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Key Features of the Hornbuckle Mitchell Private Pension

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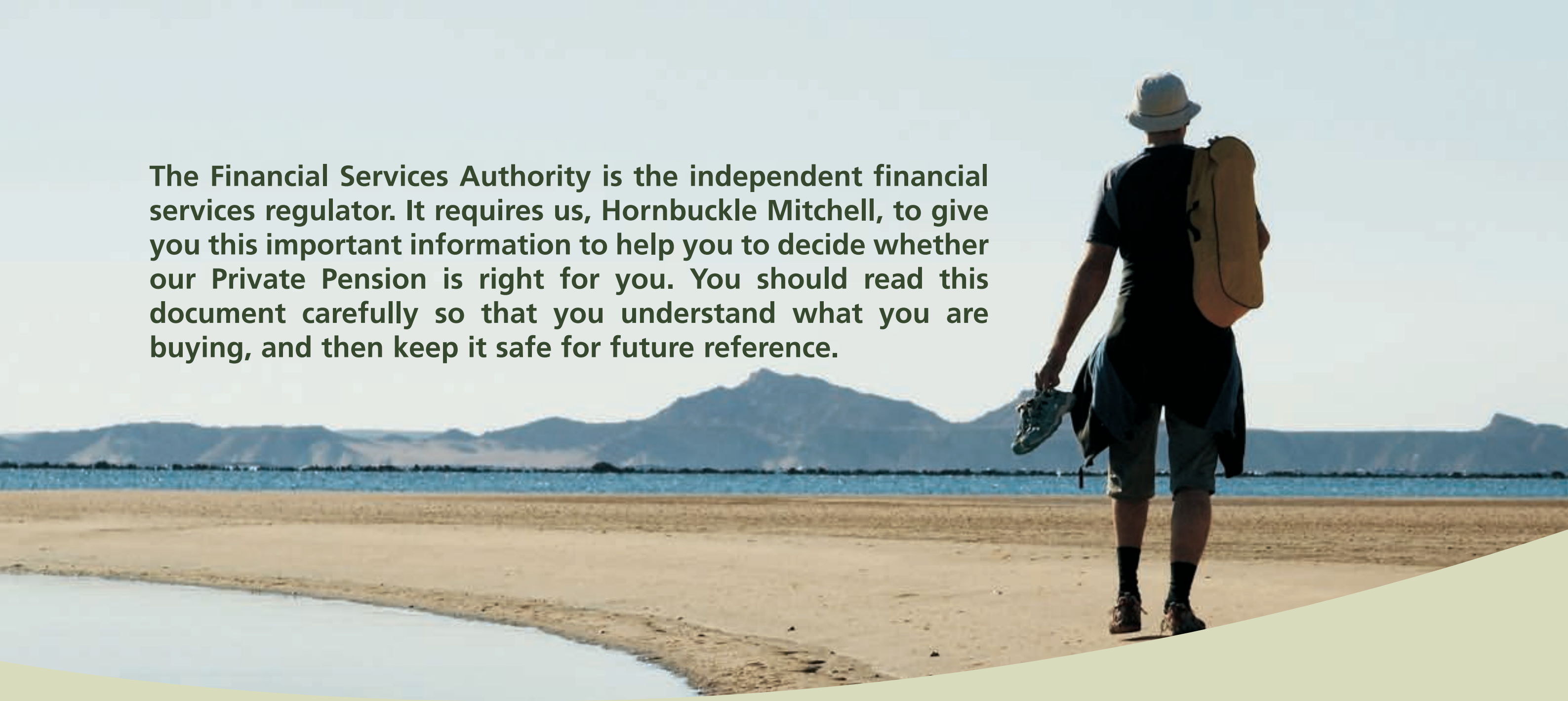

The Financial Services Authority is the independent financial services regulator. It requires us, Hornbuckle Mitchell, to give you this important information to help you to decide whether our Private Pension is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Hornbuckle Mitchell's Private Pension is a Self-invested Personal Pension (SIPP). A SIPP is a type of personal pension that allows you to control where you invest your money.

