

HARGREAVES
LANSDOWN

DRAWDOWN
KEY FEATURES
AND IMPORTANT
INFORMATION

ACCESSING YOUR ACCOUNT

How to set up your telephone security and online access.

If you're new to Hargreaves Lansdown, after your drawdown account's been set up, you'll receive a PIN and client number, separately. You'll need these to set up your telephone security and online access. If you don't do this, we may only be able to take instructions and answer account queries from you by signed letter.

To set up your telephone security, simply call us on **0117 980 9940** with your PIN and client number to hand. Once set up we can answer your account queries and take your instructions over the phone.

To view and manage your account online you'll need to register for online access:

- Go to www.hl.co.uk and click on 'Register' at the top right hand corner of the page
- Follow the on-screen instructions – you'll need your PIN, client number, date of birth and National Insurance number to hand

Don't forget you can also download our free and easy-to-use mobile and iPad apps, so you can trade and manage your investments whilst on the move (iPad is a trademark of Apple Inc).

IMPORTANT INFORMATION

This document is published solely to help clients to make their own investment decisions; it's not a personal recommendation. If you're unsure of an investment's suitability, and you've not done so already, you should contact a financial adviser for personal advice.

The information in the document is correct as at 28 March 2018. Pension and tax rules can change, and the value of benefits depend on your individual circumstances. The earliest age at which you can normally take pension benefits is 55 (rising to 57 in 2028).

Past performance is not a guide to future performance. All investments should normally be held for the long term as their value can fall as well as rise, so you could get back less than you invest.

How to complain

Please contact the Client Services Manager at Hargreaves Lansdown.

Trust Deed & Rules

The Hargreaves Lansdown Vantage SIPP is governed by a Trust Deed and Rules. A copy of this document is available upon written request or can be viewed at www.hl.co.uk/pensions/sipp/apply-now

Financial Services Compensation Scheme

Investments in a SIPP will, in most cases, give you entitlement to the FSCS in the event that the provider becomes unable to pay claims. In addition some, but not all, of the investments you hold within a SIPP will also be covered by the FSCS. For more information about the FSCS, please go to www.fscs.org.uk

KEY FEATURES OF DRAWDOWN

What you need to know before you apply.

Drawdown is one option available to you when you want to start taking retirement benefits. It's an alternative to taking an uncrystallised funds pension lump sum (UFPLS) or buying a lifetime annuity (secure income), and allows you to draw an income directly from your SIPP while the fund stays invested.

What you do with your pension is an important decision and can affect your future options. We're required by the Financial Conduct Authority (the financial services regulator) to give you these key features to help you decide whether drawdown in the HL SIPP is right for you.

Please read these key features carefully so you understand what you're applying for, and then keep them safe for future reference.

Aims of drawdown in the HL SIPP

- To allow you to take a tax-free lump sum and/or draw an income from your HL SIPP.
- To give you flexibility in the level of income you take.
- To let you keep your pension invested while you draw an income from it.
- To provide flexible death benefits.
- To let you choose the time you buy an annuity.

Risk factors to consider

- The value of your drawdown fund, and the income it provides, may fall or rise in value. It's not guaranteed.
- If you withdraw too much income too soon, you live longer than expected or your investment returns are poor, you could run out of money.
- Investment returns might be less than expected, giving a lower future fund value.

- A reducing fund will mean less available income and/or less to buy an annuity with in the future. It'll also reduce the value of death benefits for any beneficiaries.
- An increasing fund value could mean you exceed the lifetime allowance.
- Annuity rates can change on a daily basis. If you buy an annuity in the future, annuity rates could be worse than when you started drawdown.
- Future changes in legislation and taxation could affect your benefits.
- Death benefits paid from your HL SIPP will normally be free of Inheritance Tax. Although, HM Revenue & Customs (HMRC) has indicated this may be chargeable in some circumstances. Inheritance Tax is a complex area and beyond the scope of this document. If you need help with this issue you can contact us for personal advice or download our guide.

