

KEY FACTS ABOUT MW SIPP 2

MW SIPP 2 is an Appropriate Personal Pension Scheme registered with HM Revenue & Customs as a Registered Pension Scheme. This document sets out the key facts about the MW SIPP 2 and you should read it carefully before taking out an MW SIPP 2.

What is a SIPP?

SIPP stands for Self-Invested Personal Pension, which means it is a personal pension i.e. it is your pension scheme, and because it is self-invested, you decide where to invest the monies (taking appropriate professional advice from say an Independent Financial Advisor or Stockbroker).

What are the specific features of MW SIPP2?

- Because it is a Registered Pension Scheme for tax purposes (under Part 4 of Finance Act 2004), it benefits from generous tax reliefs – see below.
- Because it is a pension scheme, benefits can only be taken after age 55
- A tax-free cash sum is available when taking benefits
- You have considerable choice as to the level of benefits you take
- There are no investment restrictions at all – but you should be aware that whilst most investments are wholly tax-free, some are not, and indeed are taxed at penal rate.
- No requirement for you to make regular contributions – you pay contributions when, and at a level, that you decide.
- No requirement to invest your SIPP monies in any particular products. The only restriction is that you must keep at least £1,000 in your SIPP bank account – to cover the fees etc.
- You can choose which bank to use for your SIPP cash above £1,000
- We are totally independent – we are not linked to any insurance company or any other financial institution.
- MW SIPP 2 is an Appropriate Personal Pension Scheme

All the above is explained in more detail later.

What are the legal and administrative aspects of the MW SIPP 2?

- MW SIPP 2 is set up under trust law and is governed by a Trust Deed and Rules
- The sole trustee is MW SIPP Trustees Limited. This is a non-trading company. Whilst it is the legal owner of all the assets of your MW SIPP 2, it holds them for your ultimate benefit – you are the beneficial owner of all the assets of your MW SIPP 2.
- MW SIPP 2 is administered by MW Pensions Limited, a company based in South Wirral, just outside Chester.

What about regulation?

- MW Pensions Limited is authorised and regulated by the Financial Services Authority for the purposes of setting up, administering and winding up personal pension schemes
- Neither MW Pensions Limited nor MW SIPP Trustees Limited are authorised to give financial advice.
- MW SIPP Trustees Limited is governed by Trust Law.
- Money held in your SIPP bank account(s) falls outside the scope of protection provided by the Financial Services (Client Money) Regulations 1991, the Financial Services (Client Money) Supplementary Regulations 1991 and the Financial Services Authority Rules issued pursuant to them

Is a SIPP right for me?

- We cannot give you that advice, because, as explained above, we are not authorised for that role.
- MW SIPP 2 is not a Stakeholder Pension Scheme

- You should seek advice from a suitably qualified Independent Financial Advisor as to whether a SIPP is right for you, or if a Stakeholder Scheme may be more appropriate for your particular circumstances.
- MW SIPP 2 can hold Protected Rights

What is my commitment?

- There is no requirement for you to ever make any contributions to your SIPP. The assets could consist entirely of monies transferred into your MW SIPP 2 from other Registered Pension Schemes.
- If you do decide to make contributions, you choose the amount and the date of such contributions. There are no extra fees in MW SIPP 2 if you make a contribution
- As explained above, a SIPP is a pension scheme and as such you must accept that you cannot take any benefits before age 55
- Therefore, once a contribution has been paid into your SIPP, you cannot take anything back until you meet that age criteria
- However, if you are in genuine life-threatening ill health you can take your benefits before age 55.
- HM Revenue and Customs have certain limits regarding the maximum level of contributions each year that qualify for tax relief purposes and the total value of your overall pension assets when you start to draw benefits. These are fully explained later. It is your responsibility to ensure that you keep within these limits – if you do not, there are potentially penal tax charges.
- You must pay all our fees – both the set up fees and the annual fees
- You must keep at least £1,000 in your SIPP bank account at all times.
- You must instruct us as to where to invest your SIPP assets, or appoint someone to do this for you eg an Independent Financial Advisors or a Stockbroker. We cannot give you any investment advice.

