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JAN INVESTMENT MARKETING

**Mr John Maddison**
**(Updated Address)**
**5 Stone House Close**
**Abingdon**
**Oxfordshire**
**OX13 5BP**

**Date: 22/07/2016**

Dear John

Further to our meeting on 24/04/2014 at our offices and further telephone correspondence on 22/07/2016, during which we discussed and recorded your financial circumstances, I would like to take the opportunity to outline my reviews, confirming the suitability and reasons for them, when considering your overall financial circumstances. However, the record must show that this review letter has been updated following a request, from the client, to change his investment strategy.

You will recall that I provided you with a copy of my Client Agreement, Service Proposition, Engagement documents and how we will be remunerated for these services as detailed below:

| Date of Client Agreement | Date of Identity Verification | Date of First Meeting | Date of Last Meeting | Initial Engagement Fee | Ongoing Reviews Annual Charge |
|---|---|---|---|---|---|
| 24/04/2014 | 24/04/2014 | 24/04/2014 | 22/07/2016 | 1% | 0.5% |

If you believe that the information in any of the documents provided is incorrect please let me know as soon as possible. I would also mention that if any information has not been disclosed, it is possible that my review may not take account of all your business's Pension Scheme requirements and could ultimately have been different. I cannot accept responsibility for any non-disclosed information which could have affected this review. Nor can I accept any liability should you suffer any loss due to the non-disclosure of material facts which have not been brought to my attention.

You have been made aware that we offer an Independent advice service. We have therefore reviewed products and services based on a comprehensive and fair analysis of the relevant market based on your needs and objectives.

## Current Situation

During our meeting we discussed various aspects of your personal and financial situation.

Taking into account your personal circumstances, as detailed in the completed fact find, you confirmed that you have sufficient capital available immediately or at short notice to meet any unforeseen short-term emergencies.

You have confirmed you currently have a valid Will. You should always review your Will(s) whenever your circumstances change.

## Suitability Review

To allow me to provide you with the suitability review based around your priorities and objectives, I need all available information relating to your personal circumstances. As you did not wish to disclose all details relating to your circumstances my reviews have therefore been based on the information provided.

There are various areas I believe you should be considering:

**Inheritance Tax Planning**

However, you instructed me to specifically limit my advice to your SSAS fund investments and I have acted accordingly. My reviews have therefore been based on this one area.

## Priorities and Objectives

At our meeting we discussed the benefits and importance of reviewing the following areas:

Microdrive Consultants Ltd Pension Scheme

As a result of our discussions you have confirmed that your current priorities and objectives are:

Due to being disappointed by the performance of your existing pension and lack of control of investment decisions, you require more flexibility with regard to choices of investment strategy, and have made the decision to set up a SSAS (small self administered scheme) to be run by Microdrive Consultants Ltd Pension Scheme trustees.

We also discussed the period over which you wish to invest. I confirmed that a short term investment would be considered to be for a period up to 5 years, a medium term would be 5-10 years and a long term investment would be for a period of 10 years plus.

You have indicated to me that you wish to invest £128,627.96, for potential capital growth over the medium to long term.

**Funding of the Plan**

The funds for this plan will be taken from:

Microdrive Consultants Ltd Pension Scheme

**Attitude to Risk**

We discussed at some length your attitude to risk and considered your total funds in Microdrive Consultants Ltd Pension Scheme and the relationship between risk and reward. You understand that a degree of risk does have to be taken in order to provide the potential for investment return. We also discussed the concept of placing your money in more secure investments and took this into account when agreeing your attitude to risk and making this recommendation.

You indicated to me that your overall attitude to risk is as follows:

**Risk Profile 8 – High Risk**

You also confirmed that this is the level of risk you would wish to apply to the current recommendations, although you confirmed that you may have a different attitude to risk when addressing different priorities and risk in different situations.

**Capacity for Loss**

Having identified your attitude to risk, we also discussed your capacity for loss when investing any money and I explained that this would highlight the amount of money you could actually afford to lose when making your investment.

You are satisfied that the attitude to risk agreed upon is within your stated capacity for loss.

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## Financial Standing

All information which is detailed below was provided as per our meeting on the 23/04/2014 and updated from further correspondence on the 22/07/2016. This information is provided for the purpose of referral, detailed further in this document, to assist in my review of Microdrive Consultants Ltd Pension Scheme. If any of the information is incorrect I urge you contact me at your earliest convince. I do not accept liability for any incorrect information that has been provided.

### Mortgages

| Asset Type | Type of Property | Owner | Value | Liabilities |
|---|---|---|---|---|
| Property | Residential | Applicant 1 | £425,000 | £248,000 |

| Property Values | £177,000.00 |
|---|---|

### Retirement Plans

| Pension Type | Do you contribute? | Owner | Value | Retirement age |
|---|---|---|---|---|
| Occupational | No | Applicant 1 | £73,598.93 | 75 |
| SIPP | No | Applicant 1 | £55,029.03 | 75 |

| Retirement Values | £128,627.96 |
|---|---|

### Investments/Savings

| Type | Owner | Do you contribute? | Value |
|---|---|---|---|
| ISA | Applicant 1 | No | £6000 |
| ISA | Applicant 1 | No | £6000 |
| Shares | Applicant 1 | No | £8000 |
| Savings | Applicant 1 | No | £51,000 |

| Investment/Savings Value | £71,000.00 |
|---|---|

| Overall Value | £376,627.96 |
|---|---|

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**Review of Existing Plans**

Microdrive Consultants Ltd Pension Scheme presently has a fund value totalling £128,627.96 and is currently held as cash with an annual administration fee of £1440. The SSAS provider and scheme administrator is Pension Practitioner.