Go to www.hl.co.uk/tools

- Inflation will affect the value of your income. Prices tend to rise over time so your money might need to last longer than you first thought.
- Flexibly accessing pension benefits (which includes taking taxable income from flexible drawdown) could limit how much you can contribute to pensions in future. See page 4 for further details.
- Money held in a pension may be protected from creditors if you're in debt and they take action against you. Any protection could be lost once you withdraw money from a pension.
- Withdrawing money from your pension might reduce any means-tested benefits you get. Find out more at www.gov.uk/benefits-calculators

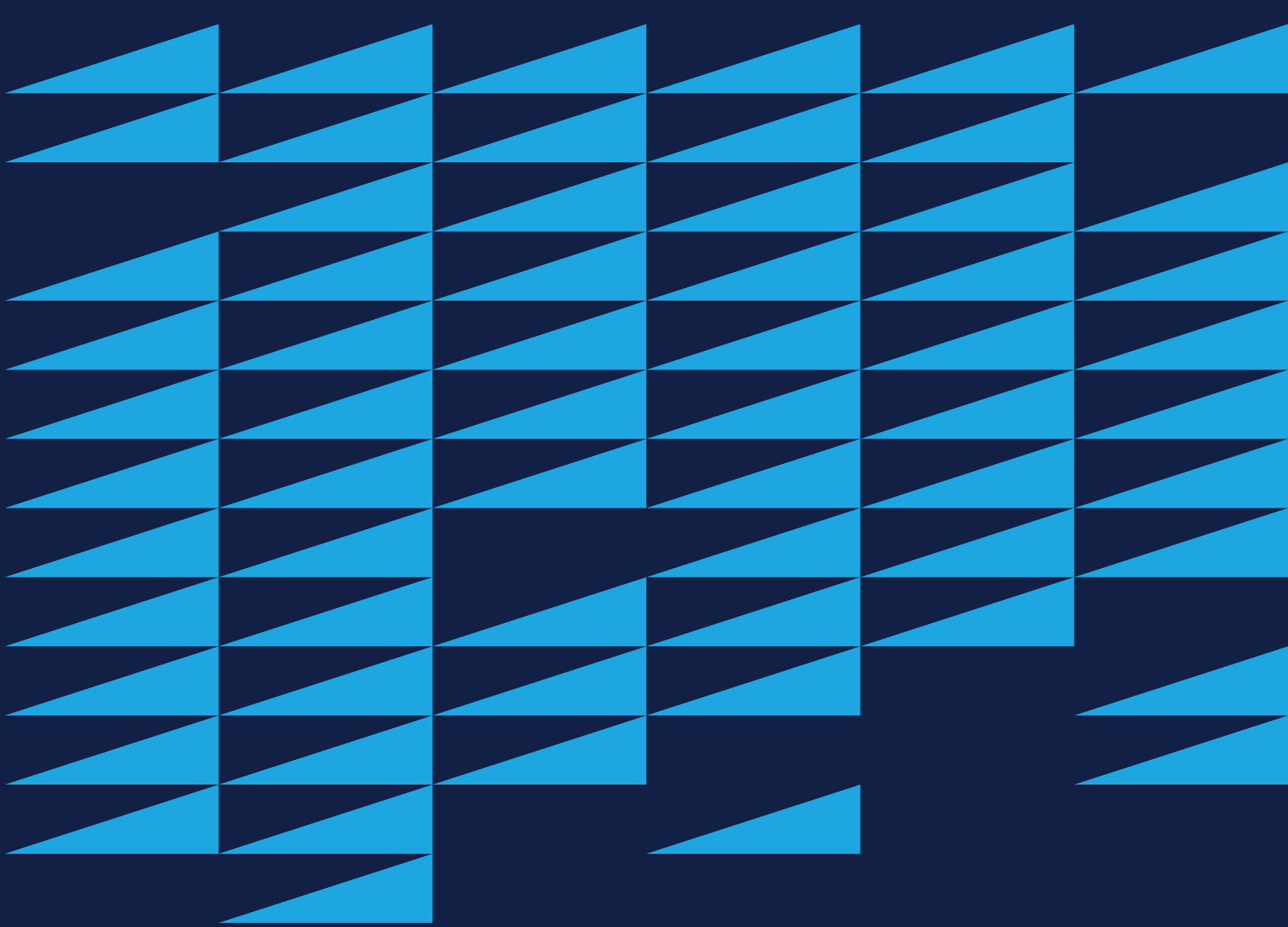
- You should be careful where you choose to re-invest any money you take out of a pension. Investment scams are a reality of life, unfortunately. Find out more at www.scamsmart.fca.org.uk

