



## Key Features of Hornbuckle Mitchell's Small Self-Administered Scheme (SSAS)

Please read this carefully as it provides you with the main points about the pension scheme.



A SSAS is a type of retirement benefit scheme that allows you and other members to control how scheme money is invested.

The assets are owned by the trustees who are also responsible for ensuring that the scheme is run according to pensions law.

Hornbuckle Mitchell will be responsible for the registration of the scheme with HM Revenue & Customs (HMRC) and its administration in accordance with the trustees wishes and the law.

### Its aims

Hornbuckle Mitchell's SSAS is designed to provide you with:

- a means to save for your retirement in a tax-privileged manner
- the opportunity to invest in a broad range of investments, including commercial property, subject to HMRC rules
- 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
- the option of transferring other registered pension schemes into your SSAS
- a tax-free capital sum when you become entitled to your pension

### Your Commitment

- The members of the Scheme will also act as trustees
- To make at least one contribution or transfer value to the Plan
- You will not be able to draw any benefits until you are at least 50 (increasing to 55 from 6 April 2010)

- You must decide how you wish to take your benefits before you reach your 75th birthday
- You will be required to provide us with your UK bank account details in order that we can credit your account with pension payments
- You will be required to maintain cash of at least £1,000 in your scheme
- You will be required to tell us each year how much you wish to withdraw from your Scheme within the regulatory limits. The amount can be varied during the year. We will advise you of the regulatory limits
- You will be required to take your tax-free lump sum at the same time as you designate your fund for Unsecured Pension and before your 75th birthday. HMRC rules will not allow a tax-free lump sum to be paid from age 75
- You will be required to tell us which assets to sell or encash in order to provide benefits, to pay charges and taxes and to provide a transfer value if appropriate
- Your pension fund will be responsible for meeting its liability to overseas taxes, stamp duty and UK Value Added Tax
- Charges for the administration of the SSAS may be paid by you or your employer. Charges may be deducted from your SSAS, in the event that they are not paid by you promptly, by selling assets of your choice
- The trustees will be responsible for the suitability of the Scheme's investments. You should seek the views of

your adviser with regard to suitability of investments in meeting your objectives and with regard to the tax consequences

- You will be responsible for ensuring that your tax reliefs are maximised on payment of contributions and taking benefits
- You will be responsible for providing information to Hornbuckle Mitchell to enable them to calculate your liability to income tax in respect of transactions under the Scheme and to provide information as required to HMRC

### 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

You should be aware of the following risks when you start to draw an income:

- 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 the annuity is eventually purchased
- Annuity rates may be at a worse level when an annuity purchase takes place
- The higher the level of income taken, the less you will be able to provide for dependents 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 gender. 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 SSAS 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

### Taxation risks

- 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. This is a complex area which requires professional advice. Please note that as Scheme Administrator, Hornbuckle Mitchell Trustees Ltd will collect any tax charges levied on the Scheme Administrator from the Scheme



## Questions and Answers

### What is a SSAS?

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

A SSAS (Small Self-administered Scheme) is a registered pension scheme that is more flexible than a traditional retirement benefit scheme. It has very wide investment powers and can invest in funds managed by fund managers on your behalf.

A SSAS scheme is a scheme established by an employer, or business owner.

Membership of a SSAS is restricted and the trustees are usually the members. This allows greater flexibility and avoids the member-protection requirements of the Pensions Acts.

### 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 certain dividends
- You can take a substantial tax-free commencement lump sum when you start to take your pension income
- A substantial lump sum may be 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
- Personal contributions attract tax relief at your highest marginal rate of income tax
- You will not be taxed on employer contributions within your annual allowance
- 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
- 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 and stamp duty, but will qualify for tax relief as if it were a cash contribution

### Am I eligible to join a SSAS?

- You must be below the age of 75 if you wish to pay further contributions or if contributions are to be paid on your behalf, for instance, by your employer
- As a relevant UK individual you will be entitled to tax relief

### What benefits are available under the SSAS?

- The Plan may provide benefits for you in later life or benefits 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 phase in the start of your benefits
- Another 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. The excess can be payable as a lump sum from which tax will be deducted at 55% or it can be paid as a pension from which tax of 25% will be deducted from the excess

### How much can I invest in the SSAS?

- 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 or £3,600 (before 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
- If you take all your benefits from the Plan, contributions in the same tax year will be ignored when measuring against the annual allowance



Parliament has set the following amounts for the annual allowance:

Tax year	Annual allowance
2007/08	£225,000
2008/09	£235,000
2009/10	£245,000
2010/11	£255,000

The level of the annual allowance will be reviewed at 6 April 2011 and every five years thereafter.

### What is the lifetime allowance?

The standard lifetime allowance is the maximum amount of tax privileged savings that any one person can accumulate in registered pension schemes. HMRC has set the following amounts for the lifetime allowance:

Tax year	Lifetime allowance
2007/08	£1,600,000
2008/09	£1,650,000
2009/10	£1,750,000
2010/11	£1,800,000

The level of the lifetime allowance will be reviewed again on 6 April 2011 and every five years thereafter.

