KEY FEATURES

# SOVEREIGN INTERNATIONAL SIPP


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# SOVEREIGN INTERNATIONAL SIPP KEY FEATURES DOCUMENT

## Summary

The Sovereign International SIPP is a Self-Invested Personal Pension (SIPP) that is specifically designed for individuals who are resident outside the UK. SIPPs are designed for people who want to manage their own fund by dealing with, and switching, their investments when they want.

A SIPP is a pension "wrapper" that holds investments until the Member retires and starts to draw a retirement income. It is a type of personal pension and works in a similar way to a standard personal pension. The main difference is that the Member has more flexibility over the investments chosen within a SIPP.

With standard personal pension schemes, the Member's investments are managed within the pooled fund that has been chosen. A SIPP is a form of personal pension that gives the Member the freedom to choose and manage their own investments from a wide range of different asset types. The Member may also choose to pay an authorised Investment Manager to make the decisions on the Member's behalf.

A SIPP offers the flexibility to pay contributions at whatever level the Member wishes within the limits prescribed by HM Revenue & Customs (HMRC). There is no contractual minimum contribution. The Sovereign International SIPP is also designed to take full advantage of the pension flexibility rules introduced in April 2015, which allow individuals to access their pension savings.

This document explains the key features of the Sovereign International SIPP. The applicant should read it carefully, in conjunction with the Application Form, the Terms and Conditions and the Investment Guidelines prior to applying for membership of the Scheme. The applicant should also seek advice from their Financial Adviser.

It may be that, due to the applicant's residence or domicile, the applicant is subject to different tax provisions. If the applicant is in any doubt about the tax treatment of the Sovereign International SIPP or its benefits, the applicant should seek advice from a qualified tax expert.

## Contents

## Introduction

A “Self-Invested Personal Pension” or SIPP is a personal pension scheme where investment decisions are taken by the Member after taking independent advice from a suitably qualified and regulated financial or investment adviser. The Sovereign International SIPP is a pension product established under and governed by the MW SIPP 2 Trust Deed and Rules and registered with HMRC as a Registered Pension Scheme under Chapter 4 of the UK Finance Act 2004 (HMRC Pension Scheme Tax Reference (PSTR) number 00623783RL).

The Sovereign Group's financial services regulator, the Financial Conduct Authority (“FCA”), requires Sovereign Pension Services (UK) Limited to give the applicant this important information to help the applicant to decide whether the Sovereign International SIPP is appropriate. The applicant should read this document carefully so that there is an understanding of what is being bought, and then kept for safe and future reference.

## The Parties

### Scheme Provider and Scheme Administrator

*Sovereign Pension Services (UK) Limited*

As Scheme Provider Sovereign Pension Services (UK) Limited is successor to the original SIPP provider authorised to establish a personal pension scheme under the Financial Services and Markets Act 2000. As Scheme Administrator Sovereign Pension Services (UK) Limited is also responsible for the day to day operation and administration of the SIPP and is authorised and regulated by the FCA.

### Trustee

*MW SIPP Trustees Limited*

The Trustee is the legal owner of the assets held within the SIPP for the benefit of the Member. The Trustee has a limited function and acts on the instructions or directions of the Scheme Administrator.

### Member

An applicant becomes a member once their formal application for membership of the SIPP has been accepted by the Scheme Administrator. The Member accepts that the sole purpose of the SIPP is to provide benefits in retirement, be that in the form of annuities, income withdrawals or lump sum payments as detailed in the governing provisions and Rules of the MW SIPP 2.

### Financial Adviser

Members may appoint their own suitably qualified and regulated Independent Financial Adviser to advise them on financial matters relating to the SIPP and their financial affairs generally. Neither the Trustee, Scheme Administrator nor Scheme Provider will provide any advice to the Member be it financial, legal, tax, investment or pension transfer advice, and they are not authorised to do so. The Scheme Administrator will act on the instructions of the Member and the Member’s Financial Adviser if so mandated.

### Investment Adviser

Members are responsible for their own investment decisions and may appoint a suitably qualified and regulated independent Investment Adviser (who may be the same person as their appointed Financial Adviser) to assist them in this respect. The Member’s Investment Adviser will guide the Member to make investments that match their investment risk profile and that are both permissible under the Rules of the SIPP and acceptable to the FCA. Neither the Trustee nor Scheme Administrator will make any investment recommendations and nor are they authorised to give investment advice. If Members do not appoint a Financial or an Investment Adviser they will remain responsible for their own investment decisions and for providing instructions to the Scheme Administrator.