Your commitment

- To give us the information we need to both set up drawdown for you, and test any pension benefits against your lifetime allowance. You can find more information on the lifetime allowance on pages 7 & 8.
- To regularly review your income strategy.
- To understand your chosen investments and how suitable they are for your goals.
- To review your chosen investments and their suitability.
- To let us know of any changes to your personal circumstances.
- If you have any doubts, and are not taking advice, to get personal financial advice.
- To ensure there is sufficient settled cash in your SIPP to meet any requested tax-free cash, income payments due and fees payable.

Note, for cash to be 'settled' it needs to have cleared in your account, and be available to move. This could be following a transfer or top-up you've done, dividends or income paid from your investments, or cash made from an investment sale.

If you're unsure of any key features mentioned, or have any questions about drawdown in the HL SIPP please call us on **0117 980 9940** before completing your application.



DRAWDOWN IN THE HL SIPP

Questions and answers.

When can I start drawdown?

Usually you can start drawdown from age 55 (rising to 57 from 2028). If you have a protected retirement age, or can't carry on working because of ill health, you might be able to start drawdown earlier.

Do I need to provide other documents along with my application form?

Before applying you must make sure you've completed the risk questions detailed on our 'Risks to consider' form and are happy to accept the risks that apply to your situation. You can do this by calling us on **0117 980 9940** or returning your fully completed form by post.

Your application form will ask for any other documents we need from you. These are likely to include:

- ✓ Proof of age (such as a copy of your passport, photocard driving licence or birth certificate)
- ✓ Recent bank account statement (postal version)
- ✓ Valid P45 for the current tax year

How much does drawdown cost?

There's no charge for setting up drawdown, making withdrawals, or for buying and selling funds. There's a charge for dealing shares and investment trusts, but how much will depend on whether trades are made online or offline, and how often.

Our maximum charge for holding investments in each HL account is 0.45% a year, but the investments you choose may also have their own charges. For those in 'capped drawdown' a fee of £75 plus VAT will apply for each Government Actuary's Department (GAD) income review.

Our full Tariff of Charges, including all dealing and account closure charges, can be found in the Terms & Conditions.

Do I have to move all my pension into drawdown?

Not if you don't want to. Moving only part of your pension into drawdown can be tax efficient, and is known as partial or phased drawdown. You can always apply to move more money into drawdown later if you want.

What will happen to my existing HL SIPP account once I move money from it into drawdown?

If you're moving all of your SIPP into drawdown, we'll close your SIPP account once this is complete. It'll be visible online but only so you can see any transaction history. If you're only moving part of your SIPP into drawdown, the remaining money will stay in your SIPP. So, you'll have two SIPP accounts, one of which will be in drawdown.

How might tax relief delay my application?

If you'd like to move your whole SIPP into drawdown, tax relief from any recent contributions (including by direct debit) must be received from HMRC and have settled in your account before we can set up your drawdown account. Tax relief is usually received 6-11 weeks after a contribution is made to the HL SIPP. If you're only moving part of your SIPP into drawdown you don't need to wait for your tax relief to be received; it'll be added to your non-drawdown account.

What if I'm waiting for investment income in my HL SIPP?

If you're moving your whole SIPP into drawdown any dividends from shares or interest from direct holdings of cash and bonds, which have not been received, will be included in the fund value used to calculate your tax-free cash. Dividends or interest due from funds (unit trusts or OEICs) won't be included in this calculation and will be added as cash to your drawdown account when received. Please note, any instruction for investment income to be automatically reinvested won't apply to this money. If you're moving only part of your SIPP into drawdown any investment income due, but not received, on the day we set up drawdown will be added to your non-drawdown account when it's received.

Can I still buy and sell investments in my HL SIPP account when setting up drawdown?

Yes, but if you do we'll have to wait until these trades have completed in full before we can pay any tax-free cash and/or income. So, you might find it easier not to place any trades on your SIPP account until your selected cash and/or investments have been moved into drawdown and we confirm everything is set up.

FUTURE PENSION CONTRIBUTIONS

Can I still make pension contributions?

