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SSAS Review Report

Prepared for:

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Mersey 55 Retirement Scheme

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12/5/2014

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SSAS SUITABILITY REVIEW REPORT

Introduction and Basis of the Suitability Review.

In preparing this suitability review, we have taken into account the Mersey 55 Retirement Scheme prospective membership profile, and data established during the fact find conversation. Having considered the membership profile and the best practice guidelines the review findings are detailed within this report. I am authorised to conduct this review on all areas addressed in this report. I would ask that you read the report carefully and check that it reflects the Mersey 55 Retirement Scheme members intended investment strategies, priorities and outcomes.

It is important that you understand this review. You should read this report in conjunction with the remuneration disclosure and the Fund fact sheets and Information Memorandums you have been supplied with, which all provide important information about the Mersey 55 Retirement Scheme investments reviewed within this report. I do stress that if you do not understand any of the information contained within this report then please contact me as a matter of urgency.

Mersey 55 Retirement Scheme have also been provided with a copy of our Client Agreement. This explains my status, our terms of business, the services we offer and how we are be remunerated for these services as summarised below.

Date of Client Agreement	Date of Identity Verification	Date of First Meeting	Date of Last Meeting	Initial Engagement Fee	Ongoing Reviews Annual Charge
22/4/2014	22/4/2014	22/4/2014	22/4/2014	2% of Fund	0.5% of Fund

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 the Mersey 55 Retirement Scheme members 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.

Summary of Current Position & Objectives

Mersey 55 Retirement Scheme -10 member pension arrangement

The scheme is a Small Self Administered Scheme (SSAS) style pension which is an arrangement which forms all or part of a personal pension scheme, which gives the member the power to direct specifically how some or all of the member's contributions are invested (as opposed to simply choosing a fund or funds).

All the members of the Mersey 55 Retirement Scheme are also Trustees of the scheme and shareholders in the company, Mersey 55 Limited. A Trustee is company appointed to hold assets for the beneficiaries of a trust-based pension scheme, in accordance with the provisions of the trust instrument (the legal document that sets up, governs or amends the SSAS scheme) and general provisions of trust law.

A feature of all SSAS style schemes is that they offer a range of investment options, and the value of each member's savings changes in line with the funds they are invested in. Many people are understandably reluctant to select their own investment strategy, and so it is important that the Mersey 55 Retirement Scheme's investment strategy and asset allocation is suitable for all the scheme members with equal and fair member outcomes. As such there should be an appropriate balance between risk and return for the membership profile and the charging structure should reflect this balance. The investment strategy and asset allocation should take into account, on reasonable grounds, the retirement profile of members.

Please find below a summary of the current Mersey 55 Retirement Scheme member trustees and individual fund values with Investment allocation:

Member Name	Member Age	Selected Retirement age	Pension Value	Forestry Allocation	Loan Note Allocation	Regulated Fund	Skywatch Inn	Cash
Jean Francis Jones	57	75	£59,115	£30,000	£11,000	£11,232	£3,546	£3,336

We have used the following information to get a broad sense of the scheme membership profile:

Scheme membership profile	
Average member earnings	Between £21,000 and £50,000
Proportion of males	Greater than 80%
Education level	Between 20% and 50% graduate or equivalent
Business in financial sector?	No
Retirement age	75
Preferred equity	External passive management

Based on the inputs provided, shown above, the scheme membership profile suggests an overall risk level of balanced. However, having taken additional information from the fact-find discussion into account, the most appropriate risk level for Mersey 55 Retirement Scheme should be moderately adventurous.

Moderately Adventurous investors typically have moderate to high levels of investment knowledge and will usually keep up to date on investment issues. They will usually be fairly experienced investors, who have used a range of investment products in the past.

In general, moderately adventurous investors are willing to take investment risk and understand tha this is crucial in terms of generating long-term return. They are willing to take risk with a substantial proportion of their available assets.

Moderately Adventurous investors will usually be able to make up their minds on investment matters quite quickly. While they can suffer from regret when their investment decisions turn out badly, they are usually able to accept that occasional poor outcomes are a necessary part of long-term investment.

