THE GREYFRIARS PREFERRED RETIREMENT ACCOUNT (GPRA)

A SELF INVESTED PERSONAL PENSION (SIPP)

MEMBERS BOOKLET

Introduction;

We would like to welcome you as a member of the Greyfriars Preferred Retirement Account (GPRA); a Self Invested Personal Pension (SIPP). This booklet sets out the main features of your SIPP in a question and answer format. If you should have any questions, in the first instance, consult your normal pensions adviser but of course you are free to raise any queries you may have directly with us.

This booklet is based on our understanding of UK pension rules and regulations at the time of publication, but is no substitute for expert professional advice.

Q. How is my SIPP constructed and who is involved in running it?

A. The GPRA is a pension scheme established under irrevocable trust and governed by formal Rules. It is registered in the UK with Her Majesty's Revenue and Customs (HMRC) under the provisions of the Finance Act 2004. By the completion of a short supplemental Trust Deed you can be appointed as a co-trustee of your own SIPP, i.e. the separately identifiable funds held for you within the Scheme as a whole "the sub-trust". This deed can also be used to appoint an additional trustee effective only from the date of your death. This may be particularly helpful for deciding the payment of death benefits. Only you can be a member of your SIPP and our other SIPP clients each have their own sub trust unique to them.

The Operator of the scheme, i.e. the person primarily responsible to members for its administration and management is Greyfriars Asset Management LLP (GAM), an independent firm authorised and regulated by the Financial Services Authority for this purpose. Its address is The Cedars, 11 High Street, Fleckney, Leicester, LE8 8AJ. As Operator GAM will assume the legal roles of:

- Trustee of the scheme as a whole; and
- Scheme Administrator for tax purposes.

Your SIPP is called "the G.P.R.A. Re: " and, for our purposes, is numbered .

It is split into 1,000 segments for maximum flexibility. When you decide to start drawing your benefits you can encash (or vest) your segments in stages rather than all in one go.

Can my SIPP accept further pension contributions?

A. Yes. Provided you are a "relevant UK individual" contributions can be paid in by yourself and/or, if appropriate, your employer. We will also accept contributions from a third party (i.e. legal guardian) where appropriate.

In any tax year you can pay up to 100% of your relevant UK earnings. However, you can pay in up to £3,600 per annum gross even if you have no relevant UK earnings at all. Within these limits, you will enjoy the benefit of Income Tax relief on your contributions.

You will pay your contribution net of basic rate tax relief (20% in 2008/9). For example, if you want to contribute £1,000 gross, you will actually pay £800 and we will reclaim the additional 20% from the Inland Revenue and treat it as £1,000 invested. If you are eligible for higher rate tax relief, you will claim the difference via your Self-Assessment Tax Return.

You and/or your employer can pay contributions by cheque at any time or by direct debit or standing order. There is no minimum level of contributions that we will accept.

HM Revenue & Customs has an Annual Allowance for the total contributions that you, your employer and any third party can make to all your pension plans that will benefit from tax relief. You will pay a 40% tax charge on any payments above this limit effectively cancelling out any initial tax relief or deduction, on the excess contribution. Special rules apply where you are building up "defined benefits" or "cash balance" benefits in other schemes.

Q. What tax advantages will I enjoy?

A. Your SIPP is a Registered Pension Scheme and will enjoy all the tax advantages of these types of arrangements;

- You will receive Income Tax relief on your personal contributions at your marginal rate (within the limits above);
- Employer contributions will be eligible to be treated as a business expense for Corporation Tax purposes, in the same way as other remuneration, i.e. for a trading company they will be subject to meeting the "wholly and exclusively for the purposes of the trade" test.
- The funds within your SIPP will accrue free of almost all taxation. The only taxes levied are the tax credit withheld on dividend payments from UK equities which cannot be reclaimed and any tax withheld overseas;
- You can normally take up to 25% of your fund as a tax-free lump sum when you decide to draw your pension benefits. The balance of the fund must be used to provide you with a pension which will be taxed as earned income at your marginal rate.

Q. Can I transfer in monies from other pension arrangements?

A. Yes. You can transfer into your SIPP monies accumulated in other UK registered pension schemes, including schemes you are already receiving an income from. There is no minimum amount that we will accept. Monies can be transferred in the form of cash and/or certain assets can be accepted into your SIPP "in specie", if you are transferring from a Small Self Administered Scheme (SSAS) or another SIPP arrangement, for example commercial property.

Q. How secure is my money?

A. Investments will usually be registered in the names of GAM Trustees Ltd (a separate non-trading company used by GAM to hold assets on its behalf) and you as the member Trustee.

Your SIPP will maintain a bank account to receive contributions and investment income and pay out benefits. All payments from the bank account must be authorised by GAM (or GAM Trustees Ltd) and yourself.

