

An introduction to  
**The Rathbone Greenbank SIPP**



**Investing in your financial future**



## An ethical choice for your pension

The Rathbone Greenbank self-invested personal pension (SIPP) is designed to enable clients to have their pension assets managed against their individual social, ethical and environmental criteria. It also enables clients to take full advantage of the increased flexibility provided by the new rules for the investment and management of SIPPs.

The Rathbone Greenbank SIPP is provided by Rathbone Pension & Advisory Services Limited whose specialist team has many years of experience in administering the Rathbone SIPP.

Investment management services are provided by Rathbone Greenbank Investments. Rathbone Greenbank Investments has been at the forefront of ethical investment since 1992, launching one of the UK's first tailored ethical portfolio services. It has its own in-house research team, aiming to ensure the suitability of investments for its clients' ethical requirements.

Rathbone Pension & Advisory Services and Rathbone Greenbank Investments are part of Rathbone Brothers Plc which, through its subsidiaries, is a leading, independent provider of investment and wealth management services for private clients and trustees.

# The Rathbone Greenbank SIPP

The Rathbone Greenbank SIPP is designed to provide individuals with greater control over the investment strategy and ethical profile of their pension fund than is offered by traditional pension products.

It also provides flexibility to take retirement benefits to suit your lifestyle. It combines both the traditional and new concepts in pension planning and, unlike many insurance-based pensions, it provides a tailored, economic and transparent way of putting you in control of your future.

The Rathbone Greenbank SIPP provides you with:

- a tax efficient way to save for your future;
- the ability to consolidate existing pension plans into one arrangement;
- control and tailoring of the investment strategy of your pension fund;
- the ability to ensure that the investment strategy of your SIPP reflects your personal concerns and interests over social, environmental and ethical issues;
- flexibility in your savings strategy to take account of changes to your lifestyle;
- the ability to choose how and when you can draw the benefits; and
- a simple and transparent charging basis.

*The Rathbone Greenbank SIPP offers great flexibility for investors to consolidate their existing pension arrangements and take control of their investment strategy but it cannot, currently, be used to receive transfers of existing protected rights funds or be used to contract out of the state second pension.*

*For advice on existing protected rights benefits or on contracting out please contact your financial adviser.*

## Managing your investment

Rathbone Greenbank Investments will act as investment manager of your SIPP assets.

The Rathbone Greenbank SIPP provides investment flexibility by allowing a wide range of investments including shares, fixed interest securities, collective investments and commercial property. The Rathbone SIPP terms and conditions, which apply to the Rathbone Greenbank SIPP, provides a detailed list of the investments permitted within the Rathbone Greenbank SIPP.

We cannot accept responsibility for the purchase of investments made that are not acceptable as *permitted investments* and you are advised to check with your investment manager before making any investment decisions.

Please note that Rathbone Greenbank Investments does not manage direct investment in commercial property nor can it give advice on this type of investment.

If you do not wish to take advantage of the investment management services of Rathbone Greenbank Investments, you can switch to a standard Rathbone SIPP and appoint an external manager or operate the fund on an advisory or execution-only basis.

Contributions and transfers from other pension funds will initially be invested in a designated bank account, pending investment. All investments must be registered in the name of Rathbone Pension & Advisory Services (Trustees) Limited which is the trustee of your SIPP scheme.

Rathbone Greenbank Investments is a trading name of Rathbone Investment Management Limited, and is a separate legal entity to Rathbone Pension & Advisory Services Limited. This means that there is segregation between the provider and Trustee of your SIPP, and the appointed investment manager. Rathbone Greenbank Investments and Rathbone Pension & Advisory Services Limited are authorised and regulated by the Financial Services Authority.

# The Rathbone Greenbank portfolio management service

## **Our tailored approach**

Rathbone Greenbank's SIPP investment management service is for investors who want their SIPP actively managed across a range of asset classes, including direct equities, fixed income, funds and alternative investments to create a personalised investment strategy that is designed to meet their individual needs and aspirations, as well as their concerns and interests over social, environmental and ethical issues

With a Rathbone Greenbank SIPP, all clients have a direct relationship with the the person responsible for managing their investments (an investment manager rather than a client relationship manager) and we aim to construct investment portfolios based on a genuine understanding of the circumstances and needs of an individual client.

