



**Hartsfield<sup>®</sup>**  
Financial Services Limited

Professor Ian N M Day of  
BristolPad Ltd

Small Self Administered Scheme (SSAS)  
Benefit Crystallisation: Pension Commencement Lump Sum

Suitability Report

Date of recommendation:  
6<sup>th</sup> November 2015

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**STRICTLY PRIVATE & CONFIDENTIAL**

Professor I N M Day  
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6<sup>th</sup> November 2015

Dear Ian,

This report can be seen as a useful reminder, both now and in the future, of what was discussed and the rationale behind my recommendations. Please ensure that you read it, understand its contents and contact me if there is anything in this report about which you require further clarification.

Also provided is a copy of a document which summarises your personal details and the structure of your financial plans and arrangements which are relevant to the financial decisions you are making following my advice. You have also been provided with our 'Combined Initial Disclosure Document (CIDD)' and 'Standard Client Agreement/Terms of Business' (ToB).

Hartsfield Financial Services Limited is authorised and regulated by the Financial Conduct Authority. Our company FCA number is 615731 and our status as a regulated body can be found using the FCA register: <http://www.fsa.gov.uk/register/home.do>

We are committed to providing the highest standard of financial advice possible. As a firm we take seriously the requirements of the FCA, in particular our industry's aim to treat all customers fairly.

This covers our service standards procedures:

- When we provide advice
- In all communications with clients
- In situations where something goes wrong

This report is written within the guidelines of our "Treating Customers Fairly Policy", a copy of which is available upon request.



**Richard Kolasinski APFS**  
**Chartered Financial Planner**  
**Hartsfield Financial Services**



## **SCOPE OF MY ADVICE**

Hartsfield Financial Services Limited is an Independent Financial Adviser firm, meaning that our company is free to research the whole of the market for the best products and financial solutions to suit your objectives. This means that we are not restricted in any way to the products of a single provider and work at all times with your best interests in mind.

It is important that you understand my advice. Therefore, you should read this report in conjunction with the above-mentioned documents and any plan specific documents which have been supplied to you. You should pay particular attention to the sections on charges and cancellation. If you believe that any information in these documents is materially incorrect, or if you have any questions, please let me know as soon as possible.

Upon request, I would be pleased to provide you with additional information regarding any aspect of the advice, product or procedures outlined in this proposal. Please therefore ensure you take this opportunity to read and understand the information contained within this report.

The financial needs dealt within this report are based upon my analysis of the information you have provided to me. You should review your needs from time to time as they may change. The recommendations made in this report are valid now, but may not be in future and you should therefore let me know if your circumstances or objectives change at any time, regardless of whether that is between any regularly scheduled reviews that we put in place.

## **FOCUSED ADVICE**

My recommendations focus on providing advice relating to how you can use your existing investment assets to inject further working capital into your business – BristolPad Ltd – as tax-efficiently and cost-effectively as possible. In addition, I will also factor in your future retirement plans and the income that you are seeking to achieve to support your lifestyle in retirement.

Given that you have attained the age of 55 this year, means that through current pension legislation you are now able to access pension benefits and you have expressed an interest in accessing your tax-free cash entitlement; namely your Pension Commencement Lump Sum (PCLS) and therefore, my advice will also look at the various ways in which this can be achieved, whilst meeting your additional requirements.

## **CLIENT CLASSIFICATION**

As per our “Terms and Conditions of Business”, a copy of which you have received and signed, you are being treated as a ‘Private/Retail Client’. Retail client classification is afforded the highest level of protection incorporating recourse to the full Financial Ombudsman Services and the Financial Services Compensation Scheme. If you have any questions concerning this, please let me know.

## **PERSONAL DETAILS**

You have been provided with ‘Confidential Financial Review Forms’ (Fact Find) dated 10<sup>th</sup> February 2015 which provided a detailed picture of your current financial circumstances and will form the basis of the advice that is being provided to you, both now and going forward.

You have confirmed that there have been no changes to your circumstances and the details that we currently hold remain valid. This document should be reviewed regularly and I would kindly ask that let me know if and when there are changes in your circumstances.