#### Investment Manager

The Investment Manager is appointed by the Trustee to carry out the instructions of the Members or their Advisers and is responsible for managing the assets within the SIPP. Members may nominate an Investment Manager to act on an advisory or discretionary basis and if suitably licensed and regulated the Trustee will appoint the Member's nominated Investment Manager.

#### Custodian

This is the financial institution responsible for holding and safeguarding the Member's SIPP assets which are invested in the name of the Trustee.

#### SIPP Banker

This is the retail banking institution with whom the Trustee establishes a SIPP bank account for each Member's SIPP.

## Product Objectives

A SIPP provides a means of saving for retirement. It works as follows:

- A Member may make regular payments (contributions) or transfers from an existing pension into their SIPP. This pot of money accumulates during the Member's working life and is then used in retirement to provide an income.
- There is no requirement to make regular contributions but UK tax relief may be available on some contributions.
- An employer may also contribute to an employee's SIPP.
- Contributions are invested with the objective of achieving capital growth over the years before the Member retires. There is no requirement to invest in any particular type of investment.
- Upon retirement, the Member has a number of different options on how to take benefits.

A Member cannot tell in advance exactly how much pension they will receive because it depends on how much is paid in, how well the investments perform and what charges are payable.

"Self-invested" means that the Member chooses where to invest the monies held within the SIPP. "Personal" signifies that the SIPP belongs solely to the Member. Members will usually appoint a suitably qualified and regulated financial or investment adviser to assist them in making these decisions.

As a pension, benefits may only be taken from the SIPP in retirement (usually from age 55) and there are a range of lifetime benefits available.

For 'relevant UK individuals', tax relief on contributions to the SIPP is available.

Considering a transfer to a SIPP, whether to make additional contributions and deciding on the options available on retirement are all complex questions that require financial planning. It is strongly recommended that Members obtain suitable independent advice before taking these decisions.

#### What is the aim of the Sovereign International SIPP?

The Sovereign International SIPP is designed for non-UK tax residents who wish to plan for their retirement.

Sovereign Pension Services (UK) Limited is authorised and regulated by the FCA, for the purposes of setting up and administering personal pension schemes. Thus, the administration of the Sovereign International SIPP falls within a robust regulatory regime.

As a Registered Pension Scheme for UK tax purposes, the SIPP offers relevant UK individuals tax relief on contributions. This may be a consideration for UK expatriates who eventually plan to return to the UK, and who may contribute to their pension once they have returned.

UK residents with no UK earnings enjoy basic rate income tax relief on contributions of up to £3,600 per year. This also applies to non-UK residents, provided they were UK resident both when they became a SIPP member and at some time in the last five UK tax years.

The SIPP offers a pension commencement lump sum on retirement, from age 55, and then a choice of lifetime benefits. Members are not compelled to take benefits from the SIPP but may shop around to find the right benefit options for them. These are detailed later in this document.

## The Member's Commitment

The SIPP is a Registered Pension Scheme which means that no benefits may be taken prior to the age of 55. Once contributions are transferred or paid into the SIPP Members must accept that no money can be paid out until the Member reaches the permitted retirement age. The only exception to this is if a Member suffers from ill health as defined under strict criteria laid down in the Rules, such as a life-threatening illness, supported by evidence from a doctor or other medical practitioner.

There is no requirement to make regular contributions to a SIPP and Members may decide on the amount and timing of their own contributions. A charge may apply for *ad hoc* or changes to regular contributions as detailed in the Fee Schedule.

Members may be subject to limits on the level of contributions permitted for UK tax relief purposes and it is the responsibility of each Member to ensure that they remain within those limits in order to avoid penal tax charges. Members must notify the Scheme Administrator as soon as reasonably possible if any contributions to the SIPP are or, as the case may be, are not or cease to be entitled to UK tax relief.

Members are also required to:-

- Agree to adhere to the terms and conditions of the Sovereign International SIPP which are contained in the application form signed by the Member.
- Pay all applicable fees and charges in respect of establishing and administering the SIPP
- Maintain a minimum balance of 3% of the pension fund in their SIPP bank account
- Provide the Scheme Administrator with investment instructions
- Provide the Scheme Administrator with information on request and as soon as reasonably possible
- Notify the Scheme Administrator if in any year they are, or cease to be, a 'relevant UK individual' (which must be done within 30 days of the occurrence of the event or before the end of the UK tax-year in which the event occurs if an earlier date).

