

PILLING & Co

STOCKBROKERS

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Self Invested Personal Pension

SIPP

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INDEPENDENT STOCKBROKERS
SINCE 1893

PILLING & CO STOCKBROKERS

Pilling & Co is proud of the firm's independence in offering skilled Stockbroking and Investment Management Services over three centuries. Our head office is named after our founder, Henry Pilling, who launched the firm in 1893. We offer a professional and friendly service to clients around the world and were pleased to receive our fourth award in the last eight years from the Investors Chronicle who's readers voted us the UK's "Best Execution Only Stockbroker" in 2007 for "Customer Service".

We specialise in "self-select" Personal Equity Plans (PEPs), Individual Savings Accounts (ISAs) and "self-invested" Personal Pensions (SIPPs). Our expertise in these specialist products now also extends to Child Trust Funds (CTFs). However, we do not just give you sound information to enable you to choose your own investments, all administered by us, we also offer a personalised "tailor made" Investment Management and Discretionary service.



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The Pilling Pension: An Overview

Over the past decade pensions have changed beyond recognition. On one hand successive governments have continued to alter the legislation in the hope of encouraging more of us to save for retirement – with no clear success. On the other hand a number of pension 'scandals' has removed confidence in this huge financial sector. SIPPs (Self-Invested Personal Pensions) could be the answer for those seeking control in a world where it is easy to have that control taken away from you.

Pilling & Co's SIPP is one of the cheapest and simplest available but still provides Pilling's renowned high service standards. As was the case in the early nineties when Pilling revolutionised Self-Select PEPs we are again making a highly desirable investment realistically available to the people who want it by providing SIPPs which are the most adaptable of pension vehicles.

Q. What are SIPPs ?

A. Self-Invested Personal Pensions (SIPPs) were launched by the Government in the 1989 Budget to allow independent investors to choose and control their own investments in a form which is virtually free of tax. There is **no income tax** on income arising on investments and **no capital gains tax**.

Q. What are the benefits of Pilling SIPPs ?

A. There are many. Here are a few examples :-

- There are no hidden bid/offer spreads, initial units, transfer or early retirement penalties.
- The full fund value is available on death before retirement which can normally be paid as a lump **sum free of Inheritance Tax** (subject to lifetime allowance).
- You receive full **tax relief** at your highest rate on all personal contributions (subject to Inland Revenue limits).
- Your pension fund accumulates **free of income tax or capital gains tax** for the chance of greater growth.
- Up to 25% of your pension fund (subject to lifetime allowance) may be taken as a tax-free cash sum at retirement.
- You do not have to actually retire from work to take your benefits (vesting) - a pension may normally be vested at any time between the ages of 50 to 75. However, the minimum age is rising to 55 by the 6th April 2010.
- You need not buy an annuity from an Insurance Company, but can draw an income from your fund while, within certain limits, keeping full investment control. This is called unsecured pension (USP) before age 75 and alternatively secured pension (ASP) after age 75.
- Using USP, you can take the maximum tax-free cash from the SIPP, while reducing the immediate pension income (to zero if you wish) until a higher level is needed. This can assist capital growth and reduce your personal tax bill.

Q. Why a Self-Select Pension ?

A. A SIPP is one of the most tax efficient investments. The Pilling Self-Invested Personal Pension gives you an economical way to control the investment risk, strategy and performance of your own pension arrangement.

One problem with conventional pension arrangements is that, once invested, **your contributions are largely beyond your control** until you are ready to take retirement benefits. You are locked into the investment performance of your chosen pension manager. With-Profit contracts can be particularly difficult to reconcile.

You could transfer to another scheme, but why suffer heavy cash penalties and further setting up charges on the new arrangement just because you want to change your investments. With a SIPP you have the freedom to change your investments as often as you want.

Q. How does it work ?

Pilling & Co employ a professional pension management firm to carry out some of the administration. It is branded "SIPP Centre", part of the A J Bell family of products.

A J Bell Management Limited is the Scheme Administrator of the Sippdeal e-sipp and is responsible for the day to day administration and management of the scheme. Sippdeal Trustees Limited, a wholly owned subsidiary of A J Bell Management Limited, is the trustee of the scheme.