## **Putting a portfolio together**

In the first instance we complete a thorough review of a client's circumstances examining the key areas that affect how we structure and populate a suitable investment portfolio. This is carried out in conjunction with your investment adviser.

There are many areas for discussion, such as when an individual wants to retire and their appetite for investment risk. The approach to such factors may be affected by the size of an existing portfolio's assets and the projected rate at which an individual will either be able to contribute further to their SIPP or to draw income from the fund.

At Rathbone Greenbank Investments, we also recognise that everyone's ethical priorities are different. We will ask you to complete an ethical questionnaire in order to establish your interests and concerns. These will then be reviewed in more detail with your investment manager, who will also discuss the likely financial impact of your ethical criteria.

Based on this, we will construct a portfolio that offers good financial prospects while reflecting your values and interests. We will produce reports describing the social and environmental features of each holding so that you can see why individual investments have been selected.

When recommending asset allocation for a SIPP portfolio prior to retirement, our investment managers are also guided by our proprietary Rathbones model. This model, developed by Rathbones' investment committee, relates allocation between the different asset classes to age, time to retirement and risk profile. As clients approach retirement, it is common to reduce the volatility of the fund by increasing the weighting in bonds and cash.

We recommend broad asset allocation bands which are fine-tuned according to our views on macroeconomic trends and market valuations, as well as the client's individual profile.

## **Managing SIPPs after retirement**

Following retirement, a SIPP scheme member has a number of options open to them. They may choose to generate income from their SIPP by buying an annuity or, through the careful management of their SIPP assets, to provide appropriate income levels.

Should a SIPP scheme member choose to take income from their portfolio, we consider an asset allocation that reflects their income requirements, appetite for investment risk and wider financial planning needs.

# Contributions, transfers and the lifetime allowance

The new pension rules, introduced in April 2006, now allow much greater flexibility and freedom to contribute to pension arrangements and through the introduction of the annual allowance, greater contribution limits will allow individuals the freedom to build their pension savings quickly.

So as to control the tax relief available to individuals, the lifetime allowance was also introduced at the same time. Whilst this effectively 'caps' the tax efficiency of an individual's pension fund, it in itself is at a high enough level for pensions to be an important retirement vehicle.

## Contributions

Since April 2006, providing you are under age 75 and resident in the UK (or have been in the previous five tax years), you will be eligible to contribute to a SIPP and receive tax relief on your contributions.

## Annual allowance

The annual allowance for contributions has been set by the government as follows:

Tax Year	Annual Allowance
2006/2007	£215,000
2007/2008	£225,000
2008/2009	£235,000
2009/2010	£245,000
2010/2011	£255,000

If your total contributions, including any employer contributions and any accrual during the year under a final salary pension scheme, exceed the annual allowance then any excess will be taxed at 40%.

## Tax relief on contributions

Tax relief at the basic rate of tax will be added to personal contributions up to the earnings threshold, currently £3,600, or 100% of your earnings (whichever is the higher figure) up to the annual allowance limit.

For example:

- If you wish to pay a gross contribution of £10,000 you will actually pay £7,800 (assuming a basic rate of tax of 22%). We will reclaim from HM Revenue & Customs an amount equivalent to basic rate tax on your behalf and apply it to your fund on receipt from HM Revenue & Customs.
- If you pay a higher rate tax you will be eligible to claim higher rate tax relief by notifying HM Revenue & Customs through your self-assessment tax return. We will provide a contribution payment certificate (CPC) as evidence of the contributions paid.

## Transfers

It is possible to establish your Rathbone Greenbank SIPP for the sole purpose of consolidating some or all of your previously accumulated pension rights or funds. We can accept such transfer values but you should consider the benefits that you may be giving up. *If you are unsure whether to transfer an existing pension arrangement, you should seek financial advice.*

## Lifetime allowance

If the combined value of your Rathbone Greenbank SIPP and your other pensions benefits exceed the lifetime allowance when you start taking your pension, they may be subject to tax.

The lifetime allowance is to be set at the following levels:

Tax Year	Lifetime Allowance
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000

Any fund value exceeding this allowance if it is taken as income will be taxed at 25%, plus income tax as appropriate, or 55% if taken as cash.

