



SIPP KEY FEATURES

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CONTENTS

Introduction	3
Aims of the Scheme	3
Your Commitments	4
Risk Factors	4
General	4
Transfers In.....	5
Investment	5
Benefits.....	5
Questions and Answers	6
What is a SIPP?.....	6
Why choose a SIPP?	6
Why is it tax efficient?	6
Will a SIPP be suitable for me?.....	7
How do I become a member of the ARC SIPP?	7
How do I monitor my SIPP?	7
What contributions can be paid to the SIPP?	7
Are there any restrictions if I am a high earner?.....	8
Is there a limit on my pension funds?	8
What investments can a SIPP make?	9
How will investments be made?	9
Can I purchase property with my SIPP?.....	10
Can I make transfers into my SIPP?	10
When can I take my retirement benefits?	11
What are my benefits choices?	11
Lump Sum	11
Pension Income	11
Uncrystallised Funds Pension Lump Sum	11
What help is available to me in deciding what retirement options to choose?.....	12
What benefits are payable if I die?	12
What are the charges?.....	12
Do ARC Trustees Limited receive commission?.....	12
Can I cancel the SIPP?	13
Can I transfer my SIPP to another pension scheme?	13
What happens if I want to complain?.....	13
Additional notes	13
Where can I find further information on the ARC SIPP?	14
How do I contact you?	14

INTRODUCTION

- **This document summarises the key features of the ARC SIPP (the ‘Scheme’) operated by ARC Trustees Limited and should be read in conjunction with the Scheme’s Terms and Conditions.**
- You should read this document carefully in order to understand how a SIPP operates and then keep it safe for future reference.
- ARC Trustees Limited is authorised and regulated by the Financial Conduct Authority (“FCA”) for the provision of the ARC SIPP and is entered on the FCA register (reference number 697361), authorised for the purpose of establishing, operating and winding up a personal pension scheme.
- The Financial Conduct Authority (FCA) is the independent financial services regulator. It requires us to give you this important information to help you decide whether the ARC SIPP is right for you.
- The document is based on our interpretation of current legislation as at April 2021 and is intended as general guidance, rather than a definitive statement of law as it applies to you. It should not be relied upon for financial advice, detailed advice for an individual.
- The legislation referred to in the document, and upon which it is based, including the current tax regime and benefits, may change in the future. This may affect the amount of benefits that an individual may be entitled to.
- Please note that ARC Trustees Limited is not regulated to give investment or financial advice. If you are unsure whether a SIPP is suitable pension vehicle for you, please consult with an authorised financial adviser.

AIMS OF THE SCHEME

- A tax-efficient way to build up a retirement fund for your future.
- To allow you the flexibility to make your own investment decisions by investing in a wide range of assets, in order to build up your pension fund.
- Flexibility to choose when and how you take your benefits, with the option of taking part of your fund as a tax-free cash lump sum and income, and take benefits in stages if you so wish.
- To provide regular income and /or lump sum for your dependant(s) on your death.

YOUR COMMITMENTS

- Make an initial contribution and/or transfer benefits from other suitable pension arrangements or have your employer make a contribution on your behalf.
- There is no commitment on your part to continue making contributions and there is no penalty for reducing or stopping contributions.
- Take responsibility for the management of the assets in your fund, either personally or together with your financial adviser, if applicable.
- Decide how and when you wish to take benefits within the rules of the SIPP.
- Notify ARC Trustees Limited of any changes in your personal circumstances which may affect your membership of the SIPP.

RISK FACTORS

GENERAL

- The ARC SIPP is offered on an 'execution-only' basis without pension advice and we cannot give you any advice as to whether a SIPP is suitable for you. You should seek advice from an authorised financial adviser.
- Fees for administering your SIPP and those made by investment providers and your advisers will reduce what you may get back. If your SIPP fund is relatively small, a less expensive arrangement (for example, a 'Stakeholder Pension') may be more appropriate for you.
- Changes in tax laws may reduce the tax advantage offered to you by investing into a SIPP.
- A SIPP is written under pension rules. As such, you cannot access money until you take pension benefits, which generally is no earlier than age 55.
- The fund and the benefits it provides are not guaranteed. They will depend on future investment performance and financial conditions when you draw benefits.
- We will reclaim basic rate tax on any net contributions that you pay, which could take many weeks to be received and may hold up investments or payment of benefits.
- Breaches of legislation could result in tax charges and penalties being imposed by HM Revenue & Customs (HMRC), which will reduce the value of your SIPP.