The fund(s) you're intending to invest in:

| Provider Name | Scheme Type | Investment amount | Chosen Retirement Age |
|---|---|---|---|
| Friends Life | Occupational Stakeholder Scheme | £73,598.93 | 75 |
| Hargreaves Lansdown | SIPP | £55,029.03 | 75 |

The fund(s) you're intending to invest in:

| Fund | Description | Projected Returns | Investment amount | Type of investment | Chosen Retirement Age |
|---|---|---|---|---|---|
| Carlton James Skywatch Inn | Asset Backed – Fixed Return | 15% Yr 1<br>15% yr 2<br>+25% Yr 2<br>Paid Anually | £32,456.63 | UIS | 75 |
| Hudspiths Managed Account | Financial Instrument | 80% Annually | £87,000.00 | Financial Instrument | 75 |

I have taken into account your current risk attitude, priorities and objectives when making this review and have reviewed Microdrive Consultants Ltd Pension Scheme while doing this to ensure this is still meeting your current requirements. You agreed it was in regard to providing greater flexibility and control in terms of the implementation and management of your SSAS investments, you now wish to implement these strategies.

- There is no guarantee the return on the new investment will be greater than that of your existing cash only SSAS fund.
- The charges on the new investment are higher than those on your existing SSAS cash only fund.

**Adventurous risk strategy – Carlton James Skywatch Inn (*Review Dated 24/04/2014)***

| Investment Type | Invested Amount | Minimum Investment Term | Annual Returns | Frequency of Returns | Early Exit Terms | Early Exit Penalties | Capital Returned at Maturity |
|---|---|---|---|---|---|---|---|
| US Asset Backed Shares with Fixed return | £32,456.63 | 2 Years | 15% Yr 1<br>15% yr 2<br>+25% Yr 2 | Annually | On death only – following a 90 day notification | Fair market price – beneficiary may receive a diminished return | 125% |

*Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

An investment in the purchase of Preference Shares issued by CARLTON JAMES SKYWATCH INN LIMITED ("The Company") and provides the Shareholder with fixed annual returns. The fixed returns provide investors with contracted cash returns of 15% per annum over a term of 2 years. At the term end the Company will re-purchase the Shares from investors for their original value plus an additional exit bonus of 25%.

The structure and flow of this investment is as follows;

- Investors purchase Preference Shares in the Company;
- Shares of the Company will be issued for the investor/s as non-controlling secondary shares;
- The Company then lends capital raised to Sky Watch Inn - Ray,Inc which is placed in a first lien/charge position effectively becoming the mortgagee;
- And in addition the Company affects a security interest in the Skywatch Inn project;
- Payments to Shareholders will be made annually in arrears;
- An independent Investment Administrator, Glenmuir International, is appointed to oversee the above process and thus ensure the interests of Shareholders is maintained at all times;

Funds are administered by Glenmuir International Holdings Limited. Funds are drawn down as required based on a maximum of 80% of the latest valuation of the project, in order to protect investor funds. The land has full planning permission for the build and the company and its investors have a first charge on this unencumbered asset. Installation of the utilities has already begun. Build time is approximately seven months but nine months have been allowed to accommodate any unforeseen over runs. As a further layer of protection for investors 30% of the operating company is also pledged as collateral until the investment is repaid.

### Capital Requirements

- Investment is required to complete pre-development, development and construction activities.
- Investor return of 15% gross per annum for 2 years paid on the annual anniversary of investment.
- The Investor will recapture the original investment after 2 years plus a 25% bonus.
- For the two year exit a Permanent Loan will be negotiated to take out the Investor monies in the second year after 1 year of hotel trading.
- Investor capital is repaid in year 2 by means of commercial refinance of the completed operational Hotel after 1 year of trading.

**Client suitability:** Investors should be adventurous risk, seeking to achieve fixed annual returns generated from this US property investment. Specific Risks with this type of offshore unregulated investment scheme (UIS) are detailed in the appendix and include but are not limited to changes in government policy concerning foreign investment within the United States and changes to tax law or interpretation. Investors should be able to commit money to this investment for a minimum of two years, or more if necessary. This investment is non FCA regulated and has no recourse to the financial Services Compensation Scheme. Individual investors should consider carefully whether this investment is suitable for them in light of personal circumstances and financial resources available to them.

This is a property type investment and as such the risks associated with property investment must be considered. Full details in the Information Memorandum provided to all member trustees.

### Adventurous risk strategy – Hudspiths Trading managed account: Compounded

| Investment Type | Invested Amount | Minimum Investment Term | Annual Returns | Frequency of Returns | Early Exit Terms | Early Exit Penalties | Capital Returned at Maturity |
|---|---|---|---|---|---|---|---|
| Foreign Exchange Managed Fund | £87,000.00 | 12 months | 80% | Monthly | No capital withdrawals in first 12 months | No early exit in first 12 months | 180% |

An investment of capital into the managed fund of Lance Hudspith and provides investors with a compounded monthly return. The compounded account provides investors with contracted returns of 5% per month over a term of 12 months. At the term end the managed fund offers a 5% bonus on rollover to a second 12-month account term.

No capital withdrawals are permitted within the first 12 months of an account term; this includes year 2 rollover accounts. However, if the rollover option is not taken up, capital withdrawals are permitted from year 2 onwards.

The structure and flow of this investment is as follows;

- Minimum account term 1 year;
- Payments to investors are compounded 5% monthly on account for 1 year;
- 5% capital bonus offered on rollover into second 12-month account term;
- Medium risk trading protocol – maximum of 3% of managed account balance traded in any 24 hour period. This trade size only ever increases at the discretion of Lance Hudspith the fund manager when an account reaches a high profit level;
- Returns generated from electronic trading financial derivatives including Foreign Exchange, Commodities and International Stock Market Indices;
- Professional traders create a copy trade signal service applied to investor capital;
- Professional traders apply multiple proven trading strategies including discretionary, automatic and semi-automatic targeted at different market conditions:
- Client account discipline and a high level of strict risk management strategies are set and monitored by Lance Hudspith, fund manager;
- Client capital held in a segregated account with an FCA approved liquidity provider;
- UK head office with experienced professional traders in the UK and overseas;
- Traders have execution only account set up with no access to withdraw funds;
- Strict risk management strategies to ensure minimum drawdown on client capital;

Funds are fully managed by Lancelot Hudspith, the fund manager who, along with his team members have a combined experience of over 50 years trading international market with all strategies, analytics and research undertaken in-house. The managed fund of Lance Hudspith utilises investors capital to deliver contracted returns. The investments of Hudspiths Trading are purely electronic financial instruments with returns generated from trading financial derivatives including Foreign Exchange, Commodities and International Stock Market Indices.