A 'relevant UK individual' is someone who:

- Has relevant UK earnings chargeable to income tax for that tax year
- Is resident in the UK at some time during that tax year
- Was resident in the UK at some time during the five tax years immediately before the tax year in question and was also resident in the UK when joining the pension scheme.
- Has for the tax year general earnings from overseas Crown employment subject to UK tax (as defined by section 28 of the Income Tax (Earnings and Pensions) Act 2003).
- Is the spouse or civil partner of an individual who has for the tax year general earnings from overseas Crown employment subject to UK tax (as defined by section 28 of the Income Tax (Earnings and Pensions) Act 2003).

## Risk Factors

The Fee Schedule may be amended in the future and fees may increase.

The fees are "flat" and are not related to the size of the investment. Thus for SIPPs with smaller values the fees may be disproportionate. Sovereign Pension Services (UK) Limited cannot advise a Member whether the Sovereign International SIPP is suitable for them. Another type of pension scheme may be cheaper and more suitable.

The tax benefits and governing law for SIPPs may change in the future.

Withdrawal benefits are dependent upon a number of factors, such as future contribution levels, the age at which benefits commence, and external influences such as investment returns, inflation, interest rates, annuity rates and charges.

The Member will not normally be able to commence benefits until attaining the minimum pension age of 55.

The SIPP is provided by Sovereign Pension Services (UK) Limited on an execution only basis without pension or investment advice. For further clarification and to obtain advice regarding the suitability of a SIPP an individual should seek professional advice from a suitably qualified financial adviser.

This document and the information therein is based on the Scheme Administrator's current understanding of tax law and prevailing pension practice which are subject to change.

**Eligibility**

*Who can apply for membership of the Sovereign International SIPP?*

The Sovereign International SIPP is principally designed for non-UK tax residents. It is open to minors but applications must be made by a parent or legal guardian. Applicants over the age of 75 will be accepted but restricted investment parameters may apply.

Transfers can be accepted whether the transferring pension scheme is already in drawdown, or not.

**Entry Level**

*Is there a minimum amount required for transfer and investment?*

There is a minimum fund value at establishment of £50,000 when all the transfers-in are combined. This can be funded from pension transfers held in other UK registered pension schemes and/or Qualifying Recognised Overseas Pension Schemes (QROPS) or contributions.

However, levels may well be dictated by the minimum investment level of the investment product chosen.

It is important for Members to consider the impact of all fees and charges relating to the SIPP and the investments within it. Low value transfers and modest contributions may be adversely affected by the fees charged. A Member's Financial Adviser should guide them in this area. As a guideline, given the current levels of fees charged, transfers below £50,000 may be considered too small to justify the cost of operating the SIPP and the fees may be disproportionate to the amount invested.

**Transfers**

*What can be transferred in?*

The Sovereign International SIPP will accept transfers in from other Registered Pension Schemes, qualifying recognised overseas pension schemes ("QROPS") and other *bona fide* pension arrangements.

Transfers from Sovereign QROPS products are free of charge, but are subject to the acceptability of the investments held.

*Why transfer to the Sovereign International SIPP?*

There are a number of reasons to consider a transfer:

- Transferring out of a former employer's pension scheme for personal control
- The increased control over investments and wider range of benefits available
- The opportunity to consolidate a number of existing pension arrangements into one plan

## Contributions

*Can a Member make contributions?*

Yes, but they are not compulsory. Regular or *ad hoc* contributions will be accepted subject to the satisfactory source of wealth checks. Contributions may be made by the Member or by an employer (subject to satisfactory due diligence).

There is no minimum or maximum level of contributions although UK tax relief may be restricted to a certain level for UK tax residents. Those affected by the UK Annual Allowance (AA) and the UK Lifetime Allowance (LTA) should take suitable independent advice when considering the level of contributions to a SIPP.

If a Member does not have any relevant UK earnings in a particular UK tax year, or they are less than £3,600, subject to HMRC conditions, a Member may contribute up to £3,600 gross to any UK schemes and receive UK tax relief.

## Permissible investments

*In what may a Member invest?*

The Sovereign International SIPP allows a Member to invest in "Standard Investments". The FCA describes Standard Investments as:

'Standard assets must be classified as a standard asset by the FCA and be capable of being accurately and fairly valued on an ongoing basis, readily realised whenever required (up to a maximum of 30 days), and for an amount that can be reconciled with the previous valuation.'