Yes. Tax relief will continue on personal contributions as long as you're under 75. Personal and annual contribution limits will apply.

Under current pension rules, money purchase pension contributions could be limited by the money purchase annual allowance (MPAA). This is £4,000 each tax year. Investors in capped drawdown, whose income is still subject to the GAD limit, will not trigger the MPAA unless they flexibly access benefits in another way. Investors who start or convert to flexible drawdown under current pension rules will trigger the MPAA after taking their first taxable income payment, or on the date they first flexibly access benefits in another way.

TRANSFERRING PENSIONS

Do I need to check anything first?

Yes. You should check with your current provider that you won't pay high exit fees, or lose any valuable benefits before you apply to transfer. You should also bear in mind that most pension transfers are made electronically as cash. Which means you'll be out of the market, and won't benefit from any market falls or rises during that time.

How long will it take?

We'll start to arrange your transfer once we receive your fully completed application. Most transfers into the HL SIPP complete within 8 working days if transferred electronically as cash. Transfers of investments can take significantly longer.

Can I transfer an existing drawdown plan into the HL SIPP?

Yes. And if it's a 'capped drawdown' plan you'll have the option to convert to flexible drawdown at no extra cost.

Can I still transfer other pensions to the HL SIPP?

Yes – you might find merging your pensions into one makes them easier to manage. Just make sure you won't pay excessive exit penalties or be giving up any valuable benefits first.

Can I transfer my HL drawdown SIPP elsewhere?

Yes.

YOUR TAX-FREE CASH AND INCOME

How much tax-free cash will I receive and when?

Each time you move money into drawdown you can usually take up to 25% of that amount as a tax-free lump sum. If you choose to take less than the maximum tax-free cash available, or none at all, you can't change your mind later on, and further tax-free cash can't be taken from money already in drawdown.

Assuming there are no outstanding requirements, your drawdown account will usually be set up, and any tax-free cash paid, within 10 working days after the date we receive your application, or once all pension transfers are complete.

What if I need to sell investments to cover my tax-free cash and income?

You can place your instruction to sell investments by calling our dealers on **0117 980 9800** with your security details to hand, directly through your online account, or by signed letter, clearly stating the name and specific amount of the investments to be bought or sold (e.g. 'please sell £1,000 of Fund A' or 'please sell all of my Fund B'). We aren't able to accept an instruction simply asking us to sell 'sufficient' investments.

If you place an investment sale to meet an income payment, remember to consider trade and settlement periods. A typical investment fund (unit trust/OEIC) normally takes around five working days to complete after a sale has been placed. Other investments might take a longer or shorter time to complete.

If you're transferring pensions to move into drawdown straightaway, you might want to sell investments before the transfer is made.

How much income can I take and when?

You don't have to take any income if you don't need to or want to. But if you do, you can draw as much as you like. You can choose to set up a regular income to be paid monthly, quarterly (March, June, September and December), half-yearly (June and December), or as a yearly lump sum (you choose the payment month). You can also choose to take one-off payments as and when you need to.

It's your responsibility to make sure there's enough settled cash in your account to meet your withdrawal request. Remember to factor in any charges which are due or outstanding. These will be collected from any available cash on your account first.

When are income withdrawals paid?

The money should arrive in your bank account on the 28th of the month (or the previous working day if this isn't a working day).

Why should I be aware of fund switching and withdrawals?

If you give an investment instruction to sell and reinvest the proceeds at the same time (e.g. a fund switch) in your drawdown account, we may use cash available at the time to cover the cost of the reinvestment while the sale is being processed. To avoid this restricting any pending income withdrawal, it might be wise to wait until income is received before giving this kind of investment instruction.

What if there's not enough settled cash to cover my income withdrawal?

You'll still receive an income payment but it will be for the amount you hold in settled cash (as long as this is at least £50).

TAX

How will my income withdrawals be taxed?

Like all pension providers, we're required to deduct tax before a withdrawal is paid out. The taxable income will be added to any other income you've received in that tax year, so taking large withdrawals could push you into a higher tax bracket. We'll deduct any income tax under Pay As You Earn (PAYE). Taxation depends on your personal circumstances.

What tax code will be used?

