

# KEY FEATURES VANTAGE SIPP

keyfacts®

The Financial Conduct Authority (the independent financial services regulator) requires us (Hargreaves Lansdown) to give you this important information to help you decide if our Vantage SIPP (Self Invested Personal Pension) is right for you. Read it carefully and keep it safe.

Please read the Vantage SIPP Terms & Conditions and the Key Features for any investments you choose first.

The Vantage SIPP is governed by a Trust Deed & Rules. A copy is online at [www.hl.co.uk/sipp\\_apply](http://www.hl.co.uk/sipp_apply).

Further information on pension schemes is on Her Majesty's Revenue & Customs' (HMRC) website.

A stakeholder pension may be lower cost and meet your needs as well. If the SIPP is an automatic enrolment scheme, the benefit of employer contributions is likely to outweigh that of potentially lower charges. Please contact us for information.

## THE AIMS

- To offer you a tax-efficient, flexible way of saving for retirement.

- To give you a wide investment choice.

## THE RISKS

- Your retirement income is not guaranteed.
- The fund value when you retire could be less than the total invested.
- Stock market investments fluctuate in value, as does income from them. Past performance is no guide to

future returns.

- Inflation reduces the buying power of your fund.
- If you transfer from another pension the benefits may not be comparable.
- The rules, the value of tax benefits and government pension policy could change.
- A small personal pension may reduce your state benefits entitlement.

## YOUR COMMITMENT

- The minimum one-off investment is £500 gross.

- The minimum investment per fund is £500 and the minimum top-up is £250. If the value of your investment falls below £500, we may ask you to sell it. Loyalty bonuses are not available on holdings worth less than £1,000.

- The money invested must stay in a pension, usually until at least age 55, and be used to provide retirement benefits.

- You must give us any information we need when starting the SIPP, paying benefits or claiming tax relief.

## YOUR QUESTIONS ANSWERED

### Am I eligible?

- Most people are. To contribute and claim tax relief, you should be under 75 and a relevant UK individual. You must live in the UK or EEA when you start the SIPP.

### Am I a relevant UK individual?

- Yes if you:
  - Were a UK resident for tax purposes at some point during the current tax year, or
  - Have been a UK resident for tax purposes at some point in the previous five tax years and when you joined the pension, or
  - Have relevant UK earnings subject to income tax, or
  - You or your spouse/civil partner have general earnings from overseas Crown employment subject to UK tax.

### What are relevant UK earnings?

- Normally your total taxable earnings from UK employment and/or self-employment, e.g. salary, bonuses and profit from self-employment, but not investment income. Contact your accountant if in doubt.

### How much does it cost?

- See 'Tariff of Main Charges' in the Terms & Conditions.

### How do I apply?

- By phone: call 0117 980 9897.
- Online: visit [www.hl.co.uk](http://www.hl.co.uk).
- By post: a paper application is required to transfer existing pensions or for employer contributions.

### How much can I pay in each year?

- In each tax year, a relevant UK individual under 75 can pay personal tax-relievable contributions (gross) of up to the greater of:
  - The basic amount (£3,600 for the current tax year)
  - 100% of your relevant UK earnings for that year.
- Personal contributions include third party payments, but not employer contributions.
- Total gross contributions must be within the annual allowance (see 'Contribution Checklist' overleaf).

### Can my employer make payments to my SIPP?

- Yes, if you are employed.

### How do I get tax relief?

- We claim basic rate tax relief from HMRC for you.
- Currently, for each £80 net you contribute, tax relief of £20 is added making a total of £100 gross.
- HMRC sends tax relief in 6 to 11 weeks.
- Higher or additional rate taxpayers can claim more tax relief via their tax return or local tax office.

### What is the annual allowance?

- The annual limit (£50,000 in 2013/14) on contributions made to, or benefits accrued in, ALL your registered pension schemes by you, your employer or any third party.
- Contributions made to the Vantage SIPP count for the tax year in which they were made; other pensions may vary (see 'Contribution Checklist' overleaf).

### What is the lifetime allowance?

- The limit (£1.5m in 2013/14) on the total value you can build up in pensions (see 'Contribution Checklist' overleaf).

### Do you offer a regular savings option?

- You and/or your employer can invest from £50 (gross) per month into funds (not shares) by Direct Debit.