All funds under management at Hudspiths Trading are subject to the same risk strategy which is a 5 tier process detailed as follows:

Stage 1
Discretionary Trading
All traders at Hudspiths are experienced professionals with many years of practice trading financial instruments, this alone provides a high level of risk management for both Hudspiths and clients funds. Individual risk on any one traders' exposure is set to a maximum of 5% for the day. Therefore on any one trading day Hudspiths state they cannot lose more than 5% of a single account balance. This maximum is set by the fund manager Lance Hudspith who also states that most of his traders set and manage their own risk and never exceed 3% in a day.

Stage 2

Tiered use of leverage = Compound Gains

Tiered use of leverage means that Hudspiths increase trade sizes as the account balance grows, this utilises the effect of compound gains and further reduces drawdowns in the early stages of a new account. Hudspiths start their trade sizes small and once they have some profit they increase the trade sizes, therefore in essence risking profit not capital.

Stage 3

Trading Floor Rules & Technical Analysis Coupled with Short Holding Times

All Hudspiths traders must adhere to strict trading floor rules which they state massively improves their chances of profitability, these rules are predominantly trade secrets and would not be disclosed but one stated example is the inability to add to a losing position.

Hudspiths traders use predominantly technical and quantitative analysis, market fundamentals play a very small role in their decision making and in addition to this they state they rarely hold positions overnight (except in the instance of the ZCTDR - see stage 4)

Hudspiths state that this type of trading makes them far less vulnerable to major market turmoil due to global macroeconomic, political or other news related problems.

Stage 4

Hudspiths Trading ZCTD Robot

Once in a trade, if the market moves against them, the position will be closed out either when the stop loss gets hit [an automatic order placed to exit a losing trade].

If for any reason an account goes into negative equity below 95% of the original starting balance, discretionary trading ceases and Hudspiths custom built trading robot takes over.

Once under the management of the fund manager using the robot, no further drawdown on closed trades is possible, Hudspiths state that the worst possible outcome for any one position is to break even (not including minor losses for slippage or rollover)

Stage 5

Hudspiths trading protect investor capital with an assurance that the compounded investment will be the minimum returned. This assurance states that, should during the course of the minimum 12-month term of account management, the clients account balance falls below 90% of their original capital, Hudspiths Trading will return 90% and make up the 10% loss from their own capital.

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**Capital Requirements**

- Minimum deposit £50,000.
- Investor return of 5% per month compounded for 1 year and paid out on the annual anniversary of investment.
- The Investor will recapture the original investment plus compounded returns after 1 year with a 5% bonus offered if the option to roll over into a second year is taken.
- No account management fees are charged, Hudspiths trading make profits when the account under management exceeds the investor returns offered;
- Investor capital plus all returns can be fully or partially withdrawn at 12-month term expiry or later if the rollover option is not taken, effectively the managed account will continue to be compounded monthly by 5% with withdrawal's permitted.

**Client suitability:** Investors should be adventurous risk, seeking to achieve returns on a managed trading account by experienced professional traders trading the most liquid derivative markets in the world, specifically Foreign Exchange, Commodities, Stock Market Indices, Equities, ETFs & CFDs. Specific Risks with this type of unregulated investment scheme (UIS) are detailed in the appendix and include but are not limited to changes in government policy concerning this type of managed trading account. In addition, Foreign Exchange, Contracts for Difference, Spread Bets, Futures and options are leveraged products and carry a high degree of risk to your capital. It is possible to lose more than your initial investment and account balance, dealing in Equities, Funds or any other asset or debt backed securities also carries significant risk, and profits are not guaranteed. Investors should be able to commit money to this investment for a minimum of one year, or more if necessary.

This investment is non FCA regulated and has no recourse to the Financial Services Compensation Scheme. Individual investors should consider carefully whether this investment is suitable for them in light of personal circumstances and financial resources available to them.

This is a Trading managed account type predominately Foreign Exchange currency pair buy sell investment and as such the risks associated with this market must be considered. Full details in the Information brochure provided to all member trustees.

**Reviews**

***Requirements In Retirement***

It is important that we review your pension provision on a regular basis as your current level of funding may prove insufficient to meet your required income requirements in retirement. You should also remember that if you elect to take part of your pension fund as a tax free cash payments, this will reduce the income you receive from the residual pension fund.

*Nomination of Beneficiary*

I would recommend that you complete a nomination of beneficiary form. This will ensure the proceeds of your pension, subject to the Trustees discretions, are paid to your chosen beneficiary on your death (*We hold a nominated beneficiary on file).*

For further information regarding the level of contributions that can be made to, how benefits can be taken from, and the taxation of pension arrangements I refer you to the Technical notes in the appendix of this report. A summary of the risk warnings associated with my suitability review can also be found in the appendix of this report.

**Certified High Net Worth**

Meaning any individual who has a current certificate of high net worth and has signed, within the period of twelve months ending with the day on which the communication is made, a relevant statement.

You have provided me with the relevant statement.

I am able to use this exemption because you have, during the financial year preceding today, an annual income to the value of £100,000 or more.

The reasons for your selection of an Unregulated Investment Scheme (UIS) are:

- A UIS reflects your stated aims and objectives.
- It will provide the potential for capital growth over the medium to long term.
- You wish to gain access to alternative asset classes that are not generally available via other types of investments.

The reasons for your selection of a Foreign Exchange Managed Fund:

- A Foreign Exchange Managed Account reflects your stated aims and objectives for your retirement fund target
- It will provide the potential for capital growth over the short to medium term.

**Further information**:

Contributions to pension arrangements generate direct tax savings. All individuals make contributions net of basic rate tax relief, which means that every £100 you contribute will immediately be boosted to £125. Higher or additional rate tax payers can claim tax relief up to their highest marginal rate by notifying HMRC via their self assessment forms or a letter to their local tax office.

## Fund Information Memorandum

This documentation is important and contains information regarding the products which I have reviewed, particularly with regards to the product's aims, risks and charges, together with its legal and tax status. Therefore, please ensure you have read these documents carefully. If there are any points on which you are unsure, or require further clarification, please contact me and I will be pleased to explain these in greater detail.