When you withdraw a taxable income for the first time, or where HMRC haven't yet given us a valid tax code, we're required to deduct income tax using either an emergency tax code or the tax code provided on your valid P45 (if we've got a copy). However HMRC guidance means we may have to use this code on a 'Month 1' basis at the start. Applying a tax code on a 'Month 1' basis means that all previous pay and tax in the year isn't taken into account. It assumes you're due to receive the same amount every month. So you might pay too much tax at the beginning.

After the first payment's been made, HMRC should then provide us with an updated, or re-confirmed, tax code which we'll use for any future payments. Once we've got a confirmed tax code for you, we'll usually be required to apply this on a cumulative basis. This means the tax deducted on future payments will take into account the income we've already paid to you in that tax year, as well as any allowances or tax bands you've used so far. If further payments are made in the same tax year the new tax code should help to adjust any under or over-paid tax. You should settle any remaining under or over-paid tax directly with HMRC, and direct any queries relating to your tax code to your local tax office.

BANK DETAILS

What kind of bank account can my withdrawals be paid into?

This must be a UK bank account held solely or jointly in your name. If we already hold bank account details which are linked to a different HL product, such as an ISA, we can't automatically assume these bank account details should be used for drawdown. You'll need to confirm the bank account details to be used on your

application. To ensure your bank account can be verified, you may need to forward a copy of a recent bank statement (which must be a postal version sent to your current address).

How do I change the bank account my withdrawals are paid into?

Your request must be made in writing either by signed letter or by completing our 'change of bank account details' request form (you can ask for one by phone or download via the 'Account Administration' tab on your online account). To guarantee that any pending withdrawals will be paid into this bank account, we must receive these details by the 17th of the month in which your request should take effect.

INVESTING

When and where can I start investing?

You can start as soon as you're ready. You can choose your own investments using any combination of cash, shares, funds or fixed interest investments (gilts and bonds), as well other investments. Or you can let a financial adviser choose investments for you, for a fee.

Readymade investing is also available through our Portfolio+ service. Though it isn't specifically designed for drawdown, and isn't personal advice, it's available if you think it's right for your needs.

How do I place investment instructions?

You can place your instructions by signed letter, clearly stating the name and specific amount of the investments to be bought or sold, by calling our dealers on **0117 980 9800** with your security details to hand, or directly through your online account.

For funds, what's the difference between income and accumulation units?

- Income units: any income generated by the underlying holdings is given to investors as cash. This will be deposited into your drawdown account to save or reinvest.
- Accumulation units: any income generated is 'rolled-up' in the price of the unit, rather than paid out, increasing the growth of the investment.

How will income generated from my investments be treated?

Investment income can be held as cash (this is the default option if you're opening a HL SIPP for the first time) or you can choose for it to be automatically reinvested back into the fund or share that paid the income. Note, the default value for reinvesting is £10 a holding, but you can choose a different reinvestment value up to £1,000 a holding. There's a 1% charge for each reinvestment you make into shares and funds (min £1, max £10). Income can be treated differently for each HL Account you hold, but not for each individual holding.

You can change your preferences by signed letter, calling us on **0117 980 9926** with your security details to hand, or via your online account under the 'Account Administration' tab.

CLIENT INVESTMENT TOOLS

Portfolio Analysis tool

Available if you've registered for online access. This tool allows you to see how and where your entire HL portfolio is invested. You can analyse each individual account you hold or specific holdings from different accounts. You can also use the tool to analyse investments you're thinking about buying or selling.

Watchlist tool

Available if you've registered for online access. You can use the tool to track the performance of funds, shares and other investments you want to monitor. You can create multiple watchlists and add or remove investments.

MONITORING AND REVIEW

When should I review my investments and income?

To make sure your drawdown plan is helping you achieve your goals, you need to review it regularly. This includes checking you're happy with your investments and making changes when necessary. If you're taking an income, you also need to check the amount you're withdrawing is sustainable.

What review documents will I receive?

Once your money has been moved into drawdown, we'll send written confirmation by post, and enclose your drawdown statement. You'll also receive a review pack once a year, which will confirm your fund value on the review date, the amount and frequency of income you're drawing, the proportion of your holdings, and an illustration of how assumed investment returns could affect your fund in future. It'll also show how much of the lifetime allowance you've used so far in the HL SIPP (see pages 7 & 8 for more information).