### Where can I invest?

- Stocks and shares traded on the London Stock Exchange, Dow 30, NASDAQ 100, S&P 500 and European Top 300.

- Investment trusts.
- Unit trusts & Open Ended Investment Companies (OEICs).
- Exchange Traded Funds (ETFs).
- Other investments are available; check before applying.
- Unless your employer has selected a default fund, your SIPP will be held in cash until you provide investment instructions.
- Where possible, we will buy accumulation units in funds. Otherwise income will be held as cash. When you apply you can choose to automatically re-invest investment income when it reaches £50 per holding (funds) or £200 per holding (shares and other investments). Share dealing fees apply.

### Where is my tax relief invested?

- If you make a contribution and give fund investment instructions at the same time, the associated tax relief will be invested in the same funds unless otherwise requested in writing. This will apply if you change how your contribution is invested before tax relief arrives.

- For other investments tax relief will be held as cash.

### Can I change the investments in my Vantage SIPP?

- You can switch investments when you like.
- The minimum investment per fund is £500 and the minimum top up is £250 (see Terms & Conditions).

### How are my investments taxed?

- Growth in the value of your SIPP is free from UK capital gains tax and UK income tax.
- Unused tax credits on UK dividends cannot be reclaimed.
- Interest on cash is paid gross.
- If you are subject to non-UK jurisdictions, such as the USA, ensure you are aware of any non-UK reporting or tax requirements.

### Where is the loyalty bonus credited?

- The SIPP loyalty bonus is credited to the SIPP capital account.

### How will I know how well my SIPP is performing?

- You can log in via our secure website and check your investments any time.
- You receive a valuation twice a year which details your investments and performance over the previous six months.
- Each year you receive a Statutory Money Purchase Illustration (SMPI) showing the current value of your fund and a retirement income projection.

### Can I transfer in other pensions?

- Yes, if it is a registered pension scheme (see 'Transfer Checklist'). Normally no, if it is an overseas pension.
- The minimum transfer value is normally £5,000.

### When can I take retirement benefits?

- Usually any time from age 55.
- If you do not select a retirement age when you apply, this will be set as 65, or 75 if you have reached 65. You can change this.
- You may be able to take retirement benefits early if:
  - You have medical evidence you cannot carry on your occupation.
  - You have a protected early retirement age.
- If you have a life expectancy of less than 12 months and have not taken benefits, you may be able to take all your SIPP as a lump sum.

### What are my options when I choose to retire?

- Convert your SIPP into income by buying the annuity which best suits you from an insurance company.

- Draw an income directly from your fund through income drawdown.

- Take a tax-free lump sum (normally up to 25% of the value of your fund) in return for a smaller income.

- Take the whole fund as a lump sum if the value of all your registered pension schemes is under £18,000. 25% is paid tax-free, the balance is subject to income tax. This can be done only once and from age 60.

- Take the whole fund as a lump sum if the total value does not exceed £2,000. This can be done twice and you must be at least 60. 25% of the fund is paid tax free and the balance subject to income tax.

- Income from the SIPP or an annuity is subject to Pay As You Earn (PAYE) income tax.

### How much will my pension be?

- It depends on several factors, including some or all of: the final value of your fund, interest rates at the time, age, health, life expectancy and the income type you choose.

### Can I transfer my plan?

- You can transfer your plan to another registered pension scheme or Qualifying Recognised Overseas Pension Scheme that will accept it.

### What happens if I die before I retire?

- If you die before 75 and before taking benefits from your SIPP, the total fund can normally be paid as a tax-free lump sum, usually free of inheritance tax.
- If you die after 75 and before taking benefits, the total fund can be paid as a lump sum, less 55% tax. This payment is usually free of inheritance tax.
- Or it can be used to provide a pension for your spouse, civil partner or other dependant, as indicated on your nomination form. This is not legally binding but alerts us to your wishes.

### Can I change my mind?

- You can cancel the SIPP within the first 30 days by writing to us. We will return your funds to you.
- When you transfer pensions to the SIPP you can cancel each transfer separately in writing up to 30 days after you are told we have received the funds. If the transferring scheme does not accept these back, you may request a transfer to another provider.
- If your investments have fallen in value, you will not get back the full amount invested or transferred.
- If you have been enrolled, re-enrolled, opted in or joined your SIPP as an automatic enrolment scheme you will have been told how and by when you can opt out. This replaces the right to cancel above.
- If you opt out before the deadline the full value of your contributions will be repaid by your employer.