Q. Can I move my SIPP away from GAM and GAM Trustees Ltd?

A. Yes. Hopefully it will never come to that but should you have cause to be dissatisfied with our services, you can set up a new SIPP with another authorised SIPP Operator and transfer the assets of your SIPP, either as cash or in specie, to your new SIPP with someone else. You do not have to give us any notice or have been with us for any minimum period of time and there is no contractual penalty to do so subject to;

- Our fees having been paid up to the date of transfer and,
- Some of your investments may have to be liquidated and transferred over as cash which may involve costs dependent upon the contract terms of those investments.

Q. Can I admit other members to my SIPP?

A. No. You can be the only member of your SIPP so if, for example, you and your spouse wish to combine your pension resources to buy a commercial property, you will each have your own SIPP and a legal document will be completed to apportion the ownership of the property between the two SIPPs.

Q. What happens to my money upon my death?

A. That is a big question to answer because the treatment of your funds on death depends upon whether you died before starting to draw any benefits out of your SIPP, or whether you were receiving a pension and death occurred before or after age 75.

If you died before age 75 then any 'un-crystallised' funds can normally be paid out as a tax-free lump sum outside of your estate to your nominated beneficiaries. This is, though, a Benefit Crystallisation Event (BCE) and will be tested against the then lifetime allowance.

If you were receiving a pension from your SIPP and died before age 75, then you were receiving an Unsecured Pension (USP). The funds being used to support the USP can be paid out as a lump sum, subject to a 35% tax charge. Alternatively, these funds could be used to provide a pension to your spouse, civil partner or other qualifying dependants.

Those of us who are lucky enough to be receiving a pension beyond our 75th birthday are said to be receiving an Alternatively Secured Pension (ASP). The Government are implacably opposed to seeing pension schemes being used as a way to pass on wealth to the next generation and so, upon the death of the SIPP member whilst in ASP the options are;

- Provide dependants pension(s) or;
- Gift the funds to charity or;
- Pay out the fund as a lump sum, but subject to various tax charges. These tax charges are considerable and could equate to more than the value of the SIPP to discourage ASP.

Your pension's advisor will be able to give you more detailed information on what can be a rather complicated area of the legislation.

Q. Where can I invest my SIPP money?

A. You can choose how your fund is invested subject to certain limits and safeguards in the scheme rules and relevant tax legislation. You can take full responsibility for your investment decisions or you can take advice from anyone duly authorised to give investment advice.

Investments generally permitted include;

- Cash.
- Shares quoted on the London and recognised overseas Stock Exchanges.
- Unit Trusts, Open Ended Investment Companies (OEICs) and Investment Trusts.
- Insurance company funds.
- UK commercial property and land.
- Second-hand endowment policies (TEPs)
- Your SIPP can borrow up to 50% of its (net) value at any time.

Investments and transactions that are not generally permitted;

- Unquoted equities.
- Loans cannot be made to you or anyone connected with you.
- Residential property
- Tangible moveable property (this can mean plant and machinery as well as items more obviously discouraged by tax legislation, e.g. paintings, vintage cars, wine or other "personal chattels" capable of private use).

Where applicable we will reclaim any tax relief deducted from income received.

Any investments that are made during the initial 30 day cancellation period will be on the understanding that if you exercise your right to change your mind you might get back less than was initially invested.

The rules give GAM the right to refuse any investment request if, broadly speaking, it considers that it might result in substantial adverse tax charges or not be consistent with the rules of the scheme or prevent the payment of fees properly due, or it would be likely generally to carry unacceptable risks or require unduly complex administration.

We will provide you with a scheme valuation every six months so you can see how your investments are doing.

Q. When can I start drawing my pension benefits?

A. You can access your pension benefits from age 50 onwards (age 55 from 6th April 2010) and you do not have to retire from employment/self employment in order to do so. It may be possible to take benefits earlier in certain special circumstances. You do not have to "vest" all 1,000 segments of your SIPP in one go, you can vest them gradually, thus allowing you to "phase in" your retirement benefits as you, perhaps, steadily reduce your working hours and your earnings.

H M Revenue and Customs has a Lifetime Allowance (LA) on the total funds in pension plans that can be used to provide benefits for you. This allowance is £1.65M for the tax year 2008/9 and increasing in stages to £1.8M by 2010/2011. Any funds over this allowance will be liable to a standalone tax charge of 55% for a lump sum, or 25% if kept in the scheme to be drawn as a pension. There are circumstances in which you can claim an enhanced personal Lifetime Allowance, speak to your financial adviser for more details.

Starting to draw benefits is known as a Benefit Crystallisation Event (BCE). When this happens the total of your benefits taken to date is compared with the Lifetime Allowance and any amount taken in excess of the LA is taxed accordingly. You are tested against the LA each time a BCE occurs. Remember, your SIPP consists of 1000 segments and you can 'crystallise' these segments in stages, each of which is a BCE.

You will be entitled to a Pension Commencement Lump Sum (tax-free cash) each time you crystallise part of your fund to provide an income, provided you have not attained age 75. This is normally up to 25% of the part of the fund being crystallised.

The uncrystallised part of your fund is still able to receive contributions and transfers from other registered pension schemes but the crystallised portion can not.