- You must provide us with any information we request from you within the specified timescales to enable us to administer your MW SIPP 2
- You must adhere at all time to the Terms and Conditions of MW SIPP 2 – you sign up to these when you take out an MW SIPP 2.

What are the tax benefits of a SIPP?

We mentioned above that MW SIPP 2 offers generous tax relief. In particular:

- Contributions you make to a SIPP qualify for UK tax relief at your highest rate i.e. if your highest rate is 40% for each £1,000 invested, you effectively pay £600 and the Government pays £400. Full details of how this works are set out later.
- For most investments, both investment income and growth in a SIPP is free from all UK tax – you receive the benefit of all the investment growth.
- On retirement up to 25% of your SIPP value can be paid as a lump sum – totally tax free.
- Employer contributions to your SIPP qualify for Corporation Tax Relief, subject to certain limits.
- In certain circumstances, on death, all of your SIPP value can be paid to your family or dependents free from income tax and inheritance tax (IHT).
- The maximum that can normally be held in your SIPP is £1.8M, which reduces to £1.5M from 6th April 2012. This is called the Lifetime Allowance. If your total SIPP assets exceed this figure there may be penal tax charges – consult your financial advisor

Can I change my mind?

- You have the right to cancel your membership of the MW SIPP 2 within 30 days of the date you sign the Application Form to join the MW SIPP 2
- However, we will not open your SIPP bank account, accept any contributions, start processing any proposed transfers or act on any investment instruction until this 30

day cancellation period has expired.

- You do though have the right to waive your cancellation rights.
- If you waive those cancellation rights, we straight away open your SIPP bank account, accept any contributions, start processing any proposed transfers and act on any investment instruction. But you must think carefully before agreeing to waive your cancellation rights. We also advise you to consult your financial advisor before agreeing to waive these rights.
- You have the right, within the 30 day cancellation period, to change your mind if you transfer any benefits into your MW SIPP 2. But you must be aware that the transferring scheme is not obliged to take the transfer back.
- You do not have any rights to cancel any investment made by your SIPP, unless there is a right to cancel that is specific to that investment.

What are the costs of my SIPP?

- We make a charge for administering your SIPP and acting as Trustee. These are set out in the fee schedule provided to you either by us direct or by your financial advisor. You should read this schedule carefully.
- Your IFA may also make a charge. You must agree these directly with your IFA.
- There may also be charges applied to any investment you make. These should be advised to you either by your IFA or the provider of the investment.

It is your responsibility to ensure you fully understand all these charges.

Eligibility

- You do not have to be resident in the UK to set up a SIPP
- A legal guardian may start a SIPP for a minor.
- You can use your SIPP to receive a transfer from another exempt pension fund.

Contributions

- Contributions can only be paid into your SIPP if you are UK resident or a Crown Servant.
- Contributions can be paid either by yourself, your employer or any individual on your behalf (under the tax rules, this is treated as if you had paid it).
- There is no limit on the amount that can be paid into your SIPP, but tax relief is restricted.
- You personally can contribute up to 100% of your taxable UK earnings for that tax year ("relevant UK earnings") and obtain tax relief on those contributions. But note that this limit applies to your contributions to ALL Registered Pension Schemes – so if you are say a member of an occupational scheme, and pay 5% of your earnings into that scheme, the maximum you could pay into your SIPP and obtain tax relief would be 95% of your earnings. Further, there is an upper limit of the Annual Allowance – see below.
- If you do not have any "relevant UK earnings" in a tax year, or they are less than £3,600, you can contribute up to £3,600 gross to all schemes and receive tax relief.
- All contributions to your SIPP made by yourself, your employer or someone on your behalf are limited to the Annual Allowance, which is £50,000 for tax year 2011/12
- All personal contributions are paid net of basic rate tax. We then claim back the basic rate tax from HM Revenue and Customs and it is paid directly into your SIPP.
- If you are a higher rate tax payer, you reclaim the higher rate tax each year via your tax return.
- All employer contributions are paid gross
- Please see our separate Fact Sheet which explains contributions in more detail.
- You do not have to make contributions to your SIPP. It can be used just to receive transfers from other Registered Pension Schemes, if for instance you wish to have

more control over the investment of your pension assets.