## Risks

The Fund Information Memorandum also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- Past performance is no guarantee of future returns.
- The price of units and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount invested.
- If income is taken at a rate which exceeds the net growth of the fund, your original capital will be eroded.
- UIS frequently invest in assets that are less/not liquid
- Customers may not have cancellation rights during the term of the investment
- Customers may not have access to the FOS or FSCS
- Exiting the scheme may not be straightforward
- The initial investment and target returns are not guaranteed
- Valuing the assets may be difficult

## Tax Treatment and Law

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and Her Majesty's Revenue and Customs (HMRC) practice. Levels and bases of tax relief are subject to change.

## Remuneration

An Introductory Commission of 10% of the funds raised pursuant to the Offer, regarding 'CARLTON JAMES SKYWATCH INN' and its payable to the authorised Introducer. This will not affect the return to you, the client. This will not affect the fixed returns or reduce the capital invested.

An Introductory Commission of 3%, a month, of the funds raised pursuant to the Offer, regarding 'HUDSPITHS MANAGED ACCOUNT' and its payable to the authorised Introducer. This will not affect the return to you, the client. This will not affect the fixed returns or reduce the capital invested.

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**Future Contact and Ongoing Services**

You have elected to receive a Transaction only service as detailed in our Service Proposition and Engagement.

**Conclusion**

I trust that this letter provides an accurate summary of our discussions, however should you have any concerns or wish to discuss any of the issues raised in more detail please do not hesitate to contact me.

JAN Investment Marketing firmly believes it is prudent to regularly review a portfolio. The aim of such a review would be to ensure that both the funds and asset allocation model meet with your stated objectives and assessed risk profile on an ongoing basis, and rebalance the portfolio if necessary.

You do not feel that this is necessary and we agreed that you will contact us whenever you require a review. I recommend that you request a review if there are any material changes to your circumstances; examples of this would be redundancy, bereavement, receiving an inheritance.

We strive to provide you with a first class professional service and hope that we can continue to be of service to you for many years to come. Should you require advice at any time with regard to any aspect of your financial planning, please do not hesitate to contact me and I shall be pleased to assist.

Yours sincerely

**Timus Little**
**JAN Investment Marketing**

Please sign and return the enclosed copy of this covering letter:

Signed

Date

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*The Below information disclosed under the '**Appendix**' header* was relevant following our first review.

## Appendix – Technical Information on Unregulated Investment Schemes

Many Unregulated Investment Schemes (UIS) are sold to investors in the UK. Regulated CIS are those that are authorised by the Financial Conduct Authority (FCA) or are non-UK CIS that the FCA recognise. FCA recognition enables overseas CIS to be marketed to the general public in the UK and the FCA will only recognise an overseas scheme if certain specified criteria are met. If the FCA do not authorise or recognise a CIS in this way, it is classed as an Unregulated Investment Scheme (UIS). A UIS may be established, operated and/or managed in the UK or in a jurisdiction outside the UK.

UIS are described as unregulated because they are not subject to the same restrictions as a regulated CIS (e.g. in terms of their investment powers and how they are operated). Although the schemes themselves are not authorised or recognised, persons carrying on regulated activities in the UK in relation to UIS (including providing personal recommendations, arranging deals and establishing, operating and managing schemes) will be subject to FCA regulation.

All investments are subject to tax of some kind. Generally speaking, if the investment pays out regularly, the returns are taxed as income and investors are liable to income tax at their highest marginal rate. Alternatively, if the investment objectives are to generate a lump sum at the end of the investment term, or capital growth, then the gains enjoyed are subject to Capital Gains Tax.

However, it is not always as simple as this and the tax treatment of individual investments can vary from the general rules. Additionally, liability to tax will often depend on an investor's personal circumstances.

UIS investments cannot be held within an ISA because they are not regulated by the FCA.

## Appendix – Technical Information on Small Self Administered Schemes (SSAS)

The basic state retirement pension or 'old age pension' as it is commonly known is not really sufficient to provide anyone with a comfortable retirement, even when supplemented by the additional earnings-related state benefits. The value of state pensions will reduce even further in the future as the proportion of older retired people in the population increases and the proportion of working taxpayers reduce. It is therefore essential to save for your retirement in the most tax efficient manner possible. SSAS provides just such a facility.

Contributions to pension plans generate direct tax savings. All individuals make contributions net of basic tax relief, which means that you will only actually contribute £80 net for every £100 of contributions. Higher rate tax payers can claim tax relief up to the highest marginal rate by notifying HMRC via their self assessment forms or a letter to their local tax office. Tax relief on any contributions made is limited to £3,600 per annum or 100% of salary if higher.

You will not receive any tax relief on contributions made by your employer.

Your pension contributions once made will grow in funds where there is no liability to tax on capital gains and where income receipts are also tax-free. However, dividends accruing from UK companies are received with a 10% tax credit, which the pension manager is unable to reclaim. Your money will therefore grow faster in a SHP, PPP, SIPP or SSAS than in most other forms of investment.

Under current UK legislation, pension benefits can usually be accessed from age 55. At retirement you have the option to take up to 25% of the fund as a tax-free cash lump sum with the balance being used to buy a pension, which is taxed as income at your marginal rate.

<u>Small Self Administered Schemes</u>

In order to ensure that your investment strategy matches your risk profile and objectives, the self-investment option provides access to a wide range of investment vehicles and providers. Investments permitted by HMRC include insurance companies managed funds, equities, gilts and debentures quoted on any recognised stock market, unit trusts, OEICs, investment trusts, deposit accounts, structured products and property. If you so wish, you can appoint your own investment manager who will be able to deal with your funds on either a discretionary or advisory basis.

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### Lifetime & Annual Allowance

This is the limit to the amount of pension savings anyone can make in their lifetime without tax penalty. The Lifetime Allowance is currently £1.25 million (2014/2015). The value placed on benefits when tested against the Lifetime Allowance is known as the "Crystallised Value". For SHPs, PPPs, SIPPs or SSAS this will normally be the fund value. Fund values over this amount would trigger a tax charge of 55% if taken as a lump sum or 25% if taken as an income stream. The income would also subject to income tax at your marginal rate.