TRANSFERS IN

- Your SIPP can accept transfer from other pension schemes, but not all transfers are suitable. By transferring other pension benefits into your SIPP, you may be giving up the right to guarantees in the form of benefits, the amount you will receive and also the level of increases that will be applied to your pension in future.
- You may be compromising your right to receive a terminal bonus on with-profit pension plans and/or a penalty may be applied to your current pension arrangements.

INVESTMENT

- You **must** be prepared to manage your SIPP assets (or appoint a financial adviser to do so on your behalf). You are responsible for deciding where to invest your SIPP funds and you should consider the risks associated with each asset individually. If you do not use a financial adviser, the risk will be all yours. ARC Trustees Limited are not authorised to provide financial advice.
- All investments carry some risk. The value of investments (and any income received from them) can fall as well as rise and you may not get back what you have invested. Past performance is no guide to future performance.
- The investment returns on your fund may be less than those shown in any illustrations you may receive from us or your financial adviser.
- The risk factors associated with your chosen assets will vary and you should note that we do not monitor the performance of the investments in your SIPP. It is up to you and/or your financial adviser to do this.
- Certain investments such as property can be illiquid and may be difficult to realise if funds are suddenly required e.g. to pay benefits or transfer.
- The value of some investments e.g. property will need to be determined by a qualified independent valuer from time to time, including valuing the asset for benefit purposes.

BENEFITS

- The level of benefits from your fund are not guaranteed and will depend upon a number of factors, including the level of contributions made, investment performance of the chosen assets, any deductions taken from your SIPP.
- If you decide to take a high level of income from your SIPP, it may not be sustainable in the future.

QUESTIONS AND ANSWERS

WHAT IS A SIPP?

- A Self-Invested Personal Pension (SIPP) is a personal pension scheme set up under a master trust. The SIPP is registered with HMRC and governed by a trust deed and rules.
- A SIPP is primarily set up for an individual to allow them to save for retirement flexibly and tax-efficiently. The SIPP can offer access to a wide range of investments which means that you (normally with guidance from your financial adviser, if appropriate) have considerable control and flexibility over the assets and the investment strategy, in order to provide for your retirement.

WHY CHOOSE A SIPP?

- A SIPP provides a tax-efficient environment in which to build up funds to provide retirement benefits.
- A SIPP gives you as the member the opportunity to make your pension work harder prior to retirement by giving you control over your investments. Unlike some other pension schemes, it allows you (and your financial adviser) the flexibility to choose and manage the underlying assets.
- In addition to being a tax-efficient fund, you also have the flexibility to choose when and how you take your benefits.

WHY IS IT TAX EFFICIENT?

- You can make payments into your SIPP in a tax-efficient way to provide benefits in your retirement.
- Personal contributions normally benefit from UK Income Tax relief and contributions made by your employer normally qualify for Corporation Tax relief in the year in which they are made.
- Investments are generally exempt from UK Income Tax and Capital Gains Tax (CGT).
- On retirement, a tax-free lump sum of typically 25% of the fund can be taken.
- There is no Inheritance Tax (IHT) on pension scheme funds.
- Before age 75, irrespective of whether you have drawn benefits or not, the entire remaining fund may be paid free of tax to your nominated beneficiaries as a lump sum or income.
- Upon death after age 75, payments to a nominated beneficiary will be subject to income tax at the beneficiary's marginal rate.

WILL A SIPP BE SUITABLE FOR ME?

- A SIPP may be a suitable pension arrangement for you if you want to:
 - take responsibility for investing the monies in your SIPP
 - make your own investment decisions about your pension
 - access a wide range of different assets, including commercial property
 - draw your pension benefits in a flexible manner
- A SIPP may not be a suitable pension arrangement for you if:
 - you do not want responsibility for investing the monies in your SIPP
 - you do not wish to choose and monitor the investment performance
 - you do not need the investment flexibility that it offers
 - you plan to invest a small amount, there may be other more appropriate plans available to meet circumstances.
 - you wish to access the monies before age 55.

HOW DO I BECOME A MEMBER OF THE ARC SIPP?

- Under the ARC SIPP Trust Deed and Rules, individuals are admitted to membership of the SIPP by completing an application form.
- Upon joining the SIPP, we will open a designated bank account for your SIPP and all cash payments to and from your SIPP will be via this bank account.

HOW DO I MONITOR MY SIPP?

