Income Drawdown Plan

Key features

This is an important document. Please read it and keep for future reference.

You must take professional advice before taking out a LFS Income Drawdown Plan.

The Financial Conduct Authority is a financial services regulator. It requires us, Link Fund Solutions Limited (LFS), to give you this important information to help you to decide whether our Income Drawdown Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

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About this document

The purpose of this document is to explain the Key Features of the Income Drawdown Plan. If you are considering whether to invest in the Income Drawdown Plan, this booklet will help you make that decision.

You should read this document carefully with:

- Your personal illustration
- Guide to Investment Risk
- Guide to LF Investment Funds
- Terms and Conditions

This document is intended to be a summary only and further details can be found in the Terms and Conditions of the Income Drawdown Plan.

The Income Drawdown Plan is referred to as 'your Plan' throughout this document.

Your Plan is part of the LF Personal Pension Trust. The Trust is a Registered UK Pension Scheme under the Finance Act 2004.

You should be comfortable you understand the features of the Plan before you invest. If you have any questions about the Income Drawdown Plan or the funds in which it will be invested please contact your financial adviser.

Please also refer to the Prospectus for comprehensive details of:

- The Trust, service provision, general investor information and data protection practices
- LF funds and their underlying funds and objectives
- Fund risk factors and risk management
- Unit valuations and dealing processes
- Fund charges and expenses

The Prospectus is available at pensions.linkfundsolutions.co.uk, or please contact us for a copy.

Introducing income drawdown

An income drawdown plan lets you take a retirement income from your pension, whilst leaving your pension savings invested to allow them to benefit from any potential future investment growth.

You can take up to 25% of the value of your fund as a tax-free cash lump sum when you move into income drawdown. If you decide to take a tax-free cash lump sum, you must take this money at the outset; you cannot take it at a later date.

You can take a regular income, one-off payments or leave your money invested without taking an income. There is no limit to the amount of income you can take from your pension savings. This flexibility allows you to choose when and how much you receive, so you can manage your income according to your retirement and tax planning needs.

You can also pass on your pension fund when you die and this can be tax-free in some circumstances.

You choose where to invest your pension fund, so retain control of your investment decisions.

There are