If you're in capped drawdown you'll receive a GAD review on every third year of the arrangement being set up (or annually from age 75). This will show any increase or decrease to the maximum annual income available.

You'll receive a full statement twice a year which will show the fund value, holdings and transaction history of all your HL accounts, including any ISA or Fund & Share accounts.

PASSING YOUR PENSION TO LOVED ONES

How do I let you know who I'd like to inherit my pension benefits?

The easiest way to put your wishes into action is through your online account. If you've registered for online access, simply login and select 'Account Settings' and 'Manage SIPP beneficiaries'. Or, you can complete and return an 'Expression of wish' form which you can request by calling us on **0117 980 9940**.

You can choose anyone you like, and can nominate more than one person. You can also change these if you'd like later on.

CHANGING CIRCUMSTANCES

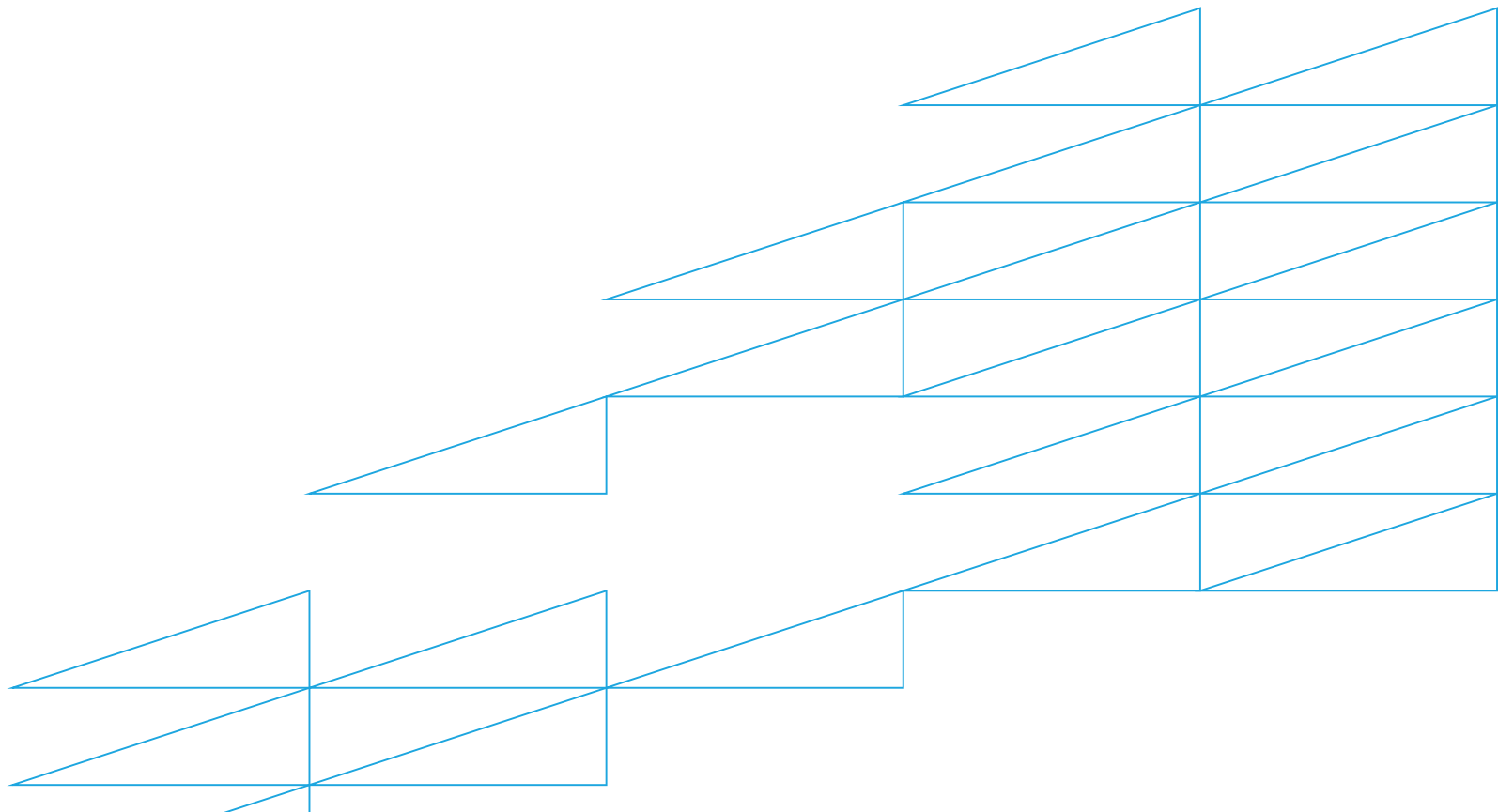
What if I become unable to manage my investments myself?