For a detailed overview of your financial and personal circumstances, you should refer to your individual 'Confidential Financial Review Forms'; however, in summary:

• Your personal circumstances:

- Ian, you are 55 years old, married to Phoebe Jun Sun who is a Cardiologist
- You own your main residence in St Andrews, Bristol where you have resided since 2006
- You have three daughters and a son all of whom are financially dependent (No, 3/4 are, one is 25y and working)
- You have confirmed that you are in a good state of health with no stated medical conditions

• Time Horizons (age and time to retirement or other significant event)

- Ideally you wish to retire at age 65 which is 10 years away

• Your financial situation

- You are UK resident and domiciled for tax purposes
- You are a Director and 100% shareholder of BristolPad Ltd; the Company is dormant and was established in 2014 largely in order to protect the corporate identity of BristolPad. The private (non-Limited) business 'BristolPad' has been operating since 2011
- Your employed income as a Professor of Genetic and Molecular Epidemiology at the University of Bristol equates to £90,262 gross per annum which you confirmed comfortably covers your day to day requirements and means that you are a higher rate tax payer (No, resigned June 2015)
- In due course, you are planning to cease your employment with the University and dedicate all of your time to external business interests, namely developing your property portfolio
- You have joint property asset equity (including main residence) totalling £752,207, cash of circa £70,000 in bank account and 'Other Assets' including personal effects/contents with a current value of £38,000.
- In March this year, you decided to transfer your USS pension benefits into a Small Self – Administered Scheme (SSAS) which enabled you to utilise a loan-back facility in order to fund your business: BristolPad Ltd
- You have the following financial liabilities; two residential repayment mortgages totalling circa £250,043.57 (current outstanding balances) with HSBC and now five 'Buy to Let' mortgages on Interest Only Basis totalling £537,750 (current outstanding balances). A detailed breakdown of your assets and liabilities can be found in the 'Confidential Financial Review Form' dated 10<sup>th</sup> February 2015
- You confirmed you have made a Will which you feel accurately reflects your current wishes

• Your financial knowledge and experience;

- 'Business Investor' which means that you have considerable prior investment experience and make a living, at least in part, from investments.

• Your existing provisions

- You have three term assurance protection policies in force with L&G and HSBC respectively; details for these contracts are yet to be confirmed.
- As part of our advice process, we feel that it is important to consider various 'what-if' situations such as what would happen in the event of death or critical illness. This analysis and any recommendations based upon it are included within our 'Financial Needs Analysis' document, to follow at a later date
- You should consider keeping some money available with immediate access to cover any unforeseen emergency expenditure that may arise. How much you should hold as an emergency fund will depend on a number of factors including the security of your income and the level of your regular monthly financial commitments. Traditional sources of funding this requirement include current accounts, savings accounts or any other available cash based investments that are readily accessible (without penalty)
- Currently you feel that you have sufficient emergency reserves at this stage; you retain in excess of £70,000 in cash (as per above summary)

- Unsecured Debt – It is Hartsfield's view that your ability to maintain the debt repayments on any secured debt must not be impacted by any recommendation to invest. Furthermore that you should repay, in full, any unsecured debt before making a decision to invest or re-invest any lump sums, where the funds are not existing pension funds

## YOUR OBJECTIVES

During our recent discussions, you confirmed that you are looking for a means of introducing additional working capital into your business, BristolPad Ltd, which will be used to:

- Invest in your growing property venture
- Provide an on-going vehicle for subsequent projects which will likely include purchasing further property
- Assist with general cash-flow for your business
- Work with you to ensure that your pension provides for your retirement needs in the future, but also supports your more immediate business goals

You have additional considerations, namely;

- You have reservations about approaching your bank for business funding due to the excessive personal guarantees they would require
- You require a minimum of £150,000 to invest in further projects and boost cash-flow within the business
- Given that you have attained age 55 in January this year, you would now like to consider accessing your pension benefits; more specifically, your Pension Commencement Lump Sum (PCLS) in order to achieve your goal
- To ensure the balance of your pension fund remains invested as you do not require any additional income at this point given that your current earnings are more than sufficient to meet your day-to-day expenditure needs
- You may also consider further pension funding in the future and would therefore like to ensure this option remains open to you, with the maximum allowable contribution level being available to you under pension legislation

## YOUR EXISTING PENSIONS

I can confirm that you currently have the following arrangement in force, as at 28<sup>th</sup> September 2015. Please note these figures are not guaranteed.