Contributions into the scheme are limited by the annual allowance. The Annual Allowance is currently £40,000 (2014/2015). There is also the facility to potentially carry forward up to 3 years worth of unused relief (based on an annual amount of £40,000 for each of the previous 3 years). Contributions exceeding the annual allowance would trigger a tailored tax charge of up to 45%.

### What happens if you die?

On death, a SSAS will offer a full return of the fund value to your nominated beneficiary. If you die after age 75 and have not chosen to draw the benefits by that time, a 55% tax charge will apply.

## *UPDATED Appendix following further review dated 22/07/2016*

# APPENDIX

## Risk Warnings – Small Self Administered Scheme (SSAS)

In addition to the risks shown below, I recommend you read carefully the section entitled "risk factors" in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

- For a full explanation of the charges and how they affect your plan, please refer to the personalised illustration Key Features Documentation, Information Memorandums and Fund Fact Sheets supplied by the product provider.
- The figures on any quotations provided are for illustration purposes only and are not guaranteed.
- The cost effectiveness of your SSAS may depend on a number of factors:
    - The size of your SSAS in relation to the initial and ongoing costs.
    - The type of investments held.
    - The frequency with which you deal.
    - The size of transaction you undertake.
- The value of the investment is determined by the value of the investment, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life.
- If you have a smaller fund or deal excessively, the value of your SSAS may be eroded and the costs may be disproportionate to the value of your SSAS.
- The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- Past performance is no guarantee of future returns.
- When you retire, your pension may be lower than illustrated if:
    - You stop or reduce your contributions.
    - Investment performance is lower than illustrated.
    - The cost of converting your pension fund into an income for life is more than illustrated.
    - You start taking your pension earlier than your chosen pension age.
    - Tax rules change.
    - Charges increase above those stated.
- It is important to periodically review the value of your investments against expectations - particularly as you approach your chosen retirement age when it is advisable to transfer some or your entire fund to a more stable investment environment.
- Where a property fund has been recommended the value of the fund is based on the valuer's opinion rather than fact. You should be aware property and land can be difficult to sell – so you may not be able to cash-in this investment when you want to. In extreme market conditions the fund manager may have to delay acting on your instructions to sell your investment.
- Where a fund invests in overseas markets, changes in currency exchange rates mean that the value of the investment can go up or down.

## Technical Notes – Pensions

A current summary of the main pension's legislation effective from 6th April 2015 can be found within these technical notes.

**Budget 2015** - On 6 April 2015, "the most radical changes to pensions for almost a century" took effect. The changes were first announced in the March 2014 Budget. Here we give the basic facts and explain how they might affect you. We also explain changes announced in the July 2015 Budget.

- CHANGE 1: FLEXIBLE ACCESS TO PENSIONS FROM AGE 55

  What has changed: Most pension investors aged at least 55 now have total freedom over how they take an income or a lump sum from their pension. They can choose to:

  (a) Take the whole fund as cash in one go – 25% tax free and the rest taxed as income;
  (b) Take smaller lump sums, as and when they like with 25% of each withdrawal tax free and the rest taxed as income;
  (c) Take up to 25% tax free and a regular taxable income from the rest (via drawdown – where they draw directly from the pension fund, which remains invested – or via an annuity – where they receive a secure income for life).

Any withdrawals in excess of the tax-free amount will be taxed as income at your marginal rate. So, if you are a basic-rate (20%) taxpayer, any income you draw from your pension will be added to any other income you receive (e.g. your salary) and this could push you into the higher (40%) or even top-rate (45%) income tax bracket.

It should also be possible to take the tax-free cash straightaway and the taxable income via drawdown at a later date.

**Who is affected:** Anybody with a defined contribution pension – e.g. Small Self Administered Schemes (SSAS), individual or group personal or stakeholder pensions, Self Invested Personal Pensions (SIPPs), some Additional Voluntary Contribution (AVC) schemes, etc. – could benefit. Investors aged 55 or over should be able to take advantage of the increased flexibility now.

CHANGE 2: NEW RESTRICTIONS ON HOW MUCH YOU CAN CONTRIBUTE TO PRIVATE PENSIONS AFTER YOU MAKE WITHDRAWALS

What has changed: Pension contributions are subject to a £40,000 allowance for most people and specific contribution rules. A new £10,000 allowance has been introduced for people who have flexibly accessed a pension.

When you flexibly access benefits you must, within 91 days, inform any of your pension providers to which contributions are subsequently paid, or face a £300 fine. The pension provider with whom you flexibly access benefits should usually inform you if this applies.

**Who is affected:** Anybody who has flexibly accessed a pension since 6 April 2015 might be affected. Flexibly accessing a pension includes:

- Taking an uncrystallised funds pension lump sum (UFPLS) or a standalone lump sum;
- Having flexible drawdown before 6 April 2015 (previously you were unable to make contributions, but now you can);
- Taking an income payment from drawdown set up or converted to flexible drawdown after 5 April 2015;
- Exceeding income limits from drawdown set up before 6 April 2015;
- Taking an income payment from a scheme pension with 12 or fewer members or from a flexible annuity;

Flexibly accessing a pension does not include:

- Taking tax-free cash and no income;
- Taking a pension as a small pot due to it being worth less than £10,000;
- Taking income from capped drawdown set up before 6 April 2015 which remains within capped drawdown limits;
- Taking a pension as an annuity or scheme pension other than as described above.

This £10,000 limit applies to contributions you and your employer make to money purchase pensions (e.g. personal pensions). It does not apply to any defined benefit pension (e.g. final salary) you are building up.

CHANGE 3: 55% PENSION 'DEATH TAX' ABOLISHED

What has changed: Previously, it was normally only possible to pass a pension on as a tax-free lump sum if you died before age 75 and you had not taken any tax-free cash or income. Otherwise, any lump sum paid from the fund was subject to a 55% tax charge.

This tax charge was abolished on 6 April 2015. The tax treatment of any defined contribution pension you pass on, which you do not use to purchase a lifetime annuity or scheme pension, will depend on your age when you die. If you die before age 75, your beneficiaries can usually take the whole pension fund as a tax-free lump sum or draw an income from it, also free of UK income tax, either by choosing to buy an annuity or by using drawdown.