If you start to question whether drawdown is still right for you, we strongly recommend you seek personal advice. We can provide this if you'd like us to. But for now, you might want to consider setting up a lasting power of attorney. This will make sure your financial affairs are taken care of if you are unable to do it yourself. More information about how to do this can be found at www.gov.uk/power-of-attorney

What if I decide an annuity is better for my needs?

You can use some, or all, of your drawdown fund to buy an annuity at any time. Please contact us and we'll give you a free annuity quotation showing some of the most competitive rates available. You can also get quotes online by visiting www.hl.co.uk/annuity

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THE LIFETIME ALLOWANCE

Important if the value of your pensions will ever reach £1.03 million

The total combined value of the benefits a person can save across all their pensions is subject to a limit called the lifetime allowance. This is £1.03 million for most people (tax year 2018/19).

Pension savings in excess of the lifetime allowance will be subject to tax charges unless you've applied for, and hold, valid lifetime allowance protection.

If you're close to the lifetime allowance, or in any doubt about how to make this calculation, we suggest you should contact your pension administrator or seek personal advice.

How might this affect my application?

Following receipt of your drawdown application, we'll need you to complete an additional lifetime allowance form before proceeding with your application if you've confirmed any of the following:

- When you take benefits from the HL SIPP there's a possibility that the total value of all your pensions (including those already in payment) will exceed the lifetime allowance.
- You're taking benefits and have registered for pension protection against the lifetime allowance.
- You're taking benefits after 75 (because the tax-free cash you're able to get might be reduced).

So, if you think you might be affected and you'd like this additional lifetime allowance form in advance, please call us on **0117 980 9940** and we'll arrange this for you.

When will my SIPP be tested against the lifetime allowance?

Testing the value of your pension against the lifetime allowance is called a Benefit Crystallisation Event (BCE). Your SIPP will be tested at the following times:

- When you take a lump sum payment (such as an UFPLS) from your SIPP before age 75.
- When you move funds into drawdown before 75, even if you choose not to draw an income.
- When you buy an annuity with your funds before 75.
- When you reach 75; this includes anything left in your SIPP that you haven't already accessed.
- When you transfer to a Qualifying Recognised Overseas Pension Scheme before age 75.
- When your beneficiary takes a lump sum payment, moves into drawdown or purchases an annuity using funds using what's left in your SIPP (if you were to die before 75).

Every time your benefits are tested against the lifetime allowance (not including payments to beneficiaries) you'll be required to provide information to let us to do this. Remember, if your funds are in drawdown and you reach 75, or you're under 75 and you use these funds to buy an annuity, it's only the growth in the value of the funds since they first went into drawdown which is tested.

How can I work out if I'm close to the lifetime allowance?

You'll need to add up all your pension values:

- The value of the SIPP fund which will be used to provide benefits (i.e. an UFPLS, drawdown or annuity).
- The value of the pensions you're already receiving (any spouse/beneficiary pensions you're receiving can be ignored).
- The value of pensions you plan to take benefits from, before or at the same time as moving money into drawdown in the HL SIPP.
- You can ignore any State Pension.

You need to take note of when benefits were, or are planned to be, taken. The additional calculations are detailed below and will affect your final total. You'll need to provide these details on your application.

If all the other pension benefits you're receiving started before 6 April 2006, and this will be the first time you're taking benefits since this date – you

need to measure the value of these other pensions against the lifetime allowance. To do this, you multiply the current annual pension income you're receiving by 25. For example, a pension paying £12,000 a year would be valued at £300,000 (£12,000 x 25).