Provider	Members	Type	Policy Name/No	Fund Value	Transfer Value
Hartsfield SSAS (Novia Investment)	Professor I N M Day	Defined Contribution	BristolPad Pension Scheme	£165,255.02	£165,255.02
Hartsfield SSAS (Barclays Scheme A/c)	Professor I N M Day	Defined Contribution	BristolPad Pension Scheme	£165,072.97	£165,072.97
Hartsfield SSAS (Loan to BristolPad)	Professor I N M Day	Defined Contribution	BristolPad Pension Scheme	£325,000.00	£325,000.00
<b>Totals</b>				<b>£665,556.06</b>	<b>£665,556.06</b>



## OPTIONS CONSIDERED TO MEET YOUR OBJECTIVES OF INTRODUCING ADDITIONAL WORKING CAPITAL TO YOUR BUSINESS – BRISTOLPAD LIMITED

There are a number of options which I have considered in relation to your stated objectives. These are as follows:

- Approach your existing bankers to increase their lending to BristolPad Ltd
- Re-broke your banking with an alternative lender and increase the available facility
- Consider alternative commercial finance options such as Invoice or stock/asset Finance
- Funding for Lending Scheme
- Raise investment through an equity sale
- Use existing assets to self-finance BristolPad Ltd

Taking these in turn:

### ***Approaching your existing bankers to increase their lending***

This option was considered but rejected as lending would not be possible without providing additional security, including personal guarantees. This could be costly, would increase the Director's exposure from a risk point of view and would leave the bank in control therefore providing uncertainty (as the facility could be reduced, or removed, with little or no notice going forward)

### ***Re-broke your banking with an alternative lender and increase the facility***

This option was considered but rejected, largely for the same reasons as given above as a new lender would likely have the same constraints as the current lenders.

### ***Use alternative commercial facilities such as Invoice or stock/asset finance***

This option was considered but rejected due to the requirement for additional security in the form of personal guarantees to the lender. There are also relatively high setup, administration and ongoing fees. Interest charged also benefits a third party.

In your circumstances, I do not believe this to be an appropriate method of raising the required level of finance. The use of this type of finance for your business will be kept under review as BristolPad Ltd grows.

### ***Funding for Lending Scheme***

Although this scheme is not a direct loan to a company, funds have been provided by the government so that banks are able to lend at lower interest rates to SMEs. This in turn should allow the banks to increase the application acceptance levels. However, the main concern for this type of lending is, again, the personal guarantees that are required to extend the loan to the company.

### ***Raise investment through an equity sale***

This option was considered but rejected as it would involve relinquishing some control of the business and it may be difficult to source an interested party. Timescales could also be a factor as negotiations, even after a potential investor has been sourced, could take considerable time.

### ***Use existing pension assets to self-finance BristolPad Ltd***

This option was considered and recommended as the most viable course of action because it offers the option to achieve the level of capital required to fund your business through accessing your tax-free cash entitlement via a Flexi-Access Drawdown arrangement, which would ensure you retain control over the business and in addition, it will allow you to leave the residual fund intact without having to take any level of income unless you wish to do so in the future.

### **PENSION FREEDOMS**

In his 2014 Budget Statement, the Chancellor announced a raft of changes to the way people can access their pensions. Commonly known as 'Pension Freedoms', these changes provide a wider range of options than has been the case in the past. It means that people can now draw as much of their pension as this wish (once they reach their minimum pension age) but clearly, this may then limit the amount of money available to them in later life.

It is therefore important to take advice and to balance any decision to take benefits now – against the need to receive an income in the future.

As a result of these pension freedoms, there are a number of ways you can take retirement benefits but they all consist of two primary elements:

- 1) A proportion of the fund which can be taken as a "Pension Commencement Lump Sum" (PCLS), free of tax; and
- 2) The balance which is used to provide an income – taxed at your Marginal Rate

For some of the options available to you, the two elements will be distinct resulting in decisions which need to be made for each part. However, with the other options, the tax-free lump sum element is simply a fixed percentage of the amount taken (crystallised).

Unless you have an increased 'Tax Free Lump Sum Protection' or a restricted tax-free lump sum through a divorce settlement, the amount you can take tax-free will be 25% of the value of the pension arrangements you are crystallising.

Because of the tax-reliefs given on pension contributions, HM Revenue & Customs are rightly concerned about people withdrawing money; tax free, from their pension and then using that same money to make new, or 'significantly increased', pension contributions - where they would then receive tax-relief.

This process is known as "Pension Commencement Lump Sum Recycling" and could result in HM Revenue & Customs treating the payment of the lump sum as an 'unauthorised member payment' and taxing it accordingly. The level of potential tax charges on the unauthorised member payment is significantly higher than the amount of tax relief on the pension contribution and could be as high as 70%

#### **When does the recycling rule apply?**

The recycling rule applies in respect of all pension commencement lump sums paid on or after 6 April 2006 where those lump sums are used as part of a recycling device regardless of when the significantly increased contributions are actually paid.