- We will send you an annual statement setting out the value of your SIPP, any transfers, contributions, benefits etc during the period. The value of certain assets (e.g. property) may not be precise. If precise values are required (typically for benefit purposes), we will ask you to arrange for a valuation from an independent professional valuer.

WHAT CONTRIBUTIONS CAN BE PAID TO THE SIPP?

- You and/or your employer can pay contributions into the SIPP at any time from any age, with no minimum contribution level. There is no specific requirement to contribute and you and/or your employer can pay at intervals to suit your circumstances.
- Contributions can be paid on a regular basis, as one-off contributions or a combination of both, or in certain circumstances by 'in-specie' contributions.
- The current tax-free level of annual contribution (the *annual allowance*) is currently £40,000 per tax year. Contributions that exceed the *annual allowance* are subject to tax.
- You can 'carry forward' any *annual allowance* that you have not used from the previous three tax years to the current tax year. The amount of the unused *annual allowance* can then be added to this year's annual allowance. If you feel this might be relevant to your planning, you or your financial adviser should contact us to discuss the relevant figures.

- Member contributions in any tax year are restricted to the greater of £3,600 gross or 100% of relevant UK earnings which are chargeable to Income Tax.
- The ARC SIPP will reclaim basic rate tax relief (20%) from HMRC, for example if you pay in £80 net, we would reclaim £20 from HMRC and the SIPP will have received a total of £100 gross.
- If you are a higher rate tax payer, you may claim your additional relief through your tax return.
- If you are deemed to be a 'high earner' in a tax year, your *annual allowance* may be reduced.
- Once pension income has been drawn, your *annual allowance* may be restricted to £4,000 per annum, known as the *Money Purchase Annual Allowance*.
- You should seek financial advice before making contributions, as there could be tax consequences.

ARE THERE ANY RESTRICTIONS IF I AM A HIGH EARNER?

- The Government have reduced tax relief on contributions for *high earners*, affecting individuals who have a *threshold income* over £200,000 per annum and an *adjusted income* (taxable income plus pension contributions) of over £240,000 per annum.
- For individuals with a *threshold income* of less than £200,000 – the standard limits for *annual allowance* and carry forward continue.
- For every £2 of *adjusted income* over £200,000, an individual's *annual allowance* will be reduced by £1 (from the standard £40,000) to a minimum of £4,000. This means that anyone with *adjusted income* of over £312,000 will have an *annual allowance* of £4,000.

IS THERE A LIMIT ON MY PENSION FUNDS?

- The pension rules limit the total pension funds for most people to a *Lifetime Allowance* (LTA).
- The Standard Lifetime Allowance is currently £1,073,100. The *Standard Lifetime Allowance* will remain at this level until April 2026.
- Your funds are tested against the LTA on various occasions, typically each time you *crystallise* funds to pay benefits, when you reach age 75 and upon death.
- If you exceed the LTA, you will be subject to a tax liability on the excess, currently at the rate of 55% if the excess is drawn as a lump sum and 25% (over and above any income tax applying in any event) if the excess is drawn as pension income.
- You will be exempt from the Standard LTA limit and associated tax liability only if you have 'protected' a higher fund value by registering your entitlement to a form of protection with HMRC.
- Your maximum tax-free lump sum is typically restricted to 25% of the Standard LTA, currently £1,073,100.

WHAT INVESTMENTS CAN A SIPP MAKE?

- You as the SIPP member have the flexibility to invest in a wide range of assets.
- We will allow any investment that is permitted by HMRC and appears on the FCA's 'standard' asset list, as follows:
 - Cash
 - Cash funds
 - Deposits
 - Exchange traded commodities
 - Government & local authority bonds and other fixed interest stocks
 - Investment notes (structured products)
 - Shares in Investment trusts
 - Managed pension funds
 - National Savings and Investment products
 - Permanent interest bearing shares (PIBs)
 - Physical gold bullion
 - Real estate investment trusts (REITs)
 - Securities admitted to trading on a regulated venue
 - UK commercial property
 - Units in Regulated collective investment schemes
- In addition, your SIPP may borrow up to 50% of the net asset value.
- Investments that are not permitted by HMRC and therefore not allowable in the SIPP include residential property, or tangible moveable property (e.g. art, antiques, classic cars and plant & machinery) could incur penal tax charges.
- If you wish to discuss whether a particular investment is acceptable or not for the SIPP, please do contact us.

HOW WILL INVESTMENTS BE MADE?