Hornbuckle Mitchell does not give financial advice so if you are unsure whether a SIPP or taking an income from a SIPP is suitable for your requirements, you must speak to a Financial Adviser.

Its aims

Hornbuckle Mitchell's Private Pension is designed to provide you with:

- A means to save for your retirement in a tax-privileged manner
- The opportunity to invest your funds (including protected rights) in any HMRC permitted investment which does not attract a tax charge
- The option of using your funds (including protected rights) for borrowing calculations
- The ability to make your own investment decisions, in conjunction with your Investment Manager or Financial Adviser, even when you are drawing an income
- A lump sum and flexible income in retirement
- A lump sum, a pension, or both for your spouse or civil partner and or dependants should you die before taking the benefits
- The option to take income from your pension without buying an annuity. Income taken before age 75 is known as unsecured pension and income taken from age 75 is known as alternatively secured pension. Both of these are described in greater detail later in this brochure
- To give you flexibility over the provisions for your spouse, civil partner and/or dependants upon your death including the availability of a lump sum (taxed if you are drawing an unsecured pension) or to draw taxable income in the event of your death
- The option of transferring other registered pension schemes into your Private Pension

Your Commitment

- You commit to make at least one single contribution (either a lump sum payment or a transfer, which can include protected rights, from a previous pension) or regular contributions
- You are not required to continue making contributions
- You will be required to maintain a minimum cash balance of at least £1,000 in your Private Pension prior to taking an income. You will also be required to maintain sufficient funds to pay the next withdrawal once either an unsecured pension or alternatively secured pension is being paid
- You will not be able to draw any benefits until you are at least 50 (increasing to 55 from 6 April 2010)
- You, your investment manager or financial adviser will be responsible for ensuring that the assets held within your Private Pension are suitable to meet your needs and objectives in retirement
- You will be required to tell us each year how much you wish to withdraw from your plan, within HMRC limits
- You will be required to take your tax-free lump sum at the same time as you designate your fund for income drawdown and before your 75th birthday. HMRC rules will not allow a tax-free lump sum to be paid from age 75

Risk Factors

The level of pension at retirement is not guaranteed and may be lower than illustrated if:

- you retire earlier than planned
- you stop or reduce any regular contributions being paid
- the investment returns are lower than illustrated
- you purchase an annuity and the annuity rates are lower than illustrated
- the charges increase at a higher rate than illustrated
- tax rules or legislation changes in the future
- gilt yields, which affect the maximum pension you are allowed to receive, have reduced

You should be aware of the following risks if you decide to draw an income directly from your SIPP:

- High income withdrawals are unlikely to be sustainable
- There is no guarantee that your income will be as high as that provided by an annuity
- The value of the remaining pension fund may not be enough to maintain income at the same level to that from an annuity bought at the outset
- Taking withdrawals may erode the capital value of the fund especially if investment returns are poor and a high level of income is being taken. This could result in a lower income when an annuity is eventually purchased
- Annuity rates may be at a worse level if an annuity purchase takes place
- The higher the level of income taken, the less you will be able to provide for dependants or to buy an increasing annuity
- The level of income that you get from an annuity is based on the average life expectancy of someone of your age and health. A Life Company when fixing an annuity rate will take into account that the funds of those people who die early will remain in a pool to effectively subsidise those who live longer. This is known as 'mortality gain'. Unsecured Pension and Alternatively Secured Pension does not benefit from any subsidy
- The maximum income that can be withdrawn under Alternatively Secured Pension after age 75 is significantly less than the maximum that applies before age 75
- The charges to your Private Pension may increase more than assumed in the illustration(s)

Investment Risks

- Some investments are higher risk than others and you should therefore understand the risk profile of the underlying investments
- The investment performance of the underlying assets may be worse than assumed in the illustration(s). The value of investments can fall as well as rise and are not guaranteed and past performance is not a guide to future returns.
- Some investments may be harder to sell than others, such as commercial property, and you may not be able to sell them when you want to. The value of property is generally a matter of a valuer's opinion rather than fact

If you cancel the plan during the 30-day cancellation period you may get back less than you paid in.