# Benefits

The recent changes to pensions mean that there are fewer restrictions and more options on how and when you can take your pension benefits. The Rathbone Greenbank SIPP is designed to provide complete flexibility so that you can use the options to maximise the effectiveness of your pension fund.

## Retirement flexibility

You do not need to retire or even stop working to draw benefits from your SIPP fund, as long as you have met the minimum retirement age which is age 50 (2006/2007) rising to age 55 (2010/2011) - subject to limited exceptions for certain occupations with reduced retirement ages.

Furthermore, in order to provide ultimate flexibility the Rathbone Greenbank SIPP is divided into a number of identical segments, such that you can take your benefits in stages over a period of time by using some of the segments and leaving the balance untouched. You can therefore phase your retirement over a number of years. In any event you must make sure that by the time you reach age 75 your full pension fund is set up to pay you an income (please refer to retirement benefits below).

When you decide to take one or more of the benefits from your pension fund this is now known as a *crystallisation event* where you can elect to take part as a tax free lump sum and use the remaining balance to provide you with an income.

At the time of taking benefits there will be a test against the lifetime allowance and before doing so, you should consider the implications of this with your financial adviser.

## Retirement benefits

When you decide to take benefits from your pension fund you will have a number of options:

### Tax free cash

Normally you will be entitled to receive up to 25% of your total pension fund(s) (or the value of the benefits being taken) as a tax free lump sum (also referred to as pension commencement lump sum), subject to an overall limit of 25% of the lifetime allowance. In some cases individuals may have applied for enhanced or primary protection to protect their tax free cash entitlement prior to 6 April 2006, which may be higher than these amounts.

The remainder of your fund after taking your tax free cash must be used to provide a pension which will be subject to tax. This must either be a:-

### Secured pension in the form of:

- **Lifetime annuity:** where an income is payable by an insurance company for as long as you live and can, if you choose, be a level or increasing amount and payable to a spouse or partner on your death.
- **Short-term annuity:** where you can use all or part of your pension fund to buy an annuity lasting up to five years (or to age 75 if sooner).
- **Capital protected annuity:** these types of annuity will pay out a lower income than a lifetime annuity, however, on death before age 75 your dependants will receive a lump sum equal to the cost of your annuity, minus the income that you've already been paid.

or

### Unsecured pension;

This is also referred to as income withdrawal and allows the holder to take an income each year from £0 up to a maximum amount calculated in accordance with a statutory calculation provided by the Government's Actuary's Department. The maximum income will be established at outset and then reviewed at five year intervals.

At age 75 your pension income must be secured either by purchasing an annuity or via an:

### Alternatively secured pension

Alternatively secured pension operates on a similar basis to income withdrawal (unsecured pension) where the holder can take an income between a minimum and maximum level. These minimum and maximum income levels will be reviewed yearly.

All pension payments may be paid monthly, quarterly, half-yearly or yearly either in advance or arrears; and will be taxed as earned income.

### Death benefits

The position on death benefits is complex and it is advisable to seek professional advice to ensure you have the most suitable arrangement, taking into account any tax charges and other regulations which can change from time to time.

The treatment of your fund on death can vary:

#### Prior to drawing benefits

In the event of death before drawing benefits – a crystallisation event - the whole of the SIPP fund, up to the lifetime allowance, can be paid as a lump sum to your nominated beneficiaries, so long as the lump sum does not exceed the lifetime allowance (or your protected amount). This lump sum, under current law and practice will be tax free and will not normally form part of your estate for inheritance tax purposes.

Amounts in excess of the lifetime allowance, paid as a lump sum, will normally be subject to a 55% tax charge; or used to provide a taxable pension. In some cases individuals may have applied for enhanced or primary protection to protect their funds in excess of the lifetime allowance from a tax charge.

#### Post drawing benefits and before age 75

If an annuity - secured income - has been purchased then the death benefits will be the contractual benefits contained within the annuity.

If income withdrawal - unsecured pension - is selected the following options are available:

- A surviving spouse, civil partner or dependant may choose to continue with an income withdrawal arrangement until he or she reaches age 75 (or the member would have reached age 75 if earlier) when they would have the option of continuing the withdrawals through an alternatively secured pension please see page 8. Alternatively they could purchase an annuity with the fund or take the fund as cash, subject to a tax charge of 35%.