Suitability Review

I have undertaken a suitability review of the Mersey 55 Retirement Scheme investment selections and have undertaken this review on the basis of the information you have provided. We have reviewed your investment strategy to ensure that it:

- Is appropriately designed
- Is suitable for the scheme membership
- Adopts best practice guidelines in a cost effective manner
- Offers externally managed, passive equity investments
- Selected Investments reflect the scheme memberships' needs, capacity and willingness to take risk

Based on the information supplied the company Mersey 55 Limited has established a Small Self Administered Scheme (SSAS) for the following reasons:

- A SSAS will allow the Company and the scheme member trustees to exercise substantial control over the choice of investments held under the Company pension scheme. Whilst the Company may not use all of the options available, the Mersey 55 Retirement Scheme intends to invest in a broad spectrum of investments and require the flexibility to change underlying investments in the future without having to switch providers
- The range of permitted investments is much greater under a SSAS than other pension arrangements and the Company pension scheme and its members are comfortable paying higher charges to gain access to a broader and more sophisticated range of investment opportunities
- Benefits can be taken by individual members at any time from age 55 and the effective requirement to buy an annuity at age 75 was scrapped from 6th April 2011
- 25% of the uncrystallised pension fund can be taken as a Pension Commencement Lump Sum (tax free cash) payment by any member from the age of 55
- There will be no death benefit tax charge on an individual scheme members uncrystallised pension fund on death before age 75 assuming the total value of the pension benefits are within the individual members lifetime allowance. This will help ensure that individual pension scheme members beneficiaries are looked after, financially and in a tax efficient manner, upon death
- Members will receive tax relief on all personal contributions

There are a number of factors to be considered when undertaking a suitability review.

Investment Options and Performance

There is obviously no means to categorically predict future investment performance. Although it should be stressed that past performance is no guarantee of future performance, it can act as a useful guide. It is also beneficial to compare the range of investment options available. Flexibility to switch between a wide range of strong performing investment opportunities is important. Your scheme membership attitude to risk could change, and as a result you may wish to take an alternative investment strategy in the future.

Charging Structure

The effect of charges is reflected in the Reduction in Yield of the selected investments. The Reduction in Yield, outlined in this suitability letter, includes deductions for expenses, adviser remuneration and other adjustments. For further information concerning charges, I refer you to the Fund fact sheets and Information Memorandums you have been supplied with.

Financial Strength

A pension is a long term investment. As such, it is imperative to select a provider who is financially secure and will be able to meet all their obligations to policyholders in the future.

Summary of the suitability review

I have undertaken a suitability review on the following for the reasons detailed below:

Ownership	Pension	Company	Number of Member Trustees	Pension Value	Chosen Retirement Age
Mersey 55 Retirement scheme	Group SSAS	Mersey 55 Limited	10	£545,372	75

Employer contributions will usually qualify as a business expense which can be offset against taxable profits.

Pension Practitioner – Small Self Administered Scheme administrator

- They are a market leader in the SSAS market place
- They have provided us and our clients with an excellent service in the past
- This pension offers a seamless transition to drawdown pension, which could prove advantageous when taking benefits in the future

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Investment Strategy

I have reviewed your investment strategy and asset allocation of the available monies to be invested as follows:

Fund	Description	Objective	Sector	Risk Rating	Initial Charge	Annual Management Charge	Total Expense Ratio	Scheme Allocation
The Reforestation Group	Alternative Investment in grant of rights in land of Northern Brazil.	Investment in sustainable forestry with returns every 7 years.	Commodity and Natural Resources Lease Purchase	Adventurous	20% + 5% every harvest	3.8% (7 year average, charged at outset)	5.2%	50%
Carlton James Skywatch Inn	Asset backed secured alternative investment for fixed annual returns.	Asset backed investment for fixed annual returns.	US Equity Share Purchase	Moderately Adventurous	3%	1%	4.85%	6%
Rathbone Multi-Asset Strategic Growth Portfolio	Regulated Collective investment in shares	Growth of investment over the long term	Unit Trust	Balanced	2%	0.75%	1.90%	9.5%
Rathbone Multi-Asset total return Portfolio	Regulated Collective investment in shares	Income and growth over the long term	Unit Trust	Cautious Balanced	2%	0.75%	1.67%	9.5%
Loan Note Certificate	Insured Loan note Instrument	Fixed Return Sterling Denominated 8% Loan note Instrument	Unsecured Loan Note	Balanced	No charge	No charges	N/A	19%
Cash	Cash	SSAS charges IFA Charges Member - Benefits	Cash	Very Cautious	No charge	No charges	N/A	6%