A J Bell Management Limited is part of the A J Bell Group, one of the UK's leading SIPP administrators with assets under trusteeship exceeding £5bn and are regulated by the Financial Services Authority. Sippdeal Trustees does not conduct any regulated activities and is, therefore, not regulated.

Bank of Scotland is the provider/establisher of the Sippdeal e-sipp. The Bank will satisfy any statutory obligation that it may have from time to time, as provider/establisher of the Sippdeal e-sipp.

The investments and investment management are administered by Pilling & Co, taking **your** instructions for the investments you choose for your fund. In addition, we produce half yearly valuations and statements.

Q. Who can invest ?

A. Pilling SIPPs are open to you if you are under 75 years of age regardless of your income level. Without net relevant earnings or with low earnings you can still contribute up to £3600 (£2880 net) each year.

Q. How much can I invest ?

A. You may invest 100% of your relevant income (in most cases your earned income) subject to an overall maximum. The maximum for this tax year has been set at £235,000 with a lifetime limit of £1,650,000. The table below details the tax years, contribution limits and lifetime limits that apply.

Tax Year	Contribution Limit	Lifetime Allowance
2006/07	£215,000	£1,500,000
2007/08	£225,000	£1,600,000
2008/09	£235,000	£1,650,000
2009/10	£245,000	£1,750,000
2010/11 - 2015/16	£255,000	£1,800,000

Members of occupational pension schemes must first deduct the value of their occupational scheme accrual of benefits for the tax year from their personal contribution headroom.

Q. Who chooses the investments ?

A. You do. We try to make sure the investments you choose for your SIPPs are allowed. However, we do not accept any tax consequences and/or liabilities of any kind should we later find that, whatever the reason, you have chosen non-qualifying or unsuitable investments.

Our dealers are pleased to provide free investment assistance (always on a general "**Execution Only**" basis) to enable you to make your final investment decisions. However, you are always responsible for suitability and future investment performance. Pilling Advisory Service will be happy to provide more detailed personal analysis of your investment portfolio once you return our "**Client Agreement** ." Details are available on request.

Q. I am a financial adviser. Can I introduce pension business to Pilling & Co ?

A. Yes. Financial advisers that are registered with the FSA who introduce pension clients to us can receive up to 3% initial and up to 0.5% annual renewal commission on contributions and resulting fund values respectively. This must be agreed by the client in the initial application. In addition, financial advisors **must** complete our indirect Client Supplementary Terms of Business (available separately) to register an agency with us.

With client approval, advisers can give instructions or receive information from us on behalf of their client.

Q. Where does Stakeholder fit in ?

A. The Pilling SIPP does not qualify under Stakeholder rules because it expresses its charges clearly as an annual fee, plus commissions. That does not mean that a Pilling SIPP must be more expensive than a Stakeholder plan.

With the introduction of Stakeholder Pensions, rules were changed to allow any UK resident (including children) earning less than £30,000 pa who is UK resident to contribute up to £3600 pa to a personal pension. This is a great family tax break for Inheritance Tax mitigation and setting up investments for the long-term future of minors. We offer a "Kiddie" SIPP for children under 18 at half the annual and set-up fees with a very large choice of funds. On reaching age 18 the plan becomes a full SIPP with a full investment choice.

Q. Can I buy and sell shares within my SIPP ?

A. Yes. You can manage your SIPP investments **without restriction**, and your fund may be held entirely in cash if you choose.

Q. What investments can I make in the SIPP ?

A. Most pension arrangements restrict you to the internal funds of the chosen pension provider. However, our SIPP gives you a very wide choice of direct investments such as :-

- Stocks and Shares quoted on the UK Stock Exchange and securities on the AIM but not PLUS Quoted markets.
- Similarly quoted government or corporate bonds and debt instruments.

- Stocks and Shares traded on a recognised overseas stock exchange. Dealing terms may vary depending on which market the stock trades.
- Unit Trusts, Investment Trusts and OEICS.
- Some hedge funds (subject to necessary authorisation).
- Covered warrants (subject to completion of an application form which allows us to assess the appropriateness of complex products).