Transfers

Even if you cannot or do not wish to pay contributions you can transfer benefits from another approved pension scheme into a SIPP if:-

- You have changed jobs and want to control your benefits.
- You want to consolidate separate retained pension benefits.
- You value controlling your investments.
- You believe you/your adviser can produce better growth on the existing funds.
- You want to build a good sum to use as deposit for a commercial property investment.
- You are unhappy with the support currently provided to your pension arrangement and wish to move to a different provider who gives the support that you need.
- But see the risk warnings below.

Benefits

You can start to take benefits at any time after age 55, whether you are working or not. If you are in serious ill health that is life-threatening, you may be able to take your benefits before age 55.

The benefits you can receive are:-

- Up to 25% of fund as Tax Free Cash
- A pension paid via income drawdown (see below)
- If you elect to take income drawdown, a spouse or dependent's pension continues to be paid on your death
- Alternatively, either when starting to take benefits or at a later date, you can choose to receive a pension secured by an annuity with a life insurance company

- All pension income (excluding the tax-free lump sum) is subject to income tax, but not National Insurance.

Income Drawdown

- This allows you to take income from your SIPP, rather than purchasing an annuity.
- You can manage the flow of income to meet your needs each year, and minimise your income tax liability.
- A major attraction is the ability to draw a flexible income whilst controlling the capital.
- You retain complete control of the SIPP investments.
- You choose a level of income each year, subject to minimum and maximum limits set down by HM Revenue and Customs. The minimum income is set at zero i.e. no income at all, and the maximum is broadly equivalent to 100% of a "base" pension determined by applying your SIPP fund to rates produced by the Government Actuary's Department. These rates are based on your sex, age and prevailing gilt yields. This "base" pension is broadly equivalent to what you would receive if you bought an annuity (but without actually purchasing an annuity)

Phased Retirement

- Benefits can be taken all at once or spread over a number of years.
- It is not necessary to vest all benefits at once – they can be taken in tranches as you require. Each time you vest part of the benefits up to 25% of the fund involved can be taken as a Tax Free Lump Sum.
- The balance can purchase annuities or remain invested and be used for drawdown.
- Contributions can be made into the remaining segments that have not been vested (your SIPP is split into 1000 "segments").

Death benefits

- If you die before age 75 and before taking any benefits, the whole of your fund other than Protected Rights is paid out tax-free.

The Trustee decides who should be the beneficiary(ies) – this is because the SIPP is set up under discretionary trust and this avoids any IHT liability.

- If you die after taking any benefits (and this includes just taking the tax-free cash sum) your fund is used to either provide an income to your spouse and/or financial dependants (this is done either by income withdrawal or an annuity purchase, whichever they prefer) or alternatively the whole of your fund other than any Protected Rights element can be paid out to them, but less tax at 55%.
- If you die after age 75 but having taken no benefits, your fund is used to either provide an income to your spouse and/or financial dependants (this is done either by income withdrawal or an annuity purchase, whichever they prefer) or alternatively the whole of your fund other than any Protected Rights element can be paid out to them, but less tax at 55%.
- On death any Protected Rights element must be used to provide an income to a legal spouse, dependant or Civil Partner

What investments can I make in my SIPP?

Apart from having to maintain a minimum of £1,000 in your SIPP bank account, there are no investment restrictions. However, whilst most investments are tax free on both UK income and capital gains, some will attract tax charges.

Note also that any investment outside of the UK may attract local taxes which may not be recoverably by your SIPP.

Some investments may attract extra fees. You will be advised if a proposed investment will incur additional fees.

Those that are entirely free of UK tax include:

- Stocks and shares traded on any recognised stock exchange (including the AIM), including:
 - Equities (but note that the ACT on dividends cannot be reclaimed)
 - fixed interest securities issued by governments or other bodies
 - debenture stock and other loan stock
 - warrants (for equities)
 - permanent interest bearing shares
 - convertible securities