We are required to wait for a period of seven days before purchasing any of the following assets on your behalf:

- Shares (quoted or unlisted)
- Fixed Interest Securities
- Futures and options
- Deposit accounts in any currency
- Agricultural land
- Commercial forestry
- Commercial property

If you waive this right and ask us to complete an immediate purchase, you should understand that you will be responsible for any costs incurred in connection with the purchase should you decide not to go ahead.

Taxation Risks

- There will be a delay in recovering basic rate income tax from HM Revenue & Customs during which time the cost of investments may rise
- Tax legislation (or common understanding of it) and tax rates may change and create additional tax liabilities on you or your pension fund
- An unauthorised payment or investment made by the Plan may result in substantial tax charges on you and your pension fund

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Questions and Answers

What is a SIPP?

Pension Schemes registered with HMRC are granted generous tax incentives to encourage individuals to save for retirement.

A SIPP (Self-invested Personal Pension) is a registered pension scheme that is more flexible than a traditional personal pension and has very wide investment powers.

What about tax?

- No UK tax on income or capital gains is payable by your pension fund, although your pension fund may not recover the tax credit on dividends
- You can take a tax-free lump sum of up to 25% of the value of your fund when you start to take your pension income (subject to the lifetime allowance)
- A lump sum is payable to your beneficiaries in the event of your death before taking your pension benefits which will usually be tax-free
- Pension income is taxed in the same way as earnings, but is not subject to National Insurance and cannot support further contributions
- All personal contributions attract tax relief at your highest marginal rates of income tax and are paid net of basic rate tax. So, if basic rate tax is 20%, you will pay £80 in order to invest £100
- We will reclaim the basic tax relief and add it to your Private Pension. If you are a higher rate tax payer, you may be able to claim some or all of the additional relief through your tax office
- Your employer may also contribute to your Private Pension but their contributions will be paid gross. Employers may be able to claim the contribution as a tax relievable deduction if HM Revenue & Customs considers the contribution was made wholly and exclusively for the purposes of trade
- You are unlikely to be taxed on employer contributions within the annual allowance
- Hornbuckle Mitchell can arrange for a contribution or transfer value to be paid by a transfer of assets. A contribution paid in this way may create a liability to capital gains tax, but will qualify for tax relief as if it were a cash contribution

Will my personal contributions receive tax relief?

You will be eligible for tax relief on your contributions if you are below the age of 75, have a source of UK taxed earnings and are a UK tax resident

What benefits are available at retirement?

- The Plan may provide benefits for you in later life for dependants and beneficiaries in the event of your death
- When you decide to take your benefits, you will be able to take a pension or a reduced pension and a tax-free lump sum
- You may take your pension as an unsecured pension
- If you take an unsecured pension, you will be invited to choose the amount and frequency of withdrawals from the pension fund. The maximum annual withdrawal is determined by regulations. You may choose to take no withdrawal in a year
- You may choose to take your benefits in stages
- An alternative way of providing a pension is for assets to be sold and the proceeds applied to the purchase of an annuity with an insurance company
- If your total benefits from all schemes exceed the lifetime allowance, you will be subject to a lifetime allowance charge on the excess

How much can I invest in the Private Pension?

- You can invest as much as you like, but excessive contributions are not usually tax-efficient
- If your personal contributions exceed your annual limit, you will not qualify for tax relief on the excess

- The annual limit is the greater of 100% of earnings and £3,600 (after tax relief)
- If total contributions (personal and employer) from all sources exceed the annual allowance then you will be taxed at a rate of 40% on the excess

HMRC has set the following amounts for the annual allowance and the lifetime allowance:

Tax year starting	Annual allowance	Lifetime allowance
6 April 2009	£245,000	£1.75m
6 April 2010	£255,000	£1.8m

The levels of both the annual allowance and the lifetime allowance will remain at the 2010/11 rate for a further five tax years.

How will contributions be invested?