Q. Do you deal "instantly" ?

A. Yes. Unlike many schemes, our expert dealers will deal for you as soon as possible. We **do not** deal only "**once a day,**" or even just "**on certain days of the week**". If preferred, you can often hold on the telephone while we do your deals.

Q. How do you confirm my deals ?

A. A contract note is sent to you for every deal showing price, commission etc. If you do not have a contract note, or the contract you have received is incorrect please tell us without delay and at least **within 2 business days**. Regardless of cause, we can accept no financial liability for missing or incorrect contract notes unless this is brought to our attention within **10 business days** of the original deal(s).

Q. Can I transfer from existing pension funds to Pilling's SIPP?

A. Yes. But, **under no circumstances** is Pilling & Co ever responsible for advising you on the suitability of transferring existing schemes into our SIPP. This decision is your own and transfers are, **without exception**, accepted on this basis.

Q. Can I transfer protected rights in to a Pilling's SIPP?

A. Yes. From 1st October 2008 it will be possible to transfer funds held within a Protected Rights Pension scheme into a Self Invested Personal Pension (SIPP). Protected Rights are also referred to as 'Contracted Out Pensions' or 'SERPS Pensions'

Pension provision is a complex area for most clients, and we impose certain restrictions on the transfer of existing pension arrangements to ensure the suitability of the scheme. We accept instructions for pension transfers directly from clients who are **authorised under the Financial Services Act**, such as solicitors, accountants, actuaries etc., but, we strongly recommend that clients who are not so authorised should first take independent financial advice.

Over a period of time, Pilling & Co has built up a good working relationship with leading firms of independent financial advisers and we can recommend them to you for specialist pension advice.

Further details are available from your usual contact at Pilling & Co, or please speak to our Investment Department on : **0161 - 832 6581**

Q. May I leave the SIPP in cash ?

A. Yes, but you should not regard this as a permanent investment arrangement, more as a temporary home for funds during periods of market uncertainty.

Q. Do you pay interest on cash?

A. Yes. Quarterly, we pay gross interest on your cash on a tiered system at rates fixed by Pilling & Co. Your cash is always held in accounts segregated from our own, and only in banks which are authorised and regulated by the FSA. We pay interest to your account after a variable administrative deduction. An example of the rates are detailed below and our current rates are always available on request.

£	rate
0 - 6999	0.50%
7000 - 24999	1.00%
25000 - 49999	1.50%
50000 and over	2.50%
Interest is credited quarterly. Amounts less than £1.00 will not be credited	

For tax reclaims and to process your contributions, an account in your name will be held by Sippdeal with the Bank of Scotland. This will also enable future income drawdown facilities.

Q. How are dividends dealt with ?

A. Dividends paid by the companies in which you invest are credited to your accounts. Together with Sippdeal Trustees Limited, we will **claim any income tax** deducted from interest, corporate bonds, or other eligible stocks on an annual basis and credit this to your account.

Q. How do you deal with “Corporate Actions?”

A. We write to to tell you of any action effecting your investments including conversion and subscription rights, takeovers and similar offers. We process any capital reorganisations, demergers etc. You may only take up rights issues and open offers in a SIPP if you have cash in the plan, or can add new cash to your SIPP. If you do not have enough cash, then the funds must be raised **inside** the plan. Where investments are pooled, entitlements are allocated on a “pro rata” basis and are rounded down to the nearest whole unit. **You must give your clear instructions** (preferably in writing) **direct to the Pilling SIPP Department by the requested date, or we can accept no responsibility whatsoever for any resulting losses or liabilities.**

Q. How are my SIPP investments registered?

A. Through CREST, where available, in our nominee "St Ann's Square Nominees Limited". **You are always the beneficial owner of the investments.** They are never part of Pilling & Co's assets nor, indeed, the nominee company's assets. There may be occasions when identical stocks are pooled together within Crest, or at another custodian, as one block under the title of SASNL. These cannot then be attributable to any individual client and ownership will be evidenced by an electronic bookkeeping entry at Pilling & Co instead of a physical certificate. In these circumstances you are warned, that in the unlikely event of an unreconcilable shortfall after the failure of a custodian, clients may share in that shortfall in proportion to their original share of the assets in the pool.