## OTHER INFORMATION

### How to contact us

Phone: 0117 980 9926 Email: [sipp@hl.co.uk](mailto:sipp@hl.co.uk)

Post: Hargreaves Lansdown Asset Management Limited, One College Square South, Anchor Road, Bristol, BS1 5HL

**How to complain** – Write to our Client Services Manager at the address above. Hargreaves Lansdown contributes to the Financial Services Compensation Scheme (FSCS), details are available from the FSCS or Financial Conduct Authority.

**Law** – These Key Features shall be governed by English Law and we will communicate with you in English.

Investments should normally be held for the long term as their value will fall as well as rise, so you could get back less than you invested. Unless stated otherwise, all yields are variable and neither capital nor income is guaranteed. If your

employer offers a pension you should consider this first. The government may change pension and tax rules. The earliest you can normally take pension benefits is age 55. Tax reliefs and state benefits mentioned are those currently

applying. Their value depends on your circumstances. This is published solely to help clients make their own investment decisions; it is not personal advice. If you are unsure of an investment's suitability, contact us for individual advice.

CONTRIBUTION CHECKLIST

Read this carefully if you have made, or are planning to make, large contributions to any of your pensions.

Most UK residents under 75 can contribute to a personal pension and benefit from tax relief. However there are restrictions of which you need to be aware:

- Annual allowance:** It could affect you if total contributions (including employer contributions) across two consecutive tax years exceed £40,000 or you are a member of a final salary pension. Vantage SIPP contributions count towards the annual allowance for the tax year in which they were made. E.g. a contribution paid in the 2013/14 tax year will count towards the 2013/14 annual allowance of £50,000. Contributions to other pensions may count for the annual allowance in the following tax year. This may cause issues when switching pension schemes. The annual allowance is due to fall to £40,000 from the 2014/15 tax year. You should check with your provider towards which tax year's allowance your contributions count. Retirement benefits built up in a final salary pension are given a value that also counts towards the annual allowance. You should ask your provider what that value is. Any payments above the annual allowance may have a tax charge and cannot be refunded.
- Carry forward:** You may be able to pay in more than the £50,000 annual allowance for this year by carrying forward unused annual allowance from previous tax years.
- Lifetime allowance:** The current allowance is £1.5 million (£1.25 million from the 2014/15 tax year). This is the total you can accumulate in pensions. It is measured when retirement benefits are taken and at age 75. It takes into account all private and work pensions, including those from which you already take an income. There may be a significant tax charge on any excess. This could affect those with a pension income of over £50,000 a year.

- Enhanced or fixed protection:** If you have applied to HMRC for enhanced or fixed protection against the lifetime allowance, further contributions will invalidate the protection. If you have joined, been enrolled, re-enrolled or opted in to your SIPP as an automatic enrolment scheme and do not opt out, this will invalidate the protection.
  - Recycling:** If you significantly increase pension contributions in the year of taking tax-free cash from a pension or in the two years before or after, this may be deemed as recycling of tax-free cash and subject to a punitive tax charge.
- This is a brief summary of the main rules, therefore it cannot cover every nuance. We have annual allowance & carry forward, and lifetime allowance factsheets available. You should seek advice if you think you may be affected by these limits or don't understand them. If you have any questions please call our Pensions Helpdesk. They can also put you in touch with an adviser if needed.

TRANSFER CHECKLIST

Read this before transferring pensions.

You could enjoy many benefits when you transfer to the Vantage SIPP, but could also lose valuable features of your old pension(s).

The following factors commonly apply:

- 'Market Value Adjustments or Reductions' or transfer penalties are applied by some providers. These could cause a significant reduction to your pension fund.
- You could lose valuable guarantees on annuity rates, growth, bonuses, minimum retirement incomes, discretionary bonus rates or a potential demutualisation bonus.
- It is rarely a good idea to transfer a final salary pension, including a Guaranteed Minimum Pension (GMP), and 'Deferred Annuities' as they promise to pay a hard-to-beat retirement income. An Additional Voluntary Contribution (AVC) linked to a final salary scheme could give a higher pension and/or tax-free cash if not transferred. We normally insist you take advice to confirm it is in your interests to

- transfer such pensions.
- Most pension transfers are made as cash. While your pension is in cash you will not make investment losses or gains. This may not work in your favour.
- You could lose benefits such as life insurance or waiver of premium insurance.
- If you are approaching retirement you must give extra consideration to these factors as you will have less time to make up for any losses.