For the rule to apply, it is important to note that all of the following 6 conditions have to be met:

- you take tax-free cash from a pension,
- as a result of taking tax-free cash, the contributions paid into a pension are significantly greater than they would otherwise have been (see 'What counts as a significant increase?' below),
- the recycling was pre-planned (HMRC will consider each case and any evidence which points to preplanning),
- the amount of tax-free cash you take, together with any tax-free cash taken in the previous 12 months, exceeds £7,500 if paid after 5 April 2015 or exceeds 1% of the lifetime allowance if paid before 6 April 2015, and
- The cumulative amount of the additional contributions exceeds 30% of the tax-free cash (see example 2).

The recycling rules are not intended to catch genuine retirement planning, however, you could be inadvertently caught and incur a tax charge of up to 70% of the value of your tax-free cash.

### What counts as a significant increase?

To decide whether contributions have been significantly increased, HMRC will look at the contributions which might have been expected if the tax-free cash had not been received and compare this to actual contributions.

HMRC will generally consider an increase of 30% or more on expected contributions to be significant. To prevent you from making gradual increases, the contributions are measured over five tax years: the tax year the tax-free cash is taken and the two tax years either side. If the cumulative increase over these years exceeds 30%, this would be classed as significantly greater. To calculate the increase, each of these five tax years is measured individually against the expected contribution for that year and the percentage figures obtained added together.

### Lifetime Allowance

You can keep paying in to a pension until you reach a Government-directed maximum amount, after which you will lose some of the tax advantages. This is known as the Standard Lifetime Allowance (LTA).

Due to the cost to the exchequer from pension tax reliefs, the Government chose to reduce the Lifetime Allowance from its peak of £1.8 million in 2010/11 to 2011/12 down to where it currently stands at £1.25 million for 2015/16. This will be reduced further to £1 million with effect from 6<sup>th</sup> April 2016.

Tax Year	Standard Lifetime Allowance Amount
2006/07	£1.50 million
2007/08	£1.60 million
2008/09	£1.65 million
2009/10	£1.75 million
2010/11	£1.80 million
2011/12	£1.80 million
2012/13	£1.50 million
2013/14	£1.50 million
2014/15	£1.25 million
2015/16	£1.25 million
2016/17	£1.00 million (proposed)

### Which benefits count towards your Lifetime Allowance?

The combined value of all of your pension arrangements will count towards your Lifetime Allowance. These are calculated based on:

Type of Pension	How the value is calculated
Money Purchase (Defined Contribution) Pensions	The total value of sums and the market value of assets
Final Salary (Defined Benefit) Pensions	Usually (for benefits not already in payment): 20 x the annual pension entitlement

### Testing against the Lifetime Allowance

Your combined pension arrangements must be tested against the Lifetime Allowance at various points known as Benefit Crystallisation Events (BCEs).

A summary of the 13 current BCEs is as follows:

Event	BCE number
When pension benefits become payable to the member *	1, 2, 4 & 6
When you reach age 75 and have any uncrystallised funds	5, 5A & 5B
When death benefits are paid to your dependants/beneficiaries	5C, 5D & 7
When some pensions (already in payment) are increased beyond permitted limits	3
When a pension is transferred to a 'Qualifying Overseas Pension' (QROP)	8
Certain other circumstances, if regulations so designate	9

*\* If a pension is crystallised in stages, a test is carried out each time*

**I would confirm that in crystallising your pension funds in full would use up 53.24% of your Lifetime Allowance based on today's figures**

### Annual Allowance

The Government limits the amount that can be paid each year into your pension, before incurring a tax charge. This is called the Annual Allowance. If this is exceeded, you may be liable to a tax charge and must inform HRMC through the completion of a tax return. Currently, as mentioned above, this amount is £40,000 per annum but will reduce to £10,000 once pension benefits are taken as 'income'.

### Carry Forward

Carry Forward allows you to make use of any annual allowance that you may not have used during the three previous tax years, provided that you were a member of a registered pension scheme. You can use carry forward if you're an active member currently building up pension benefits; a deferred member with paid-up pension benefits; a pensioner or a pension credit member, where you have a share of your ex-partner's pension.

## **YOUR OPTIONS IN ACCESSING YOUR PENSION BENEFITS**

### **Flexi-Access Drawdown**

"Flexi-Access' Drawdown (FAD) replaced the 'Capped' and 'Flexible' drawdown options for individual setting up a new drawdown plan after 6 April 2015. It also replaced any existing 'Flexible drawdown' plans that were in place at 6 April 2015.

As with other options, a tax-free lump sum of up to 25% of the amount being crystallised is payable; however, unlike other options, it is possible to take the tax-free cash element **WITHOUT** taking the income element. The income element can be taken as a regular amount – or on an ad-hoc basis – as required with any income amounts withdrawn being added to your taxable income in that year.

The amount that can be withdrawn through a Flexi-Access Drawdown arrangement is not limited.