If you die after age 75, your beneficiaries have three options;

(a) Take the whole fund as cash in one go: the pension fund will be subject to 45% tax. However, in the July 2015 Budget it was confirmed this will be taxed as your beneficiary's or beneficiaries' income for payments made after 5 April 2016.
(b) Take a regular income through an annuity or drawdown: the payments will be taxed as your beneficiary's or beneficiaries' income.
(c) Take periodical lump sums through drawdown: the lump-sum payments will be taxed as your beneficiary's or beneficiaries' income.

Who is affected: Anybody who has a defined contribution pension – e.g. Small Self Administered Schemes, individual or group personal or stakeholder pensions, Self Invested Personal Pensions, Additional Voluntary Contribution schemes, etc. is affected. See change 4 for details of how the tax cut works for annuities.

CHANGE 4: DEATH AFTER BUYING AN ANNUITY – TAX CUT

What has changed: If you buy an annuity, you can choose for the income to be paid to your spouse or partner after you die (a joint-life annuity). You can also choose a guarantee period or value protection – for example, if you buy a 10 year guarantee and die after 2 years, the annuity will be paid for another 8 years to your spouse, partner or beneficiaries.

These payments used to be subject to tax. They are now free of UK income tax if you die before age 75 and the annuity you have is a lifetime annuity (death benefits paid from a scheme pension as value protection, a joint-life annuity or as a continuing guarantee period are not tax free. For further details check with your scheme pension provider to see what the implications of the new rules are).

A joint-life or dependant's annuity can be paid to anyone after you die, subject to any restrictions of your annuity provider. On their subsequent death any value protection or remaining guarantee period can be paid to anyone.

**Who is affected:** Anybody with a lifetime annuity with joint life, value protection or guarantee period who died on or after 3 December 2014 before turning 75. The first income payment to your partner, spouse or beneficiaries must have been made after 5 April 2015, otherwise it will be taxable.

CHANGE 5: ACCESS TO IMPARTIAL GUIDANCE

What has changed: Everyone can now access free guidance to help them make sense of their options at retirement. This service is called Pension Wise and provided by Citizens Advice Bureau and the Pensions

Advisory Service. There is no charge and your pension provider is required to tell you about this impartial guidance.

**Who is affected:** Anybody taking retirement benefits.

**Who is affected:** Anybody with a defined benefit pension, wishing to take advantage of the increased flexibility. It is no longer possible to transfer from most public sector pension schemes. Check with your pension scheme if unsure.

CHANGE 7: RETIREMENT AGES TO INCREASE

What is changing: The government has stated that it intends to increase the earliest age at which you can normally draw your pension, currently 55, to 57 from 2028 (and then increase it in line with the rise in the State Pension age). This will not apply to Public Sector Pension Schemes for Firefighters, Police and Armed Forces.

CHANGE 8: CONTRIBUTION ALLOWANCE INCREASE FOR 2015/16 What has changed: A £40,000 annual allowance usually applies to total pension contributions in a tax year. A new £40,000 allowance has effectively been introduced for contributions made from 9 July 2015 to 5 April 2016.

**Who is affected:** Investors who made contributions between 6 April 2015 and 8 July 2015 may now be able to invest more this tax year than they originally anticipated.

CHANGE 9: CONTRIBUTION RESTRICTIONS FOR HIGH EARNERS FROM 2016/17

What is changing: The July 2015 Budget included plans to limit how much high earners can pay into a pension without facing a tax charge. If the change goes ahead, it will apply to contributions made from 6 April 2016. The £40,000 annual allowance for pension contributions will be tapered down to as little as £10,000.

**Who is affected:** Anyone with taxable income more than £150,000 in 2016/17 is likely to be affected, although those with lower incomes could also be caught. The government has also announced a review into all pension tax benefits which could lead to more fundamental changes.

WHAT HAPPENS IF YOU HAVE RETIRED ALREADY?

If you are receiving an annuity income from all your pensions, you could only be affected if you have a lifetime annuity with joint life, value protection or guarantee period (see change 4).

If you are in drawdown you should be able to benefit from the new rules.

**State Pension Age**

Historically the State Pension Age has been 60 for women and 65 for men. Between 2010 and 2018, the State Pension Age for women will increase to 65 to ensure equality. The State pension age is planned to further increase to age 66 by 2020 for both men and women. As a result of increasing life expectancy, the Chancellor announced in his 2011 Autumn Statement a further increase to age 67 between 2026 and 2028 and further increases were implied in his 2013 Autumn Statement to age 68 by the mid 2030's and age 69 by the late 2040's.

**The Lifetime Allowance**

The lifetime allowance is the limit on the total amount of pension benefits you can draw from before tax penalties are applied. Excess benefits are subject to a recovery (tax) charge on the balance over the lifetime allowance. The charge is 25% or 55% depending upon whether the excess benefits are taken as an income or a lump sum.

- The lifetime allowance is currently £1 million.
- Pensions in payment before A Day will be multiplied by a factor of 25:1 to determine the notional fund value against the allowance.
- Enhanced Protection, Primary Protection, Fixed Protection or Individual Protection may have ring fenced benefits from the lifetime allowance.

**Pension Protection**

*Primary Protection* - available from 6 April 2006 and gave individuals who had already built up substantial pension savings a personalised lifetime allowance based on the value of their savings as at 6th April 2006. For example, if an individual's savings were 50% above the lifetime allowance, primary protection offered individuals a personal LTA of 150% of the prevailing lifetime allowance.

*Enhanced Protection* - available from 6 April 2006 and meant that individuals who retained it were not subject to the LTA charge, regardless of the value of their pension savings at A-Day. A condition of Enhanced Protection was that no further pension savings could be earned post 6 April 2006.

*Fixed Protection 2012* – On 6 April 2012, a further protection was introduced known as Fixed Protection 2012 (FP12) to coincide with the reduction in the lifetime allowance to £1.5 million. Those with FP12 retained the previous lifetime allowance of £1.8 million, but no further accrual of pension was permissible after 6 April 2012, otherwise FP12 would be lost and the standard lifetime allowance would then apply.