The following only affect a minority of investors:

- If you are transferring or switching from a pension with a Pension Input Period (PIP) not in line with the tax year, that PIP will still apply to any contributions you have already made. This may restrict your ability to contribute to your new pension. This is only likely to apply if total contributions are over £40,000 over a two-year period or you have been a member of a final salary scheme.

In some cases you can also lose:

- Employer contributions or other benefits if transferring a work pension.
- A tax-free cash rate higher than the usual 25%, if transferring some occupational pensions, or pensions that have received a transfer from them.
- The ability to retire before age 55.
- Enhanced or fixed protection against the lifetime allowance (this is rare).
- Gender-specific annuity rates within some occupational pensions, which could benefit males.

We do not check what benefits you would lose or penalties you would incur. It is your responsibility to ensure a transfer is right for you. There is no guarantee any funds you choose will perform better than those transferred. If you are at all unsure a transfer is right for you, or you are transferring a final salary pension, AVC linked to a final salary pension, GMP or a Deferred Annuity, please contact us for advice before proceeding.

This is based on our understanding of current legislation and proposed changes and is correct as at 22 April 2013 but the government can and do change the rules.

FUND SAVINGS AND CHARGES

**How will charges and expenses affect my investment if I choose to buy unit trusts or OEICs?** Some funds, typically OEICs, are 'single-priced', with the same buying and selling price. HL's initial saving means that you buy at the single price on the day, plus any remaining initial charge.

Some funds, typically unit trusts, are 'dual-priced', with a spread between the selling (bid-) and buying (offer-) price. HL's initial saving will reduce the offer price and so you pay less for each unit. However there will still almost always be a small difference between the price you pay for each unit and the price that you could have sold that unit for on the same day. e.g. Full offer price: 105p | Offer price after HL saving: 100p | Bid price: 99p.

You can never know the price at which you will buy or sell in advance because dealing for both types of fund takes place on a forward-pricing basis. This means that all instructions to buy or sell are submitted to the fund manager and those deals are then placed at the next available valuation point at a price based on the value of the underlying holdings at that point.

If funds are experiencing unusually high levels of sales or purchases the man-

agers of unit trusts may price the funds on what is known as a 'cancellation' basis or OEIC managers may introduce a 'dilution levy' or operate a 'swinging price'. This may affect the price you get and therefore the savings we can offer. For more details about charges and our discounts please see the 'Fund prices, Savings and Yields factsheet' available on our website or from our Helpdesk.

**How much will Hargreaves Lansdown receive for arranging this investment?**

Hargreaves Lansdown may receive commission from investment groups for arranging business and maintaining the Vantage Service. All or part of these commissions are used to help fund the initial savings, the annual loyalty bonuses we offer, the Vantage Service and benefits such as free fund dealing for clients. The commission receivable varies from one fund to another and may also vary over time. On some funds we may receive up to 6% initial commission when business is first arranged. As at 31 October 2012 on 95% of funds on the Vantage service we waive (discount) any initial commission in full for the benefit of our clients. On the remaining funds the average initial commission we retain across the Vantage service is 0.66%. On a typical investment of £3,000 this would be equivalent

to £19.80. We may also receive commission of up to 1.5% out of the Annual Management Charge (AMC) of a fund. The average annual commission received by Hargreaves Lansdown on a commission-paying fund on the Vantage Service is 0.77%, of which an average 0.17% is returned to clients as a loyalty bonus, meaning the average net commission retained by Hargreaves Lansdown is 0.60%. For example, on an investment of £3,000, this would mean Hargreaves Lansdown would receive £23.10 per annum from the fund manager, pay a loyalty bonus of £5.10 per annum to the client, retaining £18.00 per annum as commission to fund the Vantage Service. If the investment doubles in value to £6,000, Hargreaves Lansdown would receive £46.20 per annum from the fund manager, pay a loyalty bonus of £10.20 per annum to the client, retaining £36.00 per annum as commission to fund the Vantage Service. If a fund is provided by Hargreaves Lansdown Fund Managers, the HL Group will also receive investment management fees.

