SIPP

HERITAGE PENSIONS

GUIDANCE, ADVICE AND RISKS QUESTIONNAIRE

PLEASE RETURN THIS FORM TO:

Heritage Pensions Limited
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Ampthill
Bedfordshire
MK45 2ND

1 Guidance and Advice

To proceed with taking benefits from your pension fund we require you complete this form.

1.1 Options for taking benefits

1.1.1 It is important to consider all the options available to you . You do not have to take your benefits directly from your pension fund with Heritage Pensions. Instead you can shop around to find the best deal to suit your personal circumstances.

Options include:

1.1.2 Using some or all of your pension fund to take benefits as follows:

a Taking a lump sum up to 25% tax free.

b Drawing a variable income directly from the pension fund, known as 'Flexi-Access Drawdown pension', which means you can choose the amount of income you take as and when you require it; it will be subject to income tax.

c Drawing several lump sums directly from the pension fund, known as 'Uncrystallised Funds Lump Sum', which means you can take a lump sum of any amount up to the full fund value, of which 25% is tax free and the remainder is subject to income tax.

1.1.3 Move your SIPP pension fund to another pension provider to access the funds.

1.1.4 Purchase a lifetime, fixed term or investment linked annuity.

1.1.5 Take a combination of all the options shown above.

1.2 Taking Advice

Heritage Pensions strongly recommend that you consult with a suitably qualified Independent Financial Adviser before electing to take benefits.

Have you taken advice on taking benefits from an Independent Financial Adviser?

Yes ☐ No ☐

Have you taken guidance on taking benefits from the Citizens Advice Bureau or the Pensions Advisory Service?

Yes ☐ No ☐

If you have answered YES proceed with answering the questions in Section 2.

If you have answered NO we strongly recommend that you reconsider before proceeding. Should you choose to proceed without taking guidance or advice despite our recommendation, it will be at your own risk.

1.3 Free Guidance Contact Details

- Government Pension Wise Service www.pensionwise.gov.uk
- The Pensions Advisory Service (TPAS) 0845 601 2923 www.pensionsadvisoryservice.org.uk
- The Citizens Advice Bureau (CAB) 03454 040506 www.adviceguide.org.uk

2 Risks Questionnaire

2.1 Loss of guarantees with Flexi-Access Drawdown

There are no guarantees attached to taking benefits via Flexi-Access Drawdown because funds are taken directly from your pension fund and the amount of benefit paid to you, whether a lump sum and/or an income, is determined by the value of your pension fund at that moment in time.

Do you understand that there are no guarantees attaching to the amount of income or lump sum paid via Flexi-Access Drawdown?

Yes ☐ No ☐ Unsure ☐

2.2 Personal state of health

An annuity typically pays a guaranteed taxable income for life. The amount of income you receive will depend on your circumstances, including your age and therefore your life expectancy.

For people in poorer health and/or with lifestyles that may reduce their life expectancy (i.e. heavy smoking), they may be eligible for a better value annuity e.g. an enhanced annuity, available from some annuity providers.

Are there any aspects of your health or lifestyle that could potentially make you eligible for a better value annuity?

Yes ☐ No ☐ Unsure ☐

2.3 Sustainability of income in retirement - impact of drawing an income or lump sums from your pension

A pension fund may be viewed as a savings plan aimed at providing an income in retirement, anytime after age 55, either until death or beyond by providing benefits for dependants and/or beneficiaries.

Accessing some or all of a pension fund using Flexi-Access Drawdown or taking lump sums can jeopardise the ability to pay an income in later life and beyond for dependants/beneficiaries. This is because the funds are exhausted quicker, or all in one go, meaning there is little or no money left in the pension fund to either access and/or commit to an annuity should a guaranteed income be required.

Are you reliant on the funds within your pension fund to provide an income through your later years/retirement and, where applicable, for your dependants/beneficiaries after your death?

Yes ☐ No ☐ Unsure ☐

2.4 Sustainability of income in retirement - impact of investment returns on future income

2.4.1 When electing to draw an income or lump sums from your pension, the remaining funds will remain invested until it is decided to draw these remaining funds as an income/lump sum. However, the returns will be reduced on the lesser amount of funds remaining invested.

2.4.2 The value of the investments may fall as well as rise and this could decrease the future value of the pension fund.

2.4.3 Certain investments may be difficult to value and/or sell when access is required, leading to potential costs and/or delays in payment of benefits.

Are you comfortable in your understanding of the effect that the investment of your pension fund will have on your future income from your pension?

Yes ☐ No ☐ Unsure ☐

2.5 Tax implications – income

Typically, benefits can be paid as a combination of a lump sum and income. The lump sum is payable tax free and usually represents up to 25% of the funds accessed with any income from the remaining 75% of the portion subject to income tax.