- Contributions will be paid directly into an interest bearing current account with Bank of Scotland before being invested according to your wishes. The interest paid is variable and full details of the current rates are available at **www.hornbuckle.co.uk/TechnicalCentre/InterestRates.aspx**
- We will only veto the purchase of an asset if the purchase could create a legal or tax liability
- In the absence of an instruction from you as to how money should be invested, it will be held in the Bank of Scotland SIPP bank account
- In the absence of an instruction from you, we will use our discretion when deciding which investments to encash in order to pay benefits, charges and taxes

What happens if I am ill?

If you have to give up your normal job because of sickness or accident, the Private Pension can provide benefits in the form of a pension or tax-free lump sum and reduced pension

If you are so ill that your expectation of life is less than one year, the whole fund may be converted to cash (by selling assets) and paid to you as a tax-free lump sum

What is Unsecured Pension?

- It is an option available to anyone over 50 (55 from 2010) and under 75. It provides a means of taking benefits from pension funds without committing to the purchase of an annuity immediately
- It allows you to take up to 25% of your fund immediately as a tax-free lump sum. This option must be taken at outset; otherwise it will be lost
- Your Private Pension comprises of one arrangement, made up of 1,000 segments, some or all can be put into unsecured pension. The level of income can be varied within Government Actuary Department (GAD) limits
- In broad terms the maximum level of income is currently approximately equal to 120% of what could be provided by a conventional single life, level annuity. The minimum is 0%. Income levels are revised by GAD every five years and an appropriate adjustment to the level of income you receive may subsequently be necessary, where the level of income initially selected is above the maximum revised GAD limits

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What is Alternatively Secured Pension?

- It is an option open to anyone from age 75 who wishes to either avoid or defer buying an annuity
- In broad terms the maximum income is 90% and the minimum income is 55% of a comparable level single life annuity at age 75. The maximum income is reviewed annually
- On death a pension can continue to be paid to your spouse, civil partner or dependents
- On the death of the your spouse, civil partner and or dependants the remaining fund can be passed to a charity of the SIPP member's choice, with no tax liability
- Alternatively, the fund can be passed to the family or estate. The tax charges on death are significant with an unauthorised benefits charge of 70% plus inheritance tax of 40% which leads to a combined rate of tax of 82%. HMRC have made the taxation of alternatively secured pension very complex and individual advice should be sought before taking this option

Will my SIPP benefits affect my State Benefits?

- The benefits from a SIPP should only very rarely affect entitlement to state benefits.
- In particular, the state pension is not affected by income from other sources and the pension credit only has an impact on those with pension income which is well below what a SIPP investor could anticipate

What happens if I die before taking the benefits?

The full value of your fund will be used to provide benefits for your beneficiaries, subject to HMRC rules.

You will be asked to 'express a wish' as to who those beneficiaries should be and the trustees of the scheme will usually abide by your wish.

Any lump sum, up to the value of your personal lifetime allowance can be paid to your spouse or civil partner and or dependants. This is usually free of inheritance tax and can only be paid within two years from the date we are notified of your death. If the lump sum exceeds the lifetime allowance when added to any benefits already taken by you, there will be a lifetime allowance tax charge at a rate of 55%.

Alternatively, the fund can be used to purchase an income for your dependants in which case the income will be taxed at the dependants' marginal rates of income tax and there will be no lifetime allowance charge.

What happens if I die after taking the benefits?

This will depend upon how benefits are being taken.

If you have purchased an annuity, it may provide a dependant's pension. The policy document will provide full details of the benefits available.

If you die whilst you are in Unsecured Pension, your nominated survivor (spouse or civil partner) has three different options open to them;

- they can take a cash lump sum (with a tax charge of 35%),
- they can buy an annuity with the fund, or
- they can choose to continue taking Unsecured Pension

With Unsecured Pension, not only can you receive an income, but it also maintains the flexible financial protection from the residual fund. If there is no surviving spouse/dependant/civil partner the cash lump sum, less a 35% tax charge is paid out to your beneficiaries.

What are Protected Rights?

Protected rights is the element of your pension fund that has accumulated by contracting-out of the Second State Pension Scheme (S2P), previously known as the State Earnings Related Pensions Scheme (SERPS). You may have accrued Protected Rights funds in the form of:

- An Appropriate Personal Pension Plan which has received National Insurance rebates
- A company pension scheme which is either a contracted-out money purchase or a final salary pension scheme

Since 1 October 2008 Protected Rights can be held within a SIPP however the funds have to be ring-fenced and in the event of the death of the member a 50% spouse or civil partner's pension must be secured. The requirement to provide a survivor's pension is likely to be abolished from 2012.