The FCA standard asset list was published in December 2015, and Sovereign will accept the following investments into the Sovereign International SIPP:

- Cash
- Cash funds
- Deposits
- Exchange traded commodities
- Government and local authority bonds and fixed interest stock
- Physical gold bullion
- Investment notes (structured products)
- Shares in investment trusts
- Managed pension funds
- National Savings and Investment products
- Permanent interest bearing shares (PIBs)
- Real estate investment trusts (REITs)
- Securities admitted to trading in a regulated venue
- Units in regulated collective investment schemes

It is expected that most investments will be held in a bond, on a platform, in a managed portfolio service or via a discretionary fund manager. The key is that an investment (including investments within a wrapper product) must be classified by the FCA as a 'standard asset' and be capable of being accurately valued and sold within 30 days.

## Normal Retirement Date

*When can a Member take benefits from their SIPP?*

A Member can take benefit at any time after age 55, unless they satisfy the ill-health provisions, in which case they may be able to take benefits earlier. A Member may take benefits from their SIPP while they are still working.

**Lifetime benefits**

*What are the lifetime benefit options available to a Member in the Sovereign International SIPP?*

There are a number of options available:

- Up to 25% of the value of the Member's SIPP may be taken as a Pension Commencement Lump Sum (PCLS)
- A pension payable to the Member via "income drawdown"
- Flexi-access drawdown (FAD)
- Uncrystallised Fund Pension Lump Sum (UFPLS)
- Use of the value of the SIPP to purchase an annuity from a life insurance company

*What is income drawdown?*

This allows a Member to take an income from their SIPP without purchasing an annuity. A Member can control the flow of income whilst controlling the capital and minimising any potential UK income tax liability.

A Member can choose a level of desired income each year. HMRC do set minimum and maximum levels for UK tax residents, above which punitive tax liabilities may occur. The minimum income requirement is set at zero.

From the age of 55, a Member can use flexi-access drawdown to take a PCLS and an income from their SIPP as they need it. The fund remains invested and is available for the benefit of a Member's loved ones on death. Unlike an annuity however, the income is not guaranteed and depends on investment performance.

Flexi-Access Drawdown allows a Member to:

- Take up to 25% PCLS
- Take a regular or irregular income of any amount – and change this whenever the Member wishes
- Take an *ad hoc* cash withdrawal at any time
- Keep the remainder of the fund invested, with the potential to keep on growing
- Buy an annuity in the future should annuity rates improve or the Member qualifies for an enhanced annuity on attractive terms

*What is UFPLS?*

It is possible to make one-off or regular cash withdrawals from a Member's SIPP.

These cash withdrawals have the official title of "uncrystallised fund pension lump sums" (or UFPLSs for short).

The withdrawals can generally only be made from pension funds which have not been used to buy an annuity or enter into an income drawdown scheme (these two processes are described as "crystallising" the pension). The pension holder must be aged 55 or older, or meet the ill-health criteria for accessing their pension earlier.

*What is phased retirement?*

Benefits may be taken all at once or spread over a number of years as described above.

However, it is not a requirement to "vest" all benefits at once; they may be taken in tranches as required. Each time part of the benefits are vested, up to 25% of the sum involved may be taken as a PCLS. This allows a number of financial and tax planning opportunities. A Member's Financial Adviser will guide them in this area.

The balance may remain invested, be used for income drawdown or to purchase an annuity.

Additional contributions may also be made into unvested tranches of a Member's pension.

**Important note**: A Member's income in retirement will be based on the SIPP value at the time benefits are taken, together with any applicable income withdrawal or annuity rates. The value of the Member's SIPP depends on the level of contributions paid in, the value of any transfers made from other pension schemes and the investment return achieved. If the Member's SIPP investments perform less well than anticipated, the Member will receive less benefits than expected.

As can be seen above, there are a range of options when a Member comes to access their pension fund. Therefore it is important that Members seek advice from a suitably qualified and authorised financial adviser or avail themselves of the free and impartial guidance service facilitated by the UK Government. This service is called Pensionwise and further information can be found at www.pensionwise.gov.uk.

**Death benefits**

*What happens when a Member dies?*

Funds within a Member's SIPP will generally be paid to the Member's nominated death beneficiaries following death. They can either receive their share as a lump sum or as an income stream.