Unless converting from a 'Capped Drawdown' arrangement, crystallising funds into a Flexi-Access Drawdown arrangement will be a Benefit Crystallisation Event and therefore tested against the Lifetime Allowance.

As soon as you take an income from the Flexi-Access Drawdown arrangement, the amount you can contribute into your pensions each year (your Annual Allowance) will reduce from £40,000 per annum down to £10,000 with no 'Carry Forward' allowance permitted either.

By taking **JUST** the tax-free lump sum element **BUT NOT** the income element from a Flexi-Access Drawdown arrangement – the £40,000 annual allowance for pension contributions and the 'Carry Forward' allowance will remain intact.

### **Uncrystallised Fund Pension Lump Sum (UFPLS)**

This option is similar to the Flexi-Access Drawdown arrangement; however, as the name implies - it is only available for funds which are uncrystallised and you cannot therefore convert 'Capped Drawdown (i.e. previously crystallised) funds into it.

It is important to note that if you have Primary or Enhanced Protection, where the Pension Commencement Lump Sum (tax-free element) is greater than 25%, this option is not available to you either.

The fundamental difference between an Uncrystallised Fund Pension Lump Sum (UFPLS) payment and Flexi-Access Drawdown (FAD) is that each UFPLS payment will contain both a 25% tax-free lump sum element **AND** an income element (which is subject to income tax).

So, for example, if £12,000 is taken as an UFPLS

25% i.e. £3,000 will be tax free

75% i.e. £9,000 will be treated as income and taxed at your Marginal Rate

Accessing benefits via the UFPLS route will automatically reduce your Annual Allowance down from £40,000 to £10,000 and you will lose your 'Carry Forward' allowance too.

The advantage is that, unless you have a Protected Pension Age of less than 55, you do not have to crystallise more of your pension than the amount of benefits you are looking to take.



I.e. in the example above, £12,000 of your fund would be crystallised via the UFPLS route but, in order to receive £12,000 using Flexi-Access Drawdown – whilst seeking to retain your ability to retain your full Annual Allowance, £48,000 of your fund would need to be crystallised.

### **Buying an Annuity**

You may choose to buy an annuity at any point once you have taken your PCLS entitlement.

Purchasing an annuity involves using funds from your scheme to buy an ongoing income for the rest of your life from an insurance company. You can use as much of your scheme as you like for this purpose but, if you use your entire fund, you will no longer be a member of the scheme.

We do not offer annuities ourselves and will not restrict your choice of annuity provider. This freedom to choose your own annuity provider is known as the 'Open Market Option' and means that you can 'shop around' to find the arrangement which best suits your particular circumstances.

The responsibility for providing your pension and accounting for the tax would also be transferred to the annuity provider.

The range of annuity options is wide and there are other considerations such as the level of income they provide and the death benefits they offer. Additionally; once you have purchased an annuity, you cannot convert it to another type of pension.

For those reasons, it is essential that you obtain financial advice.

### **RECOMMENDATION**

Having carefully considered your personal and company circumstances, including your objectives, attitude to risk and the options available to you, I have concluded that the most appropriate option is for you to:

- Fully crystallise your pension benefits held within your SSAS in order to access your PCLS entitlement of 25% of the overall fund value, via a **Flexi-Access Drawdown (FAD)** arrangement whilst leaving the residual fund invested in accordance with the current underlying investment instructions

Given that you do not wish to take an income, a FAD arrangement will allow you to crystallise your benefits (in full); allow you to take 25% of the overall fund value (£166,389 based on today's figures) and leave the residual fund invested. In addition, given that no income is taken; will mean that you preserve your annual allowance at the higher level of £40,000 per annum.

As the Scheme bank account holds £165,072.97 and expected to continue to receive the loan repayments, we believe there will be sufficient funds to meet your PCLS capital requirement and going forward, the loan repayments can be used to build up the cash fund to a suitable level given that there are no regular investments currently being made towards your Novia investment portfolio.

This approach also means that you do not have to consider any further borrowing and the lump sum is - as mentioned – tax free.