- Futures and options traded on any recognised stock exchange whether currency, equity or bonds and either long or short positions or options
- Unit and Investment trusts:
 - resident in the UK and authorised under Financial Services Act (FSA);
 - resident outside the UK but subject to regulation for that purpose in terms of the FSA, including US mutual funds recognised under s86-88 FSA;
 - tax exempt unauthorised unit trusts
- Stocks and shares in investment trusts purchased and held through investment trust
- savings schemes or investment plans operated by persons:
 - resident in the UK and authorised for that purpose under FSA
 - resident outside the UK but subject to regulation for that purpose in terms of the FSA
- Open ended investment companies (OEICs), quoted on a recognised Exchange.
- Insurance company managed funds and unit-linked funds, investment policies or unit linked funds of a UK insurance company or an insurance company within the EEC authorised under Article 6 of the First Life Insurance Directive 79/267/EEC
- Endowment policies traded by a FSA regulated person (TEPs)
- Deposit accounts with any authorised institution in any currency.
- Commercial property (including land whether development land, farmland or forestry) in or outside the UK.
- Undertaking for Collective Investment Schemes in Transferable Securities (UCITS)
 - Foreign currency deposit accounts
 - Public houses
 - Student halls of residence (but not student flats)
 - Hospitals and Hospices
 - Hotels, motels and guest houses
 - Nursing and children's homes
 - Prisons

Can my SIPP borrow?

- Your SIPP can borrow up to 50% of its net asset value.
- You can borrow from an independent financial institution or indeed from someone who is connected to you – even from yourself. However, if the borrowing is

from anyone connected to you, or from yourself, the borrowing must be on commercial terms.

- You can borrow for any purpose. This could be to assist in a property purchase or to buy other investments.
- However, we as Trustee and the lender will need to be certain that your SIPP will be able to pay all the repayment instalments in full and on the due dates.

Can my SIPP lend money?

- Your MW SIPP cannot make loans.

What about property investment?

- Commercial property investments are allowed
- This includes not just retail, warehousing and offices, but also land, hotels and all the other types of property detailed above.
- Direct investment in residential property will attract very penal tax charges. We do not permit this.
- Investment in residential property is permitted provided it is via what is called a "Genuinely Diverse Commercial Vehicle". This can be a unit or investment trust, a REIT or via a company or syndication provided certain criteria is met. Essentially, your SIPP (and no-one connected with you) can own more than 10% of the investment and the investment itself must be a portfolio of at least 3 properties or have a value of at least £1M, with no one property being worth more than 40% of the total property portfolio. No personal use is permitted. This is a complex area. If you wish to consider this type of investment, please contact us for more details.

Can my SIPP invest in unquoted shares?

- Yes, but any such transaction must be done at arms length and be at a price determined independently.
- Investment in any company connected to you may have tax consequences if there is what HM Revenue and Customs classify as "Taxable Property" (basically anything you can have personal use of, such as company cars etc).

- We have certain processes that we require be followed for any investment in unquoted shares. Full details available on request.
- We do not permit investment into unquoted trading companies or companies controlled by the member.
- This is a complex and risky area and should only be done by sophisticated and experienced investors, taking full appropriate professional advice.

What about works of art, yachts, racehorses and the like?

- Investment in any personal chattel will have severe penal tax implications.
- We therefore do not permit such investments.

What are the risk factors?

General

- Most of our fees are fixed and not related to the size of your SIPP investment. Therefore, if your SIPP fund is quite small, the charges may be disproportionate.
- The charges on your SIPP may go up in the future, in accordance with our Terms and Conditions.
- The SIPP is offered on an execution-only basis without pension advice. We cannot give you any advice as to whether a SIPP is suitable for you. You should seek advice on this from an Independent Financial Advisor or someone else suitably qualified.
- A stakeholder scheme may be cheaper for smaller funds.
- You cannot cash in your SIPP. You have to take benefits in accordance with the Rules, and no earlier than age 55. You can though transfer your SIPP assets to another pension scheme, subject to additional charges.
- Tax and pensions law may change in the future.