Q. Are my investments secure ?

A. Yes. Pilling & Co **accepts absolute responsibility** for St Ann's Square Nominees Limited. Your investments are not only protected under the Financial Services Compensation Scheme (FSCS), but, with the security of Pilling clients in mind, we also maintain additional professional financial risks insurance to cover the changing level of turnover in our business. If your investments must be held by a third party, we will use our best endeavours to make sure that only recognised and well-respected financial institutions are used. There may be further risk with non-UK based custodians because of different settlement, legal and regulatory requirements. In some cases dividend payments may be briefly held in a custodian's overseas bank account before payment is made to Pilling & Co. However, we do not accept responsibility for such third party safe custody obligations.

Q. Do I get valuations and statements ?

A. We send you half yearly portfolio valuations and accounting statements at no extra cost.

Q. Do you produce newsletters ?

A. Yes. We send you our PEPTalk every three months. We also produce a monthly newsletter which we can also send to you via e-mail.

Q. Can I receive Company Reports and Accounts ?

A. To reduce administration costs, we suggest that these are obtained from the respective Company Registrars direct.

Q. Do I have the same rights as an ordinary shareholder ?

A. Yes. By negotiation, we can arrange for you to attend company meetings, to vote and to receive any other relevant information that is sent to share or unitholders direct.

Q. Why is a Pilling SIPP "Low Cost" ?

A. Pilling & Co is registered as Plan Manager and Advice and Deals Manager, allowing you to take advantage of the tax benefits of SIPPs on a cost-effective basis. Our competitive administration charges and dealing commissions (see "Charges" Section) mean you take greater benefits from your pension fund.

Q. What are the dealing charges ?

A. With a **minimum of only £10**, our dealing commission per bargain is 1.65% of the first £10,000 value, 0.5% on the next £90,000 and 0.4% on any excess. We must charge you Government stamp duty at 0.5% of the value when buying UK shares, preference stocks, convertibles and investment trusts and the standard industry levy of £1 applies to all bargains over £10,000. These terms may vary for overseas stocks.

Q. Is there any commission on unit and investment trust transactions ?

A. Yes. Buying and selling investment trusts is on our normal scale, as are unit trust/OEIC sales. **No further commission** will be charged on buying unit or OEIC fund when we are paid commission from the managers direct.

Q. Are there any charges for closing or transferring a Pilling SIPP ?

A. Cash can be transferred to another SIPP manager at **no cost**. You may prefer to sell the investments at our normal dealing rates to convert them into cash. Individual shareholdings can be transferred out of the SIPP to another SIPP manager at a cost of **£20 plus VAT** per holding. Please note there is also a fee of **£75 plus VAT** payable to Sipdeal when you transfer out to another manager.

Q. Although "Self-Invested" can Pilling manage my SIPP ?

A. Yes. Not every client has the confidence, or wishes to run his or her fund without help and we are happy to offer Investment Managed and Discretionary Managed facilities to both new and existing Pilling SIPP investors.

We also offer Income, Higher Income, Growth, Select Opportunities and Overseas strategy portfolio models with the *Pilling Ideal Portfolio*.

Q. What is the Investment Management Service ?

A. This is where your investment decisions are made with the help of your own stockbroker. We will discuss any ideas you have or indeed create a portfolio structure for you. You will receive full written reports on your portfolio with an economic review every six months. Our fee for the management of your portfolio is 0.5% per annum of the value on the first £250,000 and 0.25% on any balance. The fee will be charged every six months in arrears at the time of your review.

Q. What is the Discretionary Management Service ?

A. This is where tactical decisions are made by us and acted upon without the need to contact you. Some clients work abroad and are happy that their interests are being looked after when they are away. Others simply wish to rest easy in the knowledge that their assets are receiving professional attention.

Our fee for this service is 1% per annum of the portfolio value up to £250,000 and 0.5% on any excess. Again this is charged every six months in arrears. We send you contract notes, confirming all deals we have done for you. You can always see what is happening to your account and you will be sent full investment valuations and personal portfolio reviews each half year. You will have your own personal portfolio manager who can discuss all aspects of the portfolio and the strategy behind it.