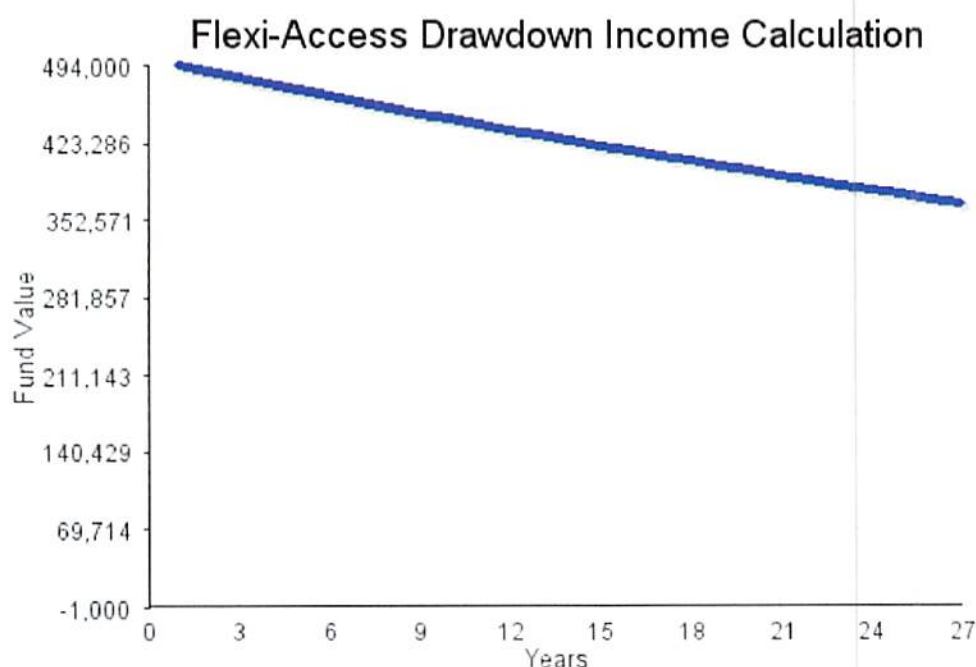
### Advantages of Flexi-Access Drawdown:

- Allows you to take 25% of the fund value tax-free providing you with capital to inject into your business – BristolPad Ltd
- You can leave the residual fund invested in line with your risk profile, which could grow further and various investment options remain open to you
- Income can be drawn at a later date and whatever level
- Avoids having to make a decision on annuity purchase
- You don't have to decide on whether to include spouse's benefits or other such options with a flexi-access drawdown contract
- The underlying fund will continue to be invested tax efficiently given the SSAS pension wrapper
- By taking £0 income will mean that you can future fund a pension vehicle and have the maximum annual allowance available to you (£40,000 pa)
- The fund can be passed on in the event of death

***Whilst this isn't a requirement at the current time, it is worth providing an overview as to the impact future income payments could potentially have on the capital value of your pension fund based on your target income; an assumption of future investment growth and your anticipated life expectancy***

Following payment of your PCLS of approximately £166,389, the net investment value is £499,167.

Using the Office of National Statistics (ONS) cohort mortality tables, a male aged 55 can reasonably be expected to live for a further 26.70 years and when we factor in your target income of £20,000 per annum (4%) and an estimated investment return of 5% (before charges) we can see from the graph below the impact this would have on future capital values:



(Source: Invidion Calculators - September 2015)

The expected fund value in year 27 would be £367,604 based upon the above assumptions. Please note that these figures are not guaranteed and are for illustrative purposes only as investment values can go up and down on a daily basis. The above graph does not factor in any potential future ad-hoc withdrawals which will therefore have a further impact on the capital value.



It is also worth noting that the above figure is based on a full equity investment and currently, your SSAS investment has a loan-asset from which future growth will arise in the form of repayments from BristolPad Ltd between now and the end of the 5 year term period (05/09/2020) and the rate of interest on this loan is 5%. Once this loan has been repaid in full, we will consider your investments options on an ongoing basis at your future reviews.

That said, you have decided to take your PCLS payment only at this time and therefore, the residual fund will have the opportunity of growth before any income payments are made to you, at least in the short-term.

#### **Disadvantages of Flexi-Access Drawdown:**

- Annuity rates could go down, if you later decide you want to buy an annuity with your remaining funds
- The flexi-access drawdown contract could fall in value
- The ongoing income is not guaranteed and could go down
- Flexi-access drawdown requires ongoing monitoring of the plan
- Charges are generally higher for Flexi-Access Drawdown than annuity purchase
- You could end up with no money left in this contract, if you withdraw too much and/or investment returns are poor
- If you take the taxable withdrawal you will not be able to pay more than £10,000 per year into a defined contribution
- Death benefits payable – post crystallisation – are passed to your chosen beneficiaries net of a 45% tax charge

#### **OPTIONS DISCOUNTED**

##### **Uncrystallised Fund Pension Lump Sum (UFPLS)**

As mentioned above, UFPLS is made up of a series of income payments that would consist of 25% PCLS and the residual amount (75%) classed as an income, taxable at your marginal rate. Given the fact that you require a capital sum to help fund your business now and coupled with the fact that you do not require an income at this stage, we have discounted this option for these reasons.