If the Member dies before the age of 75, there will be no UK income tax on the benefits paid to the beneficiaries. If the Member dies after the age of 75, the beneficiaries will pay income tax on any benefits that they receive at their applicable marginal rate. If the pension benefits were uncrystallised at the time of the Member's death, their value will be tested against the LTA.

The pension benefits will not generally form part of the Member's estate for UK Inheritance Tax (IHT) purposes.

**Transfers out**

*Can a Member transfer out of the Sovereign International SIPP once they have become a Member?*

Yes. Under UK legislation there is a statutory right to transfer from one Registered Pension Scheme to another. The receiving pension scheme must be willing to accept funds from the ceding pension scheme. The Scheme Administrator will make a charge for such a transfer unless it is to another suitable Sovereign Group retirement planning product.

**Costs**

*What are the costs of the Sovereign International SIPP?*

There are charges for both administering and acting as Trustee of a Member's SIPP charged by Sovereign. These are set out in the Fee Schedule. A Member agrees to these fees when they sign an Application Form and agree to adhere to the product Terms and Conditions.

A Member's appointed Financial Adviser and/or Investment Adviser may also charge for the work they do. These charges will be agreed directly between a Member and the relevant adviser.

Additional charges may apply for the actual investments made. These will be advised to a Member by their appointed Financial Adviser and/or the provider of the chosen investment. It is important that a Member understands fully all the charges that are made.

*What administration and trustee services does a Member receive for their money?*

- Establishment of the Member's SIPP
- Provision of banking facilities
- Investment of monies
- Administration of additional contributions and transfers
- Record keeping
- Annual valuations
- Establishment and payment of lifetime benefits
- Administration and closure of the SIPP on the Member's death
- Regulatory and fiscal reporting

**Cancellation Rights**

*Can an applicant change their mind once they have submitted my completed Application Form?*

An applicant has a legal right to cancel their SIPP application within 30 days of the establishment of the SIPP. The SIPP is deemed to be established at the date of signature of the Declaration in the Application Form. If the applicant decides, for any reason, to cancel their application within this period, the Scheme Administrator will return all fees. Upon receipt of an Application Form, the Scheme Administrator will write to the applicant reminding them of this right and when this 30 day period starts and ends.

Because of the legal right to cancel an application, neither the Trustee nor the Scheme Administrator will open any bank account, accept any contribution, start processing any proposed transfers into the SIPP or act on any investment instruction until this 30 day cancellation period has expired. This is because neither party will undertake work if they have no certainty of being paid for that work.

If an applicant wishes the Scheme Administrator to proceed with any or all actions above before this 30 day period expires, there is an option to waive the right to cancel. The applicant can confirm they want to waive the 30 day cancellation rights by signifying this in the Declaration at the end of the Application Form. Alternatively this may be done by writing to the Scheme Administrator as shown in the Terms and Conditions of the Sovereign International SIPP at any time before the 30 day cancellation period expires.

## Complaints and Compensation

If a Member is not satisfied with any element of the services provided by the Scheme Administrator, they should write to the Sovereign Pension Services (UK) Limited's Compliance Manager at the address below. The complaint will be dealt with according to the complaints' procedure, a copy of which is available on request.

If a Member is not satisfied with the reply to their complaint, it can be referred to The Pensions Ombudsman, The Financial Ombudsman Service (FOS), or The Pensions Advisory Service (TPAS). Referring to any of these parties does not affect statutory rights.

Where an unresolved complaint concerns the administration of the SIPP, the Member should, in the first instance, contact The Pensions Ombudsman, which is an independent organisation that will adjudicate between the Member and Sovereign Pension Services (UK) Limited on a complaint of maladministration.

Where a complaint concerns the marketing of the SIPP, the Member should in the first instance direct the complaint to FOS, which provides consumers with a free independent service for resolving disputes with firms.

The Pension Ombudsman can be contacted at: 10 South Colonnade, Canary Wharf E14 4PU.

The Pensions Advisory Service can be contacted at: 11 Belgrave Road, London SW1V 1RB.

The Financial Ombudsman Service can be contacted at: Exchange Tower, London E14 9SR.

Sovereign Pension Services (UK) Limited is covered by the Financial Services Compensation Scheme (FSCS) which has been set up to deal with compensation if an authorised financial services firm is unable to meet claims made against it. Compensation is dependent on the advice provided, type of business, investments selected and the circumstances of the claim. Further information is available from FSCS (www.fscs.org.uk)

The SIPP and its administration is governed by the laws of England and Wales.

## Contact

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