- We will open a bank account designated for your individual SIPP. All cash payments to and from the SIPP will be via this account.
- You or your financial adviser, will decide which investments you wish to make. We will review the investment to ensure that it is acceptable under HMRC and the SIPP rules.
- We will provide you with guidance on administration requirements and transfer money from your SIPP bank account, as instructed by you or your financial adviser.

CAN I PURCHASE PROPERTY WITH MY SIPP?

- As mentioned above, the SIPP is able to purchase commercial property as well as commercial and agricultural land. Please note:
 - The SIPP may purchase property from any party, including from you personally or from your company.
 - Once purchased, the property or land can be leased to a *connected* or *unconnected* tenant.
 - Depending upon circumstances (typically where a *connected* party is involved or for bank borrowing), an independent valuation of the property may be required for the purchase price and/or the rent.
 - A solicitor will need to be appointed to deal with the purchase and any lease.
 - If VAT is applicable, we will register the SIPP for VAT, opt to tax the property and submit all statutory returns to HMRC.
 - We will arrange the insurance for the property, with our chosen broker.
 - If there are insufficient funds available, the SIPP may borrow up to 50% of its own net asset value (calculated before the new property). The SIPP may even borrow from a *connected party*, provided the terms are commercial.
 - The SIPP may not own or 'have an interest in' residential property.
 - If a site has a mixed use, say a shop with residential uppers, it may be possible to split the ownership etc.
 - Care homes, hotels and designated student Halls of Residence are not treated as residential property. There are also some job-related properties that are exempted (such as a pub or restaurant with a landlord's flat).

CAN I MAKE TRANSFERS INTO MY SIPP?

- A SIPP can accept transfers from other UK registered pension schemes. This means that if you have external pension funds, you should be able to transfer them to the SIPP thus consolidating your pension arrangements.
- You may be required to take advice from an authorised financial adviser before making a transfer.
- If a member does not want to disturb the investment within an existing pension plan it may be possible to transfer the assets "in specie", i.e. in their existing form, without having to surrender the investments before transferring them.
- The benefits under the SIPP may be different to those under the previous scheme, for example there may be a penalty for transferring or you may be giving up guaranteed benefits.
- For the avoidance of doubt, ARC Trustees Limited does not provide advice on transfers and you should therefore consult with an authorised financial adviser.

WHEN CAN I TAKE MY RETIREMENT BENEFITS?

- The minimum age for drawing lump sum and pension benefits is currently age 55 (increasing to age 57 in 2028). Benefits may commence earlier in the event of ill-health.

WHAT ARE MY BENEFITS CHOICES?

LUMP SUM

- You will usually be able to draw a lump sum calculated as 25% of the accumulated value of the fund. You *crystallise* funds in order to draw benefits.
- The total lump sum (i.e. for all your pension plans combined) is restricted generally to 25% of the Standard Lifetime Allowance (LTA) of currently £1,073,100. Individuals who hold protection status will have a higher limit for this purpose.
- You should generally have the flexibility of drawing your total lump sum in stages, with the quantum of 'undrawn' lump sum changing with the value of any *uncrystallised* funds.

PENSION INCOME

- You may draw your pension income either by purchasing an annuity from a provider of your choice or by drawing an income directly from the SIPP. This second option is often referred to as *income drawdown*.
- Under the new *flexi-access drawdown* rules, there are no limits on the level of pension income you may draw. This applies if you are drawing benefits for the first time after 6th April 2015.
- If your benefits are already in payment under the pre-6th April 2015 *capped drawdown* rules (i.e. income subject to a maximum limit), you may either remain in *capped drawdown* or switch to *flexi-access drawdown*.
- Once you have drawn income under *flexi-access drawdown*, your maximum contributions will reduce to £4,000 per annum, with no *carry forward* option available. This is known as the *Money Purchase Annual Allowance*.
- Pension income is subject to tax at your marginal rate (e.g. 20%, 40% or 45% depending on whether the payments take you into the higher rate tax thresholds)

UNCRYSTALLISED FUNDS PENSION LUMP SUM

- You can also choose to take benefits as an *uncrystallised funds pension lump sum*. In this case, a lump sum will be paid to you of which 25% is tax-free and the balance will be taxed at your marginal rate.

WHAT HELP IS AVAILABLE TO ME IN DECIDING WHAT RETIREMENT OPTIONS TO CHOOSE?