In addition, any income received now will be taxed at 40% given that you are currently a higher rate tax payer.

##### **Buying an Annuity**

Annuity purchase is a decision that – once made – cannot be reversed. Whilst you could access your pension commencement lump sum and meet your requirement for a lump sum to invest in your business now, you would be required to secure an annuity and draw an income using the residual funds, which is something you do not wish to do at this stage.

In addition, circa 50% of your underlying SSAS investment is linked to the loan made to BristolPad Ltd, and therefore there isn't the liquidity available with the full value at this time due to the 5 year loan repayment schedule.






For these reasons, this option has also been discounted.



## WHAT HAPPENS NEXT

### Hartsfield Trustee Services

In order to proceed with my recommendation we will need to instruct Hartsfield Trustees who will need to complete various tasks prior to releasing your PCLS payments. In order, these will be:

-  Conduct a formal valuation of the overall SSAS which will be recorded for HMRC purposes
-  Crystallise the total value of the SSAS and calculate the PCLS at 25%
-  Administer funds under Flexi-Access Drawdown rules and make the PCLS payment to you
-  Issue a 'Taking Benefits Form' for your completion and return
-  Complete a Lifetime Allowance statement to formally record the amount of lifetime allowance being used on benefit crystallisation

Upon receipt of the 'Taking Benefits Form', the Trustees can begin the relevant administration of your SSAS and make the PCLS payment to you accordingly.

### Hartsfield Trustee Services (Fee's)

In order to administer, manage and facilitate the PCLS payment and ongoing SSAS under Flexi-Access Drawdown Rules, the following charges are applied:

Event	Fee
Crystallisation of SSAS and Fund designation	£165 + VAT*
Benefits 3 – Payment of PCLS	£165 + VAT*
<b>Total</b>	<b>£330 + VAT*</b>

\*charged to and payable by the SSAS

Please also note that should you wish to drawdown any future income sums, operation of a PAYE scheme will be required within the SSAS (Benefits 1) and this will be administered and charged when the first income payment is requested – the cost of this service is currently £165 + VAT.

For a full breakdown of service types and associated costs, please refer to the enclosed Hartsfield Trustee Services brochure.

### INVESTMENT OBJECTIVES FOR RESIDUAL SSAS FUND (Flexi-Access Drawdown)

As your circumstances and attitude to investment risk have not changed since our previous meetings, I do not propose to make any amendments to your underlying assets at this time. Given that one element is made from the loan-asset to BristolPad Ltd of £325,000, this money is effectively locked away for 5 years due to the 5 year repayment schedule in operation. The second element is invested in the Hartsfield Growth Portfolio via the Novia Platform. I would kindly refer you back to my initial report dated 27<sup>th</sup> April 2015 for the reasons why.

As mentioned above, you have confirmed your attitude towards investment risk has not changed and you are prepared to take a medium to long-term view in terms of investment time horizon.

## **ONGOING SUPPORT PLAN AND PORTFOLIO REVIEWS**

In keeping with the agreed ongoing support plan (detailed below), we will monitor your portfolio on a **Quarterly/Bi-Annually** basis and notify you if we feel changes need to be made.

## **SUMMARY OF ADVICE PROVIDED**

In producing our recommendation we have taken into consideration your:

-  Objectives
-  Investment objectives
-  Financial situation
-  Knowledge and experience
-  Attitude to Risk and Capacity for Loss
-  Time horizons
-  Tax status
-  Existing provisions





In summary, the recommendations outlined in my report satisfy your needs, as they meet with your objectives, which (to recap) are to inject additional working capital into BristolPad Ltd with a view to:

-  Invest in your growing property venture
-  Provide an on-going vehicle for subsequent projects which will likely include purchasing further property
-  Assist with general cash-flow for your business
-  Work with you to ensure that your pension provides for your retirement needs in the future, but also supports your more immediate business goals

For the reasons given, I therefore feel that we have fully met your overall objectives, taking into account your business and investments circumstances, your financial situation, your knowledge and experience of the finance industry, your attitude to risk and capacity for loss and importantly; keeping within the rules of current pension legislation.

It is important to ensure that your pension planning and investment choices are reviewed on a regular basis. This is ultimately your responsibility and you should contact me if you wish to arrange a further review.