Adventurous risk strategy – The Reforestation Group

Investment Type	Invested Amount	Minimum Investment Term	Annual Returns	Frequency of Returns	Early Exit Terms	Early Exit Penalties	Capital Returned at Maturity
Land Lease Purchase for cropping & harvesting sales	£30,000	7 Years	28% prediction compounded	Every 7 Years	Harvest value at/over 18 months – 90 day notice	Reduced Timber Harvest Value	Sale of Lease Value - Approx 40%

The investment is a grant of rights to defined hectare of land in the state of Para northern Brazil. The rights allow the investor to grow approved crops primarily Eucalyptus on short rotation cropping cycles. The asset is owned outright already and no funds are pooled.

- Investment term:- 21 years with returns paid on years 7,14 and 21.
- Return on Investment:- 28% per annum compounded.
- Exit terms:- flexible exit after 18 months with 90 day sale instruction.
- Exit liquidly:- Sale of timber for Pulp and Bio-Mass.
- Minimum investment:- £10,000
- Protection:- Full Enhanced Insurance through Allianz
- Project Status:- UIS (Unregulated Investment Scheme)

Client suitability: Investors should be adventurous risk, seeking to achieve no interim returns during the 7 year cropping cycles. The returns at the 7 year harvest can be variable subject to tonnage yields of trees and the prevailing processed price of the recovered timber at that time and are not guaranteed. 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 Northern Brazil and changes to tax law or interpretation. Investors should be able to commit money to this investment for a minimum of seven years, up to a maximum term of 21 years. This investment is non FCA regulated and has no recourse to 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.

Full information can be referenced from the factsheet along with Due Diligence pack already provided to all member trustees.

Adventurous risk strategy – Carlton James Skywatch Inn

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	£3,546	2 Years	15% Yr 1 15% yr 2 +25% Yr 2	Annually	90 Day notice	3%	125%

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).

Medium risk strategy - Rathbone Strategic Growth Portfolio

Investment Type	Invested Amount	Minimum Investment Term	Annual Returns	Frequency of Returns	Early Exit Terms	Early Exit Penalties	Capital Returned at Maturity
Unit Trust	£5,616	Open Ended Typically 5 years	12.02%* to December 2013	Growth of Fund	Instant Access	None	Fund Value when benefits taken

*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.

Inflation +5% over the longer term with volatility targeted to be 67% of equity* volatility. No specific yield target. Historically, the stock market has delivered a real return of around 5% per annum over the very long-term.

Client suitability: Investors should be medium-risk, seeking to achieve long-term returns generated from a mixture of capital growth and income, with lower levels of volatility than equity markets. If equities go down, investors might expect drawdowns typically of as much as two-thirds of equity market falls, or possibly more in extreme market events. This means that they should be able to commit money to these investments for a minimum of five years, or more if necessary.

More information on the Rathbone Strategic Growth Portfolio can be found on the fund factsheet and the illustrations already provided to all member trustees.

Lower risk strategy - Rathbone Total Return Portfolio

Investment Type	Invested Amount	Minimum Investment Term	Annual Returns	Frequency of Returns	Early Exit Terms	Early Exit Penalties	Capital Returned at Maturity
Unit Trust	£5,616	Open Ended Typically 3 years	6.14%* to December 2013	Growth of Fund	Instant Access	None	Fund Value when benefits taken

*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.

Six-month LIBOR+2% with volatility targeted to be 33% of equity* volatility. No specific yield target. The fund aims to generate a total return higher than cash and does take risk in order to achieve this objective over a time frame of two to five years.

Client suitability: Investors should be lower-risk, seeking to achieve a positive real return over the medium- to long-term, through a mixture of income and capital growth. If equities go down,

JAN INVESTMENT MARKETING

investors might typically expect drawdowns of as much as one third of equity market falls, or possibly more in extreme market events. This means that they should be committing money to these investments for a minimum of two years or more if necessary.

More information on the Rathbone Total Return Portfolio can be found on the fund factsheet and illustrations already provided to all member trustees..

The Rathbone Multi-Asset Portfolios are managed by Rathbone Unit Trust Management and a specialist team led by David Coombs, who has more than 21 years experience of running multi-asset portfolios. Rathbone Unit Trust Management also manages a number of other sector funds, details of which can be found at www.rutm.com.