Transfers in

- 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 giving up the right to receive a terminal bonus on with-profit pension plans.
- A penalty may be applied to your current pension plan if it is transferred.
- We offer an execution-only service, and as such we do not provide advice, we would recommend that you seek advice from a suitably qualified financial adviser if you are considering transferring existing pension benefits into a SIPP

Investment

- You are responsible for deciding where to invest your SIPP assets. If you do not use a professional advisor, the risk will be all yours.
- We do not make investment recommendations. Any investment information is provided solely to enable you to make your own investment decisions and must not be treated as solicitation or recommendation to buy, sell or otherwise deal in any particular investment. We are not authorised to give you an investment advice.
- The value of investments can fall as well as rise and is not guaranteed. 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 advisor, or obtain yourself using calculation tools.
- There is extra risk of losing money when shares are bought in some smaller companies including penny shares. There may be a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back less than you paid for them.

- The price of investments may change quickly and can go down as well as up.
- You will be able to deal in a range of investments each of which carries a different level of risk.
- We do not monitor the performance of the investments in your SIPP. It is up to you or your advisor to do this.
- Multiple investments and frequent dealing in small amounts may also result in excessive costs.
- Some investments eg property, are illiquid and any delayed sale may impact on when you can take your benefits.
- At certain times we are required to obtain the market value of your investments eg when you take benefits. HM Revenue and Customs set out the ways with some investments that they must be valued eg property or unquoted shares. There may be costs in obtaining a valuation in the prescribed manner.

Benefits

- When you draw your benefits, the majority of your benefits will be subject to income tax. You can only take a proportion of your fund tax-free
- Your tax-free cash sum will depend on the market value of your fund at the time you take the lump sum.
- Your income in retirement will be based on your fund value at the time you take benefits, together with the prevailing income withdrawal or annuity rates at the time.
- The value of your fund on which your benefits will be based will depend solely on the level of contributions paid in, plus any transfers from other schemes, and the investment return on those assets. If your SIPP investments perform less well than you anticipated, you will receive less benefits than you expected. Similarly, if the prevailing income withdrawal/annuity rates are worse than you expected, you will receive less annual income from your SIPP.
- The earlier you take your benefits, the less they are likely to be.

- Taking income withdrawal may erode the capital value of your fund, especially if investment returns are poor and a high level of income is taken; this could result in lower income than anticipated in the future.
- If income withdrawals at the maximum level permitted by HMRC are taken, such income withdrawals may not be sustainable. The higher the pension you choose to receive, the higher the probability that your pension may have to reduce in the future.
- If you choose to receive your pension via income withdrawal, there is no longer a requirement to purchase an annuity by your 75th birthday.
- There is no guarantee that annuity rates will improve in the future. If you choose to purchase an annuity, the level of pension you receive when you purchase the annuity may be lower or higher than the pension previously being paid under income withdrawal and/or the annuity you could have purchased initially.

What if I have a complaint?

If you are not satisfied with any element of the services provided by us, you should write to us at:

MW Pensions Ltd
Oaklands Park
Hooton Road
Hooton
South Wirral
CH66 7NZ

It will be dealt with according to our complaints procedure. A copy of our complaints procedure is available on request.

If you are not satisfied with our reply to your complaint you can refer your complaint to either The Financial Ombudsman Service (FOS) or the Pensions Ombudsman. Complaining to either of these organisations will not affect your right to take legal proceedings.

Where your unresolved complaint concerns the administration of your SIPP you should in the first instance direct your complaint to The Pensions Ombudsman, who are an independent organisation who will adjudicate

between you and us on your complaint of maladministration. They can be contacted at:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Tel: 0207 8210065
Email: enquiries@pensions-ombudsman.org.uk

Where your complaint concerns the marketing of our SIPP you should in the first instance direct your complaint to the FOS, who provide consumers with a free independent service for resolving disputes with financial firms. They can be contacted at:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR
Tel: 0845 080 1800
Email: complaint.info@financial-ombudsman.org.uk

We are covered by the Financial Services Compensation Scheme (FSCS). This means that if we become insolvent you may be able to claim compensation. Further details are available from the FSCS at:

The Financial Services Compensation Scheme
7th Floor
Lloyds Chambers
Portspoken Street
London
E1 8BN

The law of England and Wales will apply in all legal disputes.

How do I contact you?

You can contact us at:

MW Pensions Ltd
Oaklands Park
Hooton Road
Hooton
South Wirral
CH66 7NZ

Telephone: 0151 328 1777
Fax: 0151 328 0707
Email: admin@mw pensions.co.uk