## **DOCUMENTS YOU HAVE RECEIVED WHICH RELATE SPECIFICALLY TO THIS RECOMMENDATION**

-  Hartsfield Combined Initial Disclosure Document (previously provided)
-  Hartsfield Trustee Services Formal SSAS Valuation (PCLS based on this final value)
-  Hartsfield Trustee Services Brochure
-  Hartsfield Trustee Services 'Taking Benefits Form'



## CHARGES AND ONGOING SUPPORT

On-going advisory support is available from Hartsfield Financial Services Limited and is already in place at the Comprehensive level. At this stage, we would not recommend any change to this service.

I would also confirm that there is no initial charge applicable for this advice given the service agreement that you are currently on with Hartsfield.

### Comprehensive:

Hartsfield Financial Services will conduct 6-monthly reviews of the SSAS and its interaction with your company (with one review specifically held to coincide with your company year- end for tax-planning purposes). These meetings will be held at your company premises. Additionally; quarterly investment reviews will be undertaken (by phone) and the portfolio re-balanced (if necessary) in keeping with your preferred attitude to risk. You will also be provided with regular statements on your SSAS. Any additional meetings, investment reviews or other advice would be charged for separately.

The 'Comprehensive' service will also include a full financial review of each member of the scheme, to include a pension provision shortfall analysis, at the annual scheme review. Any advice required, as a result of the financial review, would be charged for separately.

The cost of the 'Comprehensive' service is 1% (and 0.50%/0.30% tiered, see below) of the value of the SSAS per annum (paid monthly and subject to a minimum monthly fee of £100) with the initial value taken at inception/transfer and the scheme re-valued at each anniversary, or following additional transfers into the scheme.

Based upon the SSAS's value of £499,167 (post payment of PLCS) this would equate to approximately £3,745.83 per annum, or £312.15 per month.

It is important to note that this service plan is optional and you may cancel it at any point; however, I believe that you would benefit from our services on an ongoing basis and would consequently recommend that a service agreement is retained.

### Summary of support plans available:

	Transactional	Supportive	Comprehensive
SSAS Scheme Review	X	Annually	6-monthly
Investment Review	X	6-monthly	Quarterly
Scheme Statements	X	X	Monthly
Financial Review and Shortfall Analysis	X	X	Annually
Cost	Charged on an ad-hoc basis	0.5% of scheme value for first £250,000, 0.25% for next £250,000 and 0.15% for remaining (min £50pm)	1% of scheme value for first £250,000, 0.5% for next £250,000 and 0.3% for remaining (min £100pm)



## CANCELLATION RIGHTS

Please be advised that there are no cancellation rights or a 'cooling-off' period.

You should therefore ensure you are satisfied with my recommendation before proceeding and should let me know if you require any additional information to help you come to a final decision.

## IMPORTANT GENERAL POINTS

- We rely on product providers and you to provide me with accurate information
- All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs practice. Levels and bases of tax relief are subject to change

## FUTURE REVIEWS

With regard to your financial arrangements as a whole, there are likely to be other areas that will require future action. Please remain in touch and arrange regular meetings to review your situation. I recommend that you arrange a review meeting annually if possible. Please feel free to contact me to arrange your next review meeting if a firm arrangement has not been agreed.

It is also important that you contact me if you require clarification on any of the information contained either within this letter, or any of the accompanying documents and provider literature and I will be pleased to help.

## HARTSFIELD REFERRAL SCHEME

There are always costs associated with doing business. Regardless of how good your product or service is, you need to be able to get your message out there and heard by people. This usually involves marketing departments, web or other media advertising, mailshot campaigns and so on; all expensive and ultimately paid for by the person hearing your message and agreeing with what you have to say.

We feel that if we can limit our advertising, but still get our message out there, we can pass the savings on and offer a market-leading service at a responsible cost.

Hartsfield therefore offers a 'Referral Scheme' where 10% of all income generated from a successful referral is passed back to the introducer. This offers a true incentive for you to talk about us and what we do with companies and individuals you come in contact with, before arranging for us to contact them.

I would therefore ask you to let me have the details of anyone you feel may benefit from speaking with me.

Finally, many thanks for your business and I look forward to helping you with your finances for the future.



**Richard Kolasinski APFS**  
**Chartered Financial Planner**  
**Hartsfield Financial Services**



## **“Treating Customers Fairly (TCF)”**

“Treating Customers Fairly” is a policy from the Financial Conduct Authority and is central to their work in ensuring a fair deal for consumers. It underpins the delivery of their statutory consumer protection objective and the future objectives of the FCA. It is also central to their expectations of firms’ conduct, that firms put the well-being of customers at the heart of how they run their businesses.

Following are the 6 consumer outcomes of TCF:

- **Outcome 1:** Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- **Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
- **Outcome 3:** Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- **Outcome 4:** Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- **Outcome 5:** Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- **Outcome 6:** Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.