* The equity market to which this refers is the MSCI (Morgan Stanley Capital International) World Equity index.

Balanced risk strategy – Mallet Loan Note

Investment Type	Invested Amount	Minimum Investment Term	Annual Returns	Frequency of Returns	Early Exit Terms	Early Exit Penalties	Capital Returned at Maturity
Insured Loan Note Instrument	£11,000	5 Years	8% Fixed plus 25% of capital annually from yr 2	Quarterly	Notes Transferable at nominal value	None but dependent on sourcing a transferee purchaser	25% of investment annually from year 2 to 5

The investment is a Loan Note raising money for a Legal Advice business, the company is a 24/7 Legal Hub whereby companies and individuals have the opportunity to pay a monthly subscription and receive full and direct access to qualified lawyers with experience in the field of concern. The company has clients ranging from large organisations in the public sector as well as Corporations and PLCs. The legal hub is also available through a Legal Expenses Insurance product offered through business accounts with a High Street Bank.

- Investment term:- 5 Year note.
- Return on Investment:- 8% per annum paid quarterly.
- Liquidity:- 25% of capital paid back every 12 months(after 2nd year)
- Minimum investment:- £1,000
- Protection:- AAA* Insurance
- Product Status:- Loan Note
- Notes Available:- 750 notes at £1,000 each.

Client suitability: Investors should be balanced risk, seeking to achieve fixed annual returns generated from this loan note instrument plus 25% of capital annually from years 2 to 5 of the investment term. Specific Risks with this type of investment include but are not limited to predicted business cash flow forecasts of the Loan Note issuing company (Mallets Solicitors Limited) and the company's ability to achieve the forecasted cash flow requirements to meet the scheduled capital and interest payments payable to note holders (the investors). It is noted that Mallets Solicitors are approved by the Law society and hold full solicitors compulsory professional indemnity insurance. Investors should be able to commit money to this investment for a term of five years (the full investment term)

Full information can be referenced from the Due Diligence pack provided to the member trustees.

I have reviewed the above for the following reasons:

- In return for the potential to receive superior returns to those offered by more mainstream investments, you are happy to take a more sophisticated approach to investment where the strategy may not always be straightforward

Please bear in mind that the outlook for market sectors can change, certain asset classes and funds will perform better than others and as a result your asset allocation will become unbalanced over time. I would recommend that as you approach retirement we move more of your pension fund into low risk funds.

This review has identified that the individual investment fund or funds selected have a higher or lower risk rating than the stated overall scheme membership risk profile of Moderately Adventurous. Based on these findings, the overall risk rating applied to all of the combined funds being reviewed in this letter still matches the overall scheme membership risk profile of Moderately Adventurous. As such the fund selections reviewed are deemed a suitable blend for the Mersey 55 Limited scheme members stated risk profile.

I would also stress that higher charges can have an effect on investment performance. In essence, a fund will need to perform better in order to cover the increased charges.

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 payment, 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 trustee's discretion, are paid to your chosen beneficiary on your death.

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.

JAN INVESTMENT MARKETING

Important Information

Cost of Services

There are various ways I can be remunerated for my advice and the provision of my services. A summary of the options can be found in our Tariff of Charges document, Services and Costs Disclosure Document (SCDD) or Combined Initial Disclosure Document (CIDD) provided.

A detailed summary of all the charges associated with the advice provided in this report can be found below:

Charges Summary

Small Self Administered Scheme Charges for the Mersey 55 Retirement Scheme

Entry Charges			Ongoing Annual Charges			Exit Charges
Adviser Charge	Adviser Charge Paid By	Provider Charge	Provider Fund Charge	Adviser Charge	Adviser Charge Paid By	Member Exit Charge
2% of fund	SSAS Cash Account	£1,329	£528	0.5% of fund	SSAS Cash Account	£750

Entry Charges: One off charges taken before or on investment.

- Adviser Charge: A fee paid to the adviser for advice and services.
- Adviser Charge: Paid By Cash Account: The Adviser Charge will be paid from the cash account within your investment.
- Provider Charge: Fees agreed with the Pension Practitioner (The SSAS Scheme Provider and Administrator) in relation to Scheme set up, year 1 annual administration charge and member funds transfer in charges.
- Provider Charge: Paid By Cash Account: The Provider Charge will be paid from the cash account within your investment.