Q. How do I receive my pension?

A. We strongly recommend that the first thing you do is take expert advice, but it basically boils down to two options;

(a) <u>Annuity Purchase:</u>

Under this option, all the assets of your crystallised funds are sold and the monies transferred to an insurance company of your choice within the EU, who will provide you in return with a regular income for life. There are several different types of annuity, each of which can be tailored to your personal requirements. Expert independent advice should always be sought.

(b) Unsecured Pension (USP):
(sometimes called Income Drawdown or Pension Fund Withdrawal)

This option enables you to defer the purchase of an annuity but receive an income directly from your SIPP, while you can continue to invest remaining funds as you choose. There are limits imposed by regulations on the amount of income you can receive to avoid excessive erosion of the fund and to combat tax avoidance.

The maximum and minimum income levels are calculated when you first opt for USP. The minimum level is zero and the maximum is 120% of an amount calculated by reference to the size of your fund and the appropriate factor as shown in the Government Actuary's Department annuity tables (the GAD rates). These levels are normally reviewed every five years, but you can request a review at any time.

You can change the level of income at any time, provided that it remains within the permitted limits most recently calculated.

We will pay income directly to your chosen bank account. Income tax will be deducted from all payments in accordance with UK PAYE arrangements. In the absence of a P45 we are required to deduct tax at basic rate until we receive authority from HMRC to apply deductions in accordance with a tax code.

USP is usually only suitable for clients who have a large pension fund and/or considerable private wealth to live on. USP is a higher risk retirement strategy compared to annuity purchase and you should always consult a suitably qualified financial adviser.

The higher the level of your pension, the greater the investment return required to prevent substantial erosion of the value of your SIPP. There is no guarantee that your pension payments will not have to be reduced in the future if you extract a high level of pension, investment growth is lower than anticipated or GAD rates fall, or any combination thereof.

Whilst you are free to 'opt out' of USP at any time and purchase an annuity, if you continue with USP then, at age 75, you must either buy an annuity or opt for Alternatively Secured Pension.

(c) Alternatively Secured Pension (ASP):

ASP is available from age 75 and has been introduced primarily for those people who do not wish to purchase an annuity for religious reasons. Opting for ASP enables you to continue to direct the investment of your funds. However, there are more restrictive rules on the amount of income that you can receive to prevent the fund from being exhausted prematurely. The minimum amount of income is 55% and the maximum amount of income that can be drawn is 90% of an amount calculated by reference to the size of your fund and the appropriate factor as shown in the Government Actuary's Department (GAD rates) for an annuitant aged 75. This level is reviewed annually, but always using an age 75 rate. The maximum income under ASP is therefore significantly lower than could be received if an annuity were purchased. Please note you can only choose ASP if you were already drawing USP.

USP and ASP are a far higher risk retirement strategy then annuity purchase and expert advice should always be sought.

Q. How much is this costing me and what services will you provide?

A. Our fees vary depending upon the level of service being provided. These were confirmed to you with your cooling off notice but a further copy can be provided upon request.

Q. How will I be kept informed as to how my SIPP is doing?

A. You will receive from us a valuation of your SIPP every six months. We will also send you one statutory money purchase illustration each year so you can estimate your eventual pension benefits.

Q. How do I contact you?

A. Remember your adviser will normally be your first point of contact.

If you have any questions or would like to make any changes to your plan, you can phone us, send a fax, email, or write to us.

Call us on 0116 2404402 during the following times:

Monday to Friday 9.00am – 5.00pm.

Please have your SIPP number ready when calling.

Fax number 0116 2404406

Email address – ifa@greyfriars.co.uk or you may prefer to contact us by writing to us at:

Greyfriars Asset Management LLP,
The Cedars,
11 High St,
Fleckney,
Leicestershire,
LE8 8AJ

Greyfriars Asset Management LLP is authorised and regulated by the Financial Services Authority

Q. How do I complain?

A. If you ever need to complain, first write to us at the address shown above. If you are not satisfied with our response, you may be able to complain to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR

Telephone: 0845 080 1800

Fax 020 7964 1001

e-mail: complaint.info@financial-ombudsman.org.uk

Website: www.financial-ombudsman.org.uk

- Complaining to the Ombudsman will not affect your legal rights

- Where you receive advice from a financial adviser, they should recommend a product that is suitable for you. You have a legal right to redress if, at any time, it is shown that you have bought a recommended product that was not suitable for your needs at the time. Any redress would be decided by the Financial Ombudsman Service.

If your complaint concerns the administration of your SIPP, you may be referred to:

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB

Tel 0845 601 2923

<u>Law:</u>

- The law of England will decide any legal dispute

- The information contained in this document is provided based on our understanding of current law and HMRC and FSA practice and guidance which may be subject to change.

<u>Compensation:</u>

- The Financial Services Compensation Scheme (FSCS) has been set up to deal with compensation if firms are unable, or likely to be unable, to meet claims against them.

- The amount of compensation available from the FSCS depends on the type of business and the circumstances of the claim. Further information is available from the FSCS.