*Fixed Protection 2014* - From 6 April 2014 Fixed Protection 2014 (FP2014) is to be introduced to reflect the reduction in the LTA from £1.5 million to £1.25 million. It will operate in a similar way to FP12, but individuals with FP14 will retain an LTA of £1.5 million from April 2014. Applications for FP14 must be made by 6 April 2014.

*Individual Protection 2014* - With effect from 6 April 2014 Individual Protection 2014 (IP14) becomes available to any individual whose pension savings exceed £1.25 million as at 6 April 2014, and will provide a personalised lifetime allowance up to a maximum of £1.5 million. Those with IP14 will be able to continue accruing pension after April 2014, but any excess over the personalised Lifetime allowance will be subject to the lifetime allowance charge. Individuals can hold IP14 and either FP12 or FP14. In such cases, fixed protection will take precedence and individuals will revert to IP14 should fixed protection be lost. Individuals who already hold Enhanced Protection will be able to apply for IP14 but holders of Primary Protection won't. Protection will apply until such time as the standard lifetime allowance increases to the same level.

*2016 Protection* - It is expected people will be able to apply for protection from the lifetime allowance fall to £1 million in 2016. If you are interested, let us know and we will send you updates when details are announced.

**If you have opted for any form of the above "protection" it is important that you inform me of this fact, as this could affect my advice concerning your pension planning.**

**Contributions**

- There is no difference between different types of pension schemes. It is possible to contribute to both a personal pension and a company pension at the same time.
- Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary – subject to the annual allowance.

The annual allowance for the 2015/16 tax year is £40,000. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years.

- Contributions or accruals in excess of the annual allowance are subject to a tax charge at the member's marginal rate of tax relief. This applies to contributions made by the employee or employer.
- Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax

purposes. The HMRC website suggests that a pension contribution when considered as being "wholly and exclusively for the purposes of trade" will qualify for tax relief. Only where there is a clear non-trade purpose may tax relief be restricted or not allowed. Even where tax relief is granted large employer contributions could have the tax relief spread over a number of accounting periods.

- In measuring "defined benefit schemes" against the limit, any annual increase in the pension benefit is multiplied by 16 to convert it to its contribution equivalent.
- No tax relief will be granted on contributions paid after age 75.

**Retirement Ages**

- From 6th April 2010, the earliest retirement age rose from 50 to 55.
- It is still possible to take benefits exceptionally early on the grounds of permanent ill health.
- It is possible, if scheme rules allow, to take benefits and continue to accrue benefits while in the same scheme before or beyond scheme pension age.
- Compulsory annuitisation by age 75 has been scrapped.

**Retirement Benefits**

- From 6th April 2011 the effective requirement for members of registered pension schemes to secure an income, usually by purchasing an annuity with their pension fund, by age 75 has been removed. It is now possible to draw retirement benefits (income and lump sum) after your 75th birthday.
- Effective from 27th March 2014, the maximum Capped Drawdown GAD limit increases from 120% to 150% of the prevailing annuity rate which can be withdrawn in any given policy year.
- Effective from 6th April 2015, Flexible Drawdown no longer requires a minimum secured pension income to take income without limit from their pension fund.
- Effective from 27th March 2014, the whole of an individual's pension fund can be taken as cash (25% of which will be tax free) under the triviality rules provided their entire pension fund is not more than £30,000. The individual has to be at least 60 years old.
- From 6 April 2012, individuals attaining age 60 can exchange 'personal pension' benefits for cash under 'small pot' rules even if the main rules above have not been met. This is conditional on the payment not exceeding £10,000 with effect from 27th March 2014 (formerly £2,000), it extinguishes all rights of the individual under the arrangement and not more than three lump sum payments have previously been received under a similar scheme.

**Tax-Free Lump Sums**

- It has been possible to take a tax free cash (Pension Commencement Lump Sum) payment of 25% of the fund value from any pension since A Day.
- It is possible for an individual to protect any entitlement to a Pension Commencement Lump Sum payment in excess of 25% accrued prior to A Day. However detailed records have to be held and the protection can be lost on transfer.
- HMRC have established a fiddly anti-avoidance rule for the "recycling" of Pension Commencement Lump Sum payments. Significant contribution increases over 30% of the lump sum, where a Pension Commencement Lump Sum payment taken in the previous twelve months exceeds 1% of the lifetime allowance will be scrutinised.

**Death Benefits**

- On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance.
- Death on or after your 75th birthday will result in a tax charge of 55% on all uncrystallised pension benefits if taken as a lump sum.
- The same 55% tax charge on death will also apply to any crystallised pension benefits, regardless of age.

**Investments**

- There is a single set of investment rules which, subject to DWP (Department of Works and Pensions) requirements, apply to all registered pension schemes.
- Any personal use of an asset other than on commercial terms will give rise to an income tax assessment, like a benefit-in-kind.
- There is no ban on transactions between connected persons.
- Small business owners and professional partnerships can transfer their own business premises and company shares into their pension pots.
- Scheme borrowing is limited to 50% of scheme assets.

**Auto-Enrolment**

The Pensions Act 2008 established new duties on employers to help more people save for their retirement. All employers are required by law to automatically enrol certain members of their workforce into a pension scheme and make a contribution towards it. These duties took effect for the largest employers from October 2012 with all other sized employers being phased in until October 2018.

The government has set a minimum percentage that has to be contributed in total which will be based on a band of your gross annual earnings and will include your contribution, your employer's contribution and the tax relief added together. This minimum increases gradually between 2012 and

October 2018 at which point the total contribution will be no less than 8% (of which at least 3% will be paid by the employer).

Where employers already provide a pension scheme for their workers, it will need to be checked if it is a qualifying scheme i.e. it meets a number of conditions based on the level of contributions paid or the benefits that members receive. If it doesn't qualify at the moment, employers may be able to change the scheme rules or amend the terms of the policy so that they will be able to use it.

**National Employment Savings Trust (NEST)**

Nest is a brand new workplace pension scheme designed to make it easy for employers to meet their new workplace pension duties in respect of auto-enrolment. It is open to employers of any size and it is a simple and low-cost pension scheme designed to give its members an easy way of building up a retirement pot. The self-employed are also eligible.