Q. Is Income Withdrawal available before age 75?

A. Yes, by taking an Unsecured Pension (USP) and for an additional annual fee of £150 plus VAT charged by SIPP Centre. Up to the age of 75 we can arrange for you to drawdown income from your plan. Once you complete a 'Benefit Form' we request a calculation of what income you can take based on your age, sex, prevailing Government Actuary Department (GAD) relevant annuity rates and size of your fund. You can also elect to take up to 25% tax-free lump sum (subject to individual confirmation). A typical drawdown calculation would look like this: -

£100K SIPP FUND	£25K	Tax-Free Cash - To You	
	£75K	Drawdown Fund -	Maximum Income = £6322.00
			Minimum Income = £ nil
			NB: This income is taxed

Based on 65 year-old male as at 24/04/06.

Once a calculation has been made you then need to select an annual income figure between the two limits. The calculation, and therefore the maximum / minimum income figure is usually revised every five years whereupon the figures may go up or down depending on changes to age, fund value and FSA Single Life Annuity rates. You may elect to receive your income monthly or annually, in advance or in arrears.

Q. What about Phased Income Withdrawal?

A. It is the same basic procedure as income withdrawal only it allows you to put part of the SIPP into drawdown and leave part 'fully invested'. The following example shows a simple 50:50 split.

£200K SIPP FUND	£100K SIPP FUND		
	£25K	Tax-Free Cash - To You	
	£75K	Drawdown Fund -	Maximum Income = £6322.00
			Minimum Income = £ nil
		NB: This income is taxed	

Based on 65 year-old male as at 24/04/06.

The untouched £100,000 SIPP fund remains invested and can grow before being put into drawdown, or purchasing an annuity at a later date. Amongst the planning options, this allows retirees to hedge their bets on obtaining better annuity rates in the future. Normally your SIPP is split into 1000 segments allowing variation on the above 50:50 scheme.

Q. What happens when I reach age 75?

A. You must take benefits on or before your 75th birthday. When you get to 75 however you cannot take or continue USP. So, you may elect to take an annuity at this stage or use ASP, Alternatively Secured Pension. This method of income withdrawal allows you to take between 55% and 90% of the Government FSA Single Life Annuity rate for a 75 year old, reviewed annually. This is available for an additional annual fee of £250 plus VAT charged by SIPP Centre.

CHARGES AT A GLANCE

SIPP COMMISSIONS & CHARGES

DEALING COMMISSION (per Deal)

1. UK Equities, Preference Shares, Convertibles, Investment Trusts, Overseas Transactions, UK Gilts, Debentures and Loan Stocks etc.

Minimum	£10
1.65% on the first	£10,000
0.50% on the next	£90,000
0.40% on the excess over	£100,000

For UK purchases add 0.5% Stamp Duty

For Overseas transactions please add any Overseas Tax or Stamp Duty, plus transaction and annual charge of up to £50 where a 3rd party settlement agent is required. (As stocks vary, please enquire at time of dealing).

2. Unit Trusts/OEICS

Sales are on the same scale as (1) above. Purchases are usually free due to a rebate to Pilling & Co by the Managers, otherwise they are charged as (1) above.

3. Bed & SIPP Charges

Sales are free, purchases are at normal rates. The minimum is £10. For sales of a different security to that repurchased we make a flat £10 charge.

4. SIPP Administration

Set up fee	£200 (of which £120 levied by SIPP Centre and £80 by Pilling & Co)
Annual fee	£200 in arrears
Transfer in	£60 per scheme, maximum £300
Transfer out	£20 per stock, plus £75 per scheme
Income withdrawal—USP (up to age 75)	£150 p.a. in advance
ASP (over age 75)	£250 p.a. in advance

The kiddie SIPP **set up** and **annual fees** are half of the above. All other fees are the same.

All administration charges are plus VAT

Commission paid to Registered Intermediaries

Up to 3% of initial fund value and up to 0.5% per annum trail may be paid to a Independent Financial Advisor by SIPP Centre via deductions from your account. We do not share dealing commission or management fees.