Can the Private Pension accept Protected Rights funds?

Yes but only in respect of transfers. It can not be used to contract-out of S2P.

What are the Charges?

- **SIPP administration:** Hornbuckle Mitchell will charge fees for administering your SIPP. In addition to the set up and annual fee, the only other fees are transaction based ensuring that you only pay for the services you need - please refer to the separate fee schedule for full details.
- **Financial advice:** It is between you and your Financial Adviser to agree on the fees charged for the initial and ongoing SIPP advice but we will only deducted these fees from your SIPP with your written consent.
- **Investment charges:** There will also be charges associated with the underlying investments held within your SIPP and these will vary depending upon the investment type and your financial adviser will be able to provide you with full details.

If you want to hold property or land in your SIPP then insurance cover will also be required.

Your interest bearing SIPP bank account is provided by Bank of Scotland who pay Hornbuckle Mitchell variable commission calculated on the aggregate cash balances held across all SIPP bank accounts.

How is the SIPP Structured?

The Private Pension is established using a master trust confirming the scheme rules and a deed of appointment is used to create an individual trust for each member. This means that all members are co-trustees as such, named as co-owner of their assets and can choose to be a signatory on all transactions.

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Further information

Your right to change your mind
You will have 30 days from the day that you receive the Notice of Cancellation in which to change your mind. If you wish to cancel your Private Pension please either complete the Cancellation Notice or write to us at:
The Compliance Department, The Hornbuckle Mitchell Group plc
Tyman House, 42 Regent Road, Leicester LE1 6YJ
T 0845 345 2555

Law
This contract is governed by the laws of England & Wales and any disputes will be subject to the exclusive jurisdiction of the English Courts.

Language
This contract will be provided to you and concluded in English and all communications between us will be in English.

Complaints
If you are not satisfied with any aspect of our product or service you may wish to register a formal complaint against us. In the event of this please contact:
Complaints Department, The Hornbuckle Mitchell Group plc
Tyman House, 42 Regent Road, Leicester LE1 6YJ
T 0845 345 2555 OR email: complaints@hornbuckle.co.uk

Please note that any complaint regarding advice given to you by your Financial Adviser should be referred to them. If you cannot settle your complaint with us, you can refer your complaint to Financial Ombudsman Service, which is an independent dispute resolution service and can be contacted at:
South Quay Plaza, 183 Marsh Wall, London E14 9SR
T 0845 080 1800

You may also make a complaint to The Pensions Advisory Service (TPAS) and if they are unable to help you, you contact the Pensions Ombudsman. Addresses are available upon request.

A copy of our complaints procedure is available on request. Making a complaint will not affect your legal rights.

Compensation
Hornbuckle Mitchell Group plc is covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the scheme if we cannot meet our obligations.

This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum compensation is £48,000. Bank deposit accounts are also covered by the FSCS and their clients are covered for 100% of the first £50,000, subject to a maximum payment to any one depositor of £50,000. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

About Hornbuckle Mitchell
The Hornbuckle Mitchell Private Pension is provided by Hornbuckle Mitchell Trustees Limited (No. 02741578) and The Hornbuckle Mitchell Group plc (No. 02089815). Hornbuckle Mitchell Trustees Limited is the corporate Trustee and The Hornbuckle Mitchell Group plc is the scheme administrator.

The Hornbuckle Mitchell Group plc is a wholly owned subsidiary of Hornbuckle Mitchell Holdings Limited (No. 03578067) and is authorised and regulated by the Financial Services Authority under reference number 120820.

Hornbuckle Mitchell cannot give financial advice and will not accept clients without a financial adviser.

Important
This document is based on our current understanding of legislation and Revenue practice, which are liable to change. The effect of taxation (including any relief) depends on individual circumstances. Stakeholder pension schemes are generally available and might meet your needs as well as the SIPP.

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