- If a surviving spouse, civil partner or dependant dies before purchasing an annuity then the whole of the fund, less a 35% tax charge, could be paid to nominated beneficiaries.
- If there is no surviving spouse, civil partner or dependants then the whole of the fund less a 35% tax charge could be paid to your nominated beneficiaries.

#### Post drawing benefits and after age 75

Under these circumstances, unless the member is receiving income from an annuity, their fund will be in alternatively secured pension and the following options apply:

- Where there are dependants (surviving spouse, civil partner or financially dependant children) then the funds are used to provide a taxable dependant's pension (either by an annuity or income withdrawal).
- If there are no dependants then the remaining fund can either be paid to members of the same scheme (which could include non-dependant children) or, alternatively, the funds can be paid tax free to a charity.

Please note: Payment of benefits on death under an alternatively secured pension can give rise to significant tax charges.

#### Tax

You should always consult your legal or other professional adviser about how tax may impact on your retirement plans. For example, inheritance tax may be payable on SIPP funds in certain circumstances. The way that the Rathbone SIPP is taxed can also change in the future.

# Administration

An essential part of our service is the provision of sound and efficient administration including:

- Preparation and completion of all documentation to establish your SIPP.
- Provision of an interest bearing bank account.
- Acting as the Rathbone Greenbank SIPP scheme trustee and complying with all trustee requirements.
- Arrangements for receipt of contributions and recovering basic rate tax on your personal contributions.
- Providing certificates to support contributions and tax relief claims
- Setting up administration record systems for your fund.
- Maintaining scheme records and ensuring you receive valuations.
- Processing transfer payments and in specie transfer of assets into and out of the fund.
- Where possible, obtaining repayment of tax deducted at source on investment income for your fund.
- Provision of annual statements, detailing assets, contributions and transfer payments received into your fund, and amounts of tax recovered from HM Revenue & Customs.

*Please refer to our separate schedule of charges for information regarding our fee structure.*

Rathbone Greenbank Investments is a trading name of Rathbone Investment Management Limited, which is authorised and regulated by the Financial Services Authority.

The Rathbone Greenbank SIPP is provided by and administered by Rathbone Pension & Advisory Services Limited.

The Rathbone Greenbank SIPP is a branded version of the Rathbone SIPP and as such the provisions within the Rathbone SIPP documentation will apply.

This booklet is based on the Rathbone SIPP terms and conditions and our understanding of legislation and HM Revenue & Customs practice at the time of writing. Legislation and HM Revenue & Customs practice may change from time to time.

The Rathbone Greenbank SIPP is an investment for the purposes of the Financial Services and Markets Act 2000 and the rules made for the protection of investors by that Act will apply.

We are a participant in the UK Financial Services Compensation Scheme (which provides a measure of protection where an investment firm is unable to meet its obligations to its client to an amount of 100% of the first £30,000 (or currency equivalent) and 90% of the next £20,000 (or currency equivalent) so the maximum compensation is £48,000. More information about this scheme and on your eligibility to benefit from the protection provided by the scheme is available on request or from the Financial Services Compensation Scheme.

This document is published by Rathbone Pension & Advisory Services Limited as a service and does not constitute a solicitation, nor a personal recommendation for the purchase or sale of any investments. You should consult your Financial Adviser before taking any action.

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The Rathbone SIPP is recognised as a registered pension scheme by HM Revenue & Customs.

This document is intended to give a brief introduction to some of the features of the Rathbone Greenbank SIPP. It should not be relied upon as advice or a comprehensive guide on your retirement options. Specific professional advice should always be obtained which considers your particular circumstances. The options available under the Rathbone Greenbank SIPP are subject to the terms of its trust deed and rules.

This document is a brief guide to the Rathbone Greenbank SIPP. It does not include the full terms and conditions. For more detailed information about the SIPP, please refer to the trust deed and scheme rules together with the Rathbone SIPP key features and Rathbone SIPP terms and conditions which govern the Rathbone Greenbank SIPP. Copies of these documents are available from our administration department. Please contact: The Pensions Administration Manager, Rathbone Advisory & Pension Services Ltd, Port of Liverpool Building, Pier Head, Liverpool L3. Telephone +44 (0) 151 236 6666.

## Contact details

For more information about the Rathbone Greenbank SIPP please contact the pensions administration team at:

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