### How is the scheme run

- Hornbuckle Mitchell Trustees Ltd act as the Professional Trustee and Scheme Administrator
- All members will also be Trustees of the Scheme
- All assets are co owned by Hornbuckle Mitchell Trustees Ltd
- Hornbuckle Mitchell Trustees Ltd is a co signatory to the Scheme Bank Account, and must be a co signatory to any other accounts the Scheme holds

### Can I make additional contributions to the SSAS?

- You can invest as much as you like, but excessive contributions are not usually tax efficient
- You may make single or higher regular contributions at any time
- There will be a small fee for processing a single contribution or a higher regular contribution
- You will not be committed to continuing the additional contribution
- Payments will be subject to an annual allowance for entitlement to tax relief

### What happens if contributions to the SSAS reduce or stop?

- There are no penalties for reducing or stopping contributions, but if charges are being taken from the scheme then the value of the fund may be reduced

### How will the scheme funds be invested?

- The scheme will be invested according to your wishes, within HMRC requirements
- In the absence of an instruction from you cash will be held in the scheme bank account
- In the absence of an instruction from you, Hornbuckle Mitchell will use its discretion when deciding which investments to encash in order to pay benefits, charges and taxes

### When can I take my benefits?

- You can usually start your pension benefits at any time from age 55, but before 75
- If you wish to take pension benefits before 6 April 2010, they may start from age 50
- You may take benefits earlier than the normal minimum pension ages of 50 and 55 if you have retained a right to an earlier pension age allowed under pre-6 April 2006 rules or because you have had to stop work because of illness or accident

- If you have not started to take your pension benefits by age 75, your share of the Scheme will automatically be converted to an alternatively secured pension as required by law
- No tax-free lump sum is payable from age 75

### **Will my SSAS benefits affect my state benefits?**

- The benefits from a SSAS 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 SSAS investor could usually anticipate

### **What happens if I die before taking the benefits?**

- If you die before taking pension benefits, the fund can be applied to providing a lump sum for your beneficiaries
- 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
- If the lump sum from all registered pension schemes exceeds the lifetime allowance when added to any benefits you have already taken, there will be a lifetime allowance tax charge at a rate of 55% on the excess or 25% tax charge if taken as income
- The lump sum will usually be free of inheritance tax
- 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 your nominated survivor receive an income, but the flexible investment of the residual fund is also maintained.

Alternatively, a cash lump sum, less a 35% tax charge can be paid out to any beneficiaries.

### **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 dependents the remaining fund can be passed to a charity of the SSAS 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 55% 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



### Contracting-out

Whilst your Plan cannot be used to contract-out of the state pension scheme, transfers of protected rights from other registered pension schemes can be paid into a separate Personal Pension Plan offered by Hornbuckle Mitchell.

### Can the trustees make loans?

The Trustees can make loans to the principal employer or any other company participating in the scheme.

Loans are restricted to a maximum of 50% of the net market value of the SSAS fund. Such loans must be secured against assets by way of a first charge. The maximum term permitted is five years, with the interest being at least equivalent to the rate prescribed by HMRC, currently 1% above the average base-lending rate of the six listed high street banks.

It is not possible to make loans to the member or anyone connected to them. Unconnected third party loans are acceptable.

### Can the trustees borrow funds?

The Trustees can borrow funds to assist in the purchase of an asset or to create liquidity for the provision of benefits.

The maximum the SSAS can borrow is 50% of its net fund value at the date of the loan. There is no restriction from whom the lending may be made from or the terms of the loan.

### What are the charges for the SSAS?

Please refer to the Fee schedule for details of the fees charged in relation to the administration of your SSAS.

The interest rate paid on the SSAS bank account is variable and calculated as follows:

On Balances	Gross Rate
1st £5,000	2.00% below the Bank of England Base Rate
Next £15,000 (£5,000 – £20,000)	1.50% below the Bank of England Base Rate
Next £480,000 (£20,000 – £500,000)	0.75% below the Bank of England Base Rate
Over £500,000	0.50% below the Bank of England Base Rate

Bank of Scotland pays the Hornbuckle Mitchell Group interest calculated as follows:

On Balances	Rate
1st £5,000	1.80%
Next £15,000 (£5,000 – £20,000)	1.30%
Next £480,000 (£20,000 – £500,000)	0.55%
Over £500,000	0.30%

Interest is calculated on the daily cleared balance and paid to your account on the last business day of each month. It will be paid after deduction of tax at the rate ruling on the date of application unless the necessary HMRC documentation has been completed by the customer and accepted by the Bank.

This information is based on that provided by Bank of Scotland. Bank of Scotland is not responsible for any inaccuracy or omission in the reproduction of this information.

## Further information

### 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:

The Compliance Officer

The Hornbuckle Mitchell Group plc

Tyman House, 42 Regent Road, Leicester LE1 6YJ

T 0845 345 2555

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.

### About Hornbuckle Mitchell

We are authorised and regulated by the Financial Services Authority. Our FSA register number is 120820. You can check this on the FSA's Register by visiting the FSA's website [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register) or by contacting the FSA on 0845 606 1234.

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