- Deciding when and how to take retirement benefits is an important decision and we strongly recommend that you consult an authorised financial adviser before any decision is made.
- If you do not have a financial adviser you will be able to locate one in your area via the website: www.unbiased.co.uk
- If you do not seek independent regulated advice you should be aware that you are entitled to access free, impartial guidance on your pension options, including the option of a face-to-face conversation about your options via the Government's "Pension Wise" initiative (www.pensionwise.gov.uk). Under the initiative, telephone guidance is delivered by The Pensions Advisory Service (TPAS) (www.pensionsadvisoryservice.org.uk) with face to face guidance delivered via the Citizens Advice Bureau (www.citizensadvice.org.uk)
- Further free information on your pension options may be obtained via the Money Advice Service. Please refer to their factsheet: "Your pension: it's time to choose": (www.moneyadvice.service.org.uk/en/articles/free-printed-guides#pensions-and-retirement)

WHAT BENEFITS ARE PAYABLE IF I DIE?

- Death benefits will be paid to a member's nominated beneficiaries at the discretion of the SIPP trustee but we will of course take into account your wishes. As part of the application process, you will be asked to complete an Expression of Wish form and nominate your chosen beneficiaries.
- In principle, the beneficiary need not be a spouse or financial dependant.
- The death benefits payable upon a member's death, depend on your age:
 - Upon death before age 75, irrespective of whether you have drawn benefits or not, the entire remaining fund may be paid free of tax to your nominated beneficiaries as a lump sum or income.
 - Upon death after age 75, payments to a nominated beneficiary will be subject to income tax at the beneficiary's marginal rate.
- There is no inheritance tax (IHT) on pension death benefits.

WHAT ARE THE CHARGES?

- Please see our 'Fee Schedule' which forms part of the application pack, for full details. All fees will be deducted directly from your SIPP bank account.

DO ARC TRUSTEES LIMITED RECEIVE COMMISSION?

- ARC Trustees Limited do not receive commission from any source in respect of your SIPP assets. That said, we may receive a referral fee from a broker in connection with arranging property insurance.

CAN I CANCEL THE SIPP?

- Upon receipt of your application, we will send you a notice which gives you the right to cancel your SIPP within the first 30 days after you have received the notice. If you wish to cancel your SIPP, please notify ARC Trustees Limited in writing within 30 days of receiving the notice from us.

CAN I TRANSFER MY SIPP TO ANOTHER PENSION SCHEME?

- You can transfer part, or all of your fund at any time to another registered pension scheme, should you so wish. Before doing so, you should consult with an authorised financial adviser.
- The actual transfer value will depend upon the value of your fund as at the date of transfer and cannot be guaranteed.
- There may be a fee for dealing with a transfer out, please refer to our Fee Schedule.
- We will refund pro-rata the annual fee, upon transfer out and closure of your SIPP.

WHAT HAPPENS IF I WANT TO COMPLAIN?

- We hope that you never have reason to complain about our service, but if you wish to make a formal complaint to us, you should write to the following address:

The Compliance Officer
ARC Trustees Limited
New Maxdov House
130 Bury New Road
Manchester M25 0AA

- If you are not satisfied with our response, you can write to:
 - The Financial Ombudsman Service, Exchange Tower, London E14 9SR
 - Pension Ombudsman, 10 South Colonnade Canary Wharf E14 4PU
 - The Pensions Advisory Service, 120 Holborn London EC1N 2TD

ADDITIONAL NOTES

- The information contained in these Key Features is provided based on our understanding of current law, practice and taxation which may be subject to change.
- Whilst every care has been taken in preparing the information provided, ARC Trustees Limited does not guarantee the accuracy or currency of the content and no legal responsibility can be accepted in any consistency in any respect with the Trust Deed and Rules or HMRC practice
- In the event that the information in the Key Features contradicts the Trust Deed and Rules or HMRC practice the Trust Deed and Rules or HMRC practice as applicable shall prevail.
- The law of England and Wales will apply in all legal disputes.

WHERE CAN I FIND FURTHER INFORMATION ON THE ARC SIPP?

- The SIPP Key Features is one document from a series of documents that you should read before proceeding, these include:
 - SIPP Application Form
 - SIPP Terms and Conditions
 - SIPP Fee Schedule

These documents are also available to download from our website: www.arctrustees.co.uk

HOW DO I CONTACT YOU?

- Most SIPP customers normally have a financial adviser who will liaise with us on your behalf. Alternatively, we can be contacted direct at:

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