Nest collects an annual management charge (AMC) of 0.3% of a member's total fund each year and members will also pay a charge of 1.8% on any new contributions they make. Nest anticipates removing this charge once the costs of setting up the scheme are met.

This fact sheet is based on our understanding of current and proposed legislation as at 1 April 2015, which is subject to change. It is a brief summary that cannot cover every nuance. Any tax benefits or charges will depend on your circumstances. If you are at all unsure you should seek advice.

## Notes on Financial Products

### Small Self Administered Scheme (SSAS)

A Small Self Administered Scheme (SSAS) is a special type of personal pension which allows you to have a greater involvement in the running of your pension and offers a much wider choice of where to invest your pension savings.

Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary, subject to an annual allowance of £40,000 for the current tax year. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years. Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. Individuals are subject to a tax charge on the amount of any contribution (both individual and employer) paid in excess of the annual allowance each year. The tax charge will be at the member's marginal rate of tax. No tax relief will be granted on contributions paid after age 75.

A pension is one of the most tax efficient ways of saving for your retirement. Contributions qualify for tax relief at your highest rate of income tax, subject to the restrictions outlined above. Contributions are paid net of basic rate tax and the pension provider collects the tax relief from the HM Revenue & Customs. This means that for every £80 you contribute, £100 will actually be credited to your plan. Any higher rate tax relief to which you are entitled can be reclaimed through your annual Tax Return. Growth in the value of the pension fund is free from capital gains tax and certain types of dividends paid to the plan are free from income tax.

Benefits can usually be taken from age 55, including while you are still working. At that time you can elect to take 25% of the accumulated fund as a Pension Commencement Lump Sum (tax free cash) payment. The remainder of the fund may be used to purchase an annuity, which can be established on a basis to suit your individual circumstances and objectives at that time. Alternatively you can choose to take the benefits directly from your pension fund via a more flexible retirement plan. The effective requirement to buy an annuity by age 75 was removed from 6th April 2011.

On death before age 75, there will be no death benefit tax charge on either a crystallised or uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance. Death on, or after your 75th birthday If you die after age 75, your beneficiaries have three options;

(a) Take the whole fund as cash in one go: the pension fund will be subject to 45% tax. However, in the July 2015 Budget it was confirmed this will be taxed as your beneficiary's or beneficiaries' income for payments made after 5 April 2016.
(b) Take a regular income through an annuity or drawdown: the payments will be taxed as your beneficiary's or beneficiaries' income.
(c) Take periodical lump sums through drawdown: the lump-sum payments will be taxed as your beneficiary's or beneficiaries' income.

Under normal circumstances, no inheritance tax liability will arise from pension death benefits unless HMRC believe that an individual has deliberately deferred the crystallisation of their pension benefits to avoid tax charges.

SSASs are allowed to invest in a variety of ways and "connected person transactions" are now allowed provided they occur at "arms-length". The permitted investments include:

- Stocks and shares traded on any recognised stock exchange.
- Futures and options relating to stocks and shares traded on any recognised futures exchange.
- Units in an authorised unit trust.
- Shares in OEICs.
- Unregulated, non standard Investment Schemes
- Policies of insurance linked to unit-linked or investment funds of an insurance company resident in the UK.
- Traded endowment policies transacted with a person regulated by the FCA.
- Cash deposits in any currency.
- A freehold or leasehold interest in commercial property (including land).
- Ground rents, rent charges, ground annuals, feu duties or other annual payments reserved in respect of, or charged on, or issuing out of property except where the property concerned is occupied by a member of the scheme or a person connected with him.
- Individual pension accounts.

### *Property Investment via a SSAS*

It is possible to invest directly in commercial property via a SSAS. The following should be considered when undertaking a commercial property purchase via a SSAS:

- The rent accumulates tax free within the scheme and the subsequent disposal of the property is exempt from capital gains tax.
- The lease must be on commercial terms and the administrator of the SSAS is required to take independent advice on the terms of the lease and the rent payable.
- Letting a property to a member's own business can also bring additional risks. If the business fails, the pension scheme may suffer investment losses as well as a reduction in future contributions.
- Investment in a single undertaking or having one investment as a large part of a scheme's assets brings considerable risk.
- Investment in commercial property needs to be treated with particular care. A property's potential marketability must be considered carefully because it will have to be sold before an annuity is secured.
- The problem can become even greater when several members effectively hold the property within their fund as often happens in a partnership.

A SSAS may only borrow towards the purchase of a freehold or leasehold interest in commercial property to be held as an investment of the scheme. The amount borrowed must not exceed 50% of the value of the individual pension assets.

**Budget 2015** – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms applied on 6th April 2015.

## Appendix – Technical Information on Unregulated Investment Schemes

Many Unregulated Investment Schemes (UIS) are sold to investors in the UK. Regulated CIS are those that are authorised by the Financial Conduct Authority (FCA) or are non-UK CIS that the FCA recognise. FCA recognition enables overseas CIS to be marketed to the general public in the UK and the FCA will only recognise an overseas scheme if certain specified criteria are met. If the FCA do not authorise or recognise a CIS in this way, it is classed as an Unregulated Investment Scheme (UIS). A UIS may be established, operated and/or managed in the UK or in a jurisdiction outside the UK.

UIS are described as unregulated because they are not subject to the same restrictions as a regulated CIS (e.g. in terms of their investment powers and how they are operated). Although the schemes themselves are not authorised or recognised, persons carrying on regulated activities in the UK in relation to UIS (including providing personal recommendations, arranging deals and establishing, operating and managing schemes) will be subject to FCA regulation.

All investments are subject to tax of some kind. Generally speaking, if the investment pays out regularly, the returns are taxed as income and investors are liable to income tax at their highest marginal rate. Alternatively, if the investment objectives are to generate a lump sum at the end of the investment term, or capital growth, then the gains enjoyed are subject to Capital Gains Tax.

However, it is not always as simple as this and the tax treatment of individual investments can vary from the general rules. Additionally, liability to tax will often depend on an investor's personal circumstances.

UIS investments cannot be held within an ISA because they are not regulated by the FCA.