Ongoing Charges: Regular charges, typically taken over a year.

- Adviser Charge: A fee paid to the adviser for ongoing advice and services.
- Adviser Charge: Paid By Cash Account: The Adviser Charge will be paid from the cash account within your investment.
- Provider Charge: A fee paid to the Provider for ongoing services.
- Provider Charge: Paid By Cash Account: The provider Charge will be paid from the cash account within your investment.

Exit Charges: One off fees taken on termination.

- Exit Charge: Applicable under the plan following early surrender, encashment or transfer.

Cancellation Notice

Once your plan or contract is set up you have a legal right to cancel it (excluding mortgages unless concluded at a distance). A 'Cancellation Notice' will be sent to you detailing how to cancel should you change your mind. You normally have 30 days (which may reduce to 14 days for ISA and Unit Trust investments and may increase to 60 days for annuities) in which to cancel. The amount you get back will be reduced by any market loss incurred between making your initial investment and up until your investment is sold. Any contract arranged at your explicit consent (normally referred to as "execution only") does not provide you with cancellation rights.

Our Service Proposition

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience as well as any on-going costs you can expect to incur. Full details of these propositions have already been discussed and provided. I confirm that you have elected for the following service:

- A focused and limited suitability review service undertaken as the appointed pension consultant to the Trustees.

Financial Services Compensation Scheme ('FSCS')

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.

The limit of protection varies between different types of products. For life assurance and non-compulsory insurance (e.g. home and general) the compensation level is 90% of the claim with no upper limit. For investments and mortgages the limit is £50,000 per person per firm. The maximum level of compensation on deposit based accounts increased to £85,000 per person per firm from 31st December 2010.

INVESTMENT MARKETING

Confirmation

I have fully reviewed the Mersey 55 Retirement Scheme and I hope you agree that the contents of this report correspond to your current needs and future requirements. If you have any queries concerning the content of this report, or should you feel the suitability review report information is in any way an inaccurate reflection of your circumstances and future objectives please contact me immediately.

Report written by

Timus Little BA Cemap Dip

IFA Consultant

Signature ____________ Date 12 / 5 / 14

We the undersigned have received this report. We acknowledge this is a fair reflection of our conversation and confirm we have received all supporting literature including fund fact sheets and Information Memorandums.

Accepted by **Jean Francis Jones**

Signature ____________ Date 15 / 5 / 2014

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 27th March 2014 can be found within these technical notes. Included, are the 'at retirement' interim measures announced in the Budget 2014.

Budget 2014 - Far reaching reform proposals concerning changes to the flexibility of Defined Contribution (DC) pensions i.e. 'money purchase' arrangements at the point of retirement were set out by the Chancellor of the Exchequer on the 19th March 2014. The government feels the existing system is unfair and extremely complicated as it rewards those who have a very small or very large pension by providing them with full flexibility and choice over how they take their pension savings which is denied to those who fall in between. Therefore a change of the current rules and a new tax framework will be consulted upon by a wide range of interested parties including individuals, employers, consumer groups, providers and the pension industry as a whole. If unchanged, then with effect from 6th April 2015 legislation will enact the following:

- Regardless of fund size individuals will be able to draw down their pension savings whenever and however they wish after age 55 (age 57 from 2028). Any amount taken will be treated as income and subject to their marginal rate of income tax in that year instead of the current 55% for full withdrawals.
- No prescribed product at retirement needs to be purchased due to the new retirement option of full fund withdrawal. Financial products however i.e. Annuities (all variations) and Drawdown (all variations) will remain available as before but without limitation in the case of Drawdown.
- The 55% tax charge where currently applicable on death pre and post age 75 will be replaced by a fairer taxation of pension wealth on death.
- The transfer by members of Defined Benefit (DB) pensions into Defined Contribution (DC) pensions in order to access the increased retirement flexibility available to DC members will cease for Public Service schemes members (other than in exceptional circumstances) and restrictions will also apply to members of Private Sector schemes.

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 £1.25 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.

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 2014/15 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 27th March 2014, Flexible Drawdown allows those who already meet a minimum income requirement (MIR) of £12k p.a. (previously £20k p.a.) of 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.

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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 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. The same 55% tax charge on death will also apply to any crystallised pension benefits regardless of age. 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 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 2014 – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms due to take effect on 6th April 2015.

JAN INVESTMENT MARKETING

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.