If your existing pension is being paid from a capped drawdown plan, you multiply the maximum income which could be taken by 25 and not the actual income you're receiving (if lower). If you've since converted to flexible drawdown use the maximum income which was available under capped drawdown on the date you

converted it (your drawdown provider will be able to confirm this). In some cases the actual figure used may be reduced. The information you supply on your application will tell us whether any reduction is needed.

If you started to take benefits from at least one of your other pensions after 5 April 2006 – you should've received a certificate showing the percentage of the lifetime allowance used up when these benefits were taken. Your pension company might have also worked out how much of the lifetime allowance was used up by any pensions you were already receiving before this date and given you this information. This would have been shown as the % of lifetime allowance used. For example, if you have a standard lifetime allowance and the total of your pensions already in payment used 30% of the lifetime allowance you still have 70% left. Currently this equates to £721,000 (70% of £1.03 million).

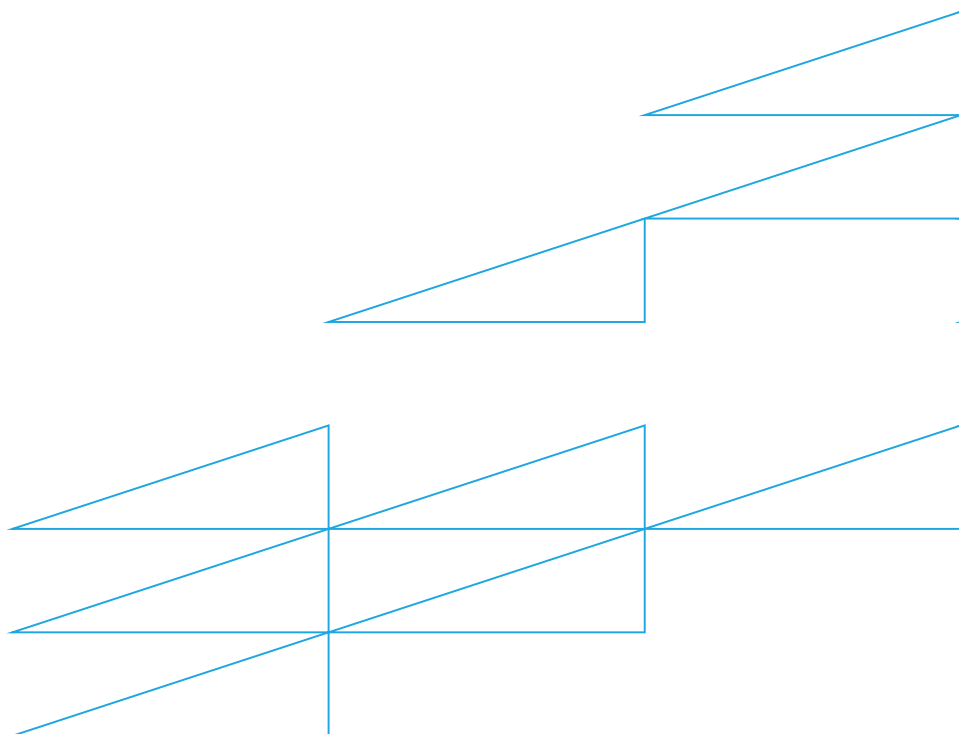
If you're taking benefits for the first time from other pensions at the same time as taking benefits from the HL SIPP – you need to measure the value you plan to take against the lifetime allowance. To calculate this, you'll need the amount being used to provide benefits, including any tax-free cash. Where a scheme pension (e.g. a final salary pension in payment) is being used, you'll normally need to multiply the annual pension income by 20 to give your value, and add any tax-free cash amount on top.

What happens if I go over my lifetime allowance?

If you've gone over your lifetime allowance we must deduct the correct amount of lifetime allowance charge and pay it to HMRC. This will be 55% if the excess is paid to you as a lump sum (only available before age 75) or 25% if it's moved into drawdown (further payments will then be subject to income tax).

Protection against the lifetime allowance charge

If you hold protection against the lifetime allowance you'll usually have your own personal lifetime allowance greater than the standard amount. If you hold protection please send us a full copy of your protection certificate (including all pages), or the HMRC print out confirming your reference number if you applied online, along with your application.





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