The income from the remaining 75% of the fund can either be taken in stages (drawdown) or as a lump sum. The income taken from your pension fund is added to any other income you receive and this determines what, if any, rate of tax you pay. It follows therefore that the more income you take, particularly if taken in one payment rather than in stages, the higher your income will be and therefore a potentially higher rate of tax paid, especially if you cross into a higher tax band.

Are you comfortable that you fully understand the income tax implications of taking your benefits, whether by Flexi-Access Drawdown or as a lump sum?

Yes ☐ No ☐ Unsure ☐

2.6 Tax implications - investment/IHT

One of the attractions of a pension fund is that generally investments grow free of tax. For example, interest paid on a bank account within a pension fund would not be subject to tax whereas interest paid on a bank account held personally would quite possibly attract tax. Consequently, it follows that one of the impacts of moving funds out of a pension is that if funds are reinvested in investments held personally, the tax treatment of those investments may not be as favourable as if the funds were left invested in the pension.

The other potential impact is that whilst funds are held in a pension they are outside the members estate for inheritance tax purposes whereas once paid to the member they could fall within their estate.

Are you comfortable that you fully understand the tax implications of taking your benefits, whether by Flexi-Access Drawdown or lump sum, insofar they relate to investments and inheritance tax?

Yes ☐ No ☐ Unsure ☐

2.7 Charges incurred as a result of reinvesting pension funds

To allow benefits to be paid from a pension fund, the investments held within the pension generally have to be converted into cash which may result in charges or fees being incurred.

If the intention is to reinvest some or all of the benefits into other investments then this too may incur charges. For example, if shares held within the pension were sold in order to pay the benefits and then repurchased personally once the benefits had been paid, there would be two sets of charges incurred - the selling costs and the buying costs incurred. Similarly, if you invest in other savings plans, these may well have charges attached.

Are you comfortable that you have considered the impact of charges and fees by investing any benefits you take from your pension elsewhere?

Yes ☐ No ☐ Unsure ☐

2.8 Debt – general

Funds held within a pension offer some protection against a person's creditors. This is because generally the funds within a pension scheme are ring-fenced (as they are held by trustees) meaning creditors cannot access these funds directly. Consequently, if a person has a debt which they cannot pay, whilst creditors may be able to force the sale of assets held personally to repay the debt, the pension is not an asset the creditor can access.

If funds within a pension are accessed via Flexi-Access Drawdown or taken as a lump sum then these funds become held personally and therefore could be available to creditors in the event of an unpaid debt.

Are you comfortable in your understanding that creditors may have a call on any money taken from your pension funds and held personally?

Yes ☐ No ☐ Unsure ☐

2.9 Debt – bankruptcy

Where an individual is declared bankrupt or is an undischarged bankrupt by accessing pension benefits, a trustee in bankruptcy can apply to the court for an 'income payments order' under the terms of the Insolvency Act 1986.

Are you, or is there the possibility of you being, declared bankrupt or are you currently an undischarged bankrupt?

Yes ☐ No ☐ Unsure ☐

2.10 Impact on means-tested benefits

Increasingly state benefits are becoming means-tested. Often means-testing is based on a person's individual wealth and/or income rather than necessarily what funds are held in their pension. By accessing pension funds through drawdown or lump sums you could increase your wealth and/or income which could impact on any means-tested benefits received.

Are you aware that accessing pension fund via drawdown or lump sums could impact on any means-tested benefits you receive and will have implications on your personal circumstances?

Yes ☐ No ☐ Unsure ☐

2.11 Investment scams

The incidence of investment scams has increased over recent years, including schemes such as overseas forestry, farmland and property investments. Often pension funds have been targeted for these unsafe investments. Pension providers have tightened their controls to prevent such investments occurring and the Financial Conduct Authority (FCA) have produced various warnings on this matter within the 'Consumers/Scams' section of their website.

Are you aware that investment scams exist, often targeting pension funds, and that care should be taken when investing any funds taken from your pension?

Yes ☐ No ☐ Unsure ☐

2.12 Reduction in annual allowance

The annual allowance in the limit of contributions that can be paid into a pension scheme. This is currently capped at £40,000 per annum, but once you have flexibly accessed your pension, the annual allowance is automatically reduced to £4,000.

Are you aware that flexibly accessing your pension will reduce your annual allowance to £4,000?

Yes ☐ No ☐ Unsure ☐

2.13 Making an informed choice

One of the impacts of the new rules allowing greater pension flexibility that came into effect in April 2015 was greater choice in the range of products available to access pension funds. All choices have pros and cons, including taxation and cost. Consequently, it's advisable to research all available options and ideally take advice from a suitably qualified Independent Financial Adviser.

Are you satisfied that you have adequately researched and understood the options available to you in accessing your pension funds and that you are making an informed choice in the method you have selected?

Yes ☐ No ☐ Unsure ☐

3 Declaration

I confirm that I have answered all questions accurately.

I accept it is an offence to make false statements and that the penalties are severe and could lead to prosecution.

I acknowledge that Heritage Pensions have not given me any advice.

Signature	
Name	
Dated	