you may be entitled to claim compensation if the provider of the bank account or one of the investments held in your plan is declared in default.

You may also be entitled to claim compensation under the FSCS if we are declared in default, and we are unable to meet our financial obligations.

You can find further information about the eligibility conditions and compensation limits that apply to the FSCS at: www.fscs.org.uk

Making a complaint

If you are not satisfied with any aspect of our product or service and wish to make a complaint, you can contact us in writing at:

Group Service Recovery
Embark Group
Tyman House
42 Regent Road
Leicester
LE1 6YJ

You can also call us on 0116 366 8756, or email us at: servicerecovery@embarkgroup.co.uk

Calls to these telephone numbers are charged at the national rate.

Making a complaint will not affect your legal rights.

What to do if you remain dissatisfied

If you are dissatisfied with our response after eight weeks and your complaint relates to the administration or management of your pension scheme you can contact:

The Pension Ombudsman

10 South Colannade

Canary Wharf

E14 4PU

Tel: 0800 917 4487

The Financial Ombudsman Service

Exchange Tower

London

E14 9SR

Tel: 0800 023 4567

If your complaint relates to the advice or other services provided by your financial adviser, you should contact them so that they can respond in accordance with their own complaints procedures.

General

The Hornbuckle Mitchell Private Pension is governed by the laws of England and Wales. All parties shall submit to the exclusive jurisdiction of the courts of England and Wales.

All communications between you and us will be in English.

Full details of the features of the Hornbuckle Mitchell Private Pension can be found in the Terms and Conditions.

The information contained in this document is based on our understanding of current law and HMRC practice, which is subject to change.

To discuss our fees or products in more detail please contact your financial or professional adviser.