WHAT TO DO NEXT

To open a SIPP dealing account with Pilling & Co, simply complete the enclosed form. Please complete all sections of the form and supply documents for money laundering purposes for us to process your application as fast as possible.

More application forms are needed to set up an account with SIPPdeal, the Pension Trustees. These will be sent to you with most of your details already filled in.

Please call us with any questions on **0161 832 6581** between 8.00am and 5.15pm on any business day when there is always someone here to help you.

ENCLOSURES

Enclosed are the following documents which you may need. (Additional documents are available by request).

- **Pilling SIPP Application form**
- **Client Agreement**

For more information please telephone **0161 832 6581** for brochures on any of the following :-

- **Full Services Brochure**
- **Client Agreement**
- **ISA Brochure**
- **CTF Brochure**
- **Nominee Agreement**
- **Monthly Newsletter by e-mail**
- **Quarterly ISA & PEPTalk**
- **Pilling Ideal Portfolio (PIP)**

IMPORTANT NOTICE PLEASE READ CAREFULLY

Pilling & Co is regulated by the Financial Services Authority (FSA) No. 141242 and therefore subject to the jurisdiction of the Financial Ombudsman Service (FOS).

A leaflet detailing our own internal Complaints Handling Procedure is available on request together with booklets describing the operation of the FOS and the Financial Services Compensation Scheme (FSCS) and how to get in touch with them.

Information in this brochure is for guidance only. It is not a recommendation for SIPPs or any other product or to join the Pilling Investment Management or Discretionary Service without proper consideration of your personal financial circumstances and investment needs. Whilst every effort is made to ensure accuracy, we cannot be held liable for any errors or omissions in this brochure. The past is not a guide to future performance, and the tax treatment of investments depends on individual circumstances and is subject to statutory change. Since the value of investments and the income they produce can go down as well as up, you may not always get back the full amount originally invested.

Identification Requirements

As I am sure you are aware we are required to conduct Anti-Money Laundering identification checks. To satisfy these requirements you are required to provide documentation to confirm your identification and separate documentation to confirm your address. We detail below the types of documents you can use

For verification of name you could use the following:-

- An Inland Revenue tax coding notification form or tax demand, not a letter from the Inland Revenue
- A state pension notification form or benefits/disability/attendance allowance notification, again, not a letter from the Benefits Agency.
- A certified copy of a signed passport or driving licence, the copies may be certified by a professional person, such as a solicitor, GP, accountant or your bank. The person certifying the copy must state that they have seen the original document. Additionally they must give their name, capacity and contact details.

If you do send an original driving licence or passport, we strongly recommend you use a recorded delivery service as we cannot be held liable should it get lost in the post.

For verification of the address you can use the following: - (please note that we cannot accept a mobile telephone bill).

- A recent utility bill
- A bank statement
- A local rates or rent bill

NEW SIPP FORM

To be used with all new pension applications by agents and direct clients

CLIENT DETAILS	
Title	First Names (in full)
Surname	
Address	
Postcode	E-Mail
Tel (Home)	Tel (Work)
Tel (Mobile)	Fax
Date of Birth	National Insurance Number

How will you fund your SIPP?

Contribution	<input type="text"/>
Cash Transfer of Existing Pension (Number of Schemes, if appropriate)	<input type="text"/>
In specie Transfer of Existing Pension (Number of Schemes, if appropriate)	<input type="text"/>

I agree to Pilling & Co's General Terms & Conditions and SIPP account Terms & Conditions

Signed
Name
Date

FOR ADVISERS ONLY

Authority for 3rd party to give instructions	Agent commission instructions
I agree that <input type="text"/> (Agent) can instruct Pilling & Co to give dealing, corporate action, cash movement and settlement instructions for this account. <input type="text"/> Signed (Client)	I agree that my Agent <input type="text"/> can claim initial commission of <input type="text"/> % of initial contributions and <input type="text"/> % per annum trail fee on my portfolio value. Agent Bank Account No. Sort Code <input type="text"/> Signed (Client)
Agent FSA Number Agent VAT Number Agent Stamp	<p>Agents must also complete Pilling & Co Indirect Clients - Supplementary Terms of Business form in order to become registered agents</p>