The information shown here is correct at 19.04.2013 but will change over time. Before investing in a fund, read its Key Investor Information Document or Fund Specific Key Features at [www.hl.co.uk](http://www.hl.co.uk). VKF/04/13

THESE ARE EXAMPLES TO SHOW THE EFFECTS OF CHARGES, TIME AND PERFORMANCE ON RETURNS. IN REALITY YOU COULD GET MORE OR LESS AND YOUR CIRCUMSTANCES WILL DIFFER.

| Years to retirement |        | MONTHLY SAVINGS |        |         | SINGLE PAYMENT |         |         |
|---------------------|--------|-----------------|--------|---------|----------------|---------|---------|
|                     |        | £50             | £100   | £300    | £10,000        | £25,000 | £50,000 |
| 5 Years             | Value  | 2,890           | 5,790  | 17,300  | 10,400         | 26,200  | 52,400  |
|                     | Income | 89              | 178    | 536     | 323            | 808     | 1,610   |
| 10 Years            | Value  | 5,590           | 11,100 | 33,500  | 10,900         | 27,400  | 54,800  |
|                     | Income | 169             | 338    | 1,010   | 331            | 829     | 1,650   |
| 15 Years            | Value  | 8,120           | 16,200 | 48,700  | 11,400         | 28,700  | 57,400  |
|                     | Income | 241             | 482    | 1,140   | 341            | 853     | 1,700   |
| 20 Years            | Value  | 10,500          | 21,000 | 63,000  | 12,000         | 30,000  | 60,100  |
|                     | Income | 307             | 614    | 1,840   | 351            | 879     | 1,750   |
| 25 Years            | Value  | 12,700          | 25,500 | 76,500  | 12,500         | 31,400  | 62,800  |
|                     | Income | 369             | 738    | 2,210   | 364            | 910     | 1,820   |
| 30 Years            | Value  | 14,900          | 29,800 | 89,400  | 13,100         | 32,900  | 65,800  |
|                     | Income | 428             | 856    | 2,560   | 378            | 945     | 1,890   |
| 35 Years            | Value  | 16,900          | 33,900 | 101,000 | 13,700         | 34,400  | 68,800  |
|                     | Income | 485             | 971    | 2,910   | 393            | 984     | 1,960   |
| 40 Years            | Value  | 19,000          | 38,000 | 114,000 | 14,400         | 36,000  | 72,000  |
|                     | Income | 541             | 1,080  | 3,250   | 411            | 1,020   | 2,050   |

ILLUSTRATION: WHAT MIGHT I GET BACK FROM MY SIPP?

The table on the left shows what your SIPP value and income might be for a range of gross/employer contributions and years to retirement. Assumptions: 5% annual growth, 1.5% charges and retirement at 65. Amounts are in real terms, assuming 2.5% annual inflation. Actual rates of return and charges will depend on your investments and their performance and may be better or worse than shown. The annual income is a single life, level annuity, paid monthly in advance, no guarantee and no tax-free cash.

The table below shows the effect of charges on your SIPP assuming £300 monthly savings.

| Years to retirement | Total paid in to date | Before charges are taken | After all charges are taken from this SIPP |
|---------------------|-----------------------|--------------------------|--|
| 1                   | 3,600                 | 3,690                    | 3,660                                      |
| 3                   | 10,000                | 10,700                   | 10,400                                     |
| 5                   | 15,800                | 17,900                   | 17,200                                     |
| 20                  | 43,300                | 73,500                   | 62,000                                     |

Charges reduce the yearly growth rate from 5% to 3.4%, before inflation.

INTEREST RATES:

The interest rate you receive is determined by the cash balance on your account and how that cash is held. We offer a variable rate and higher fixed rates, when available, for longer term cash holdings. Current interest rates are available on our website [www.hl.co.uk/rates](http://www.hl.co.uk/rates) or from our Helpdesk. We do not charge for cash holdings or cash transactions and instead retain some of the interest received. The interest retained depends on the size of your cash balance and whether you choose the variable or fixed rate, and, based on the 12 months to 31 December 2012, ranged between 0.47% and 2.35%. The interest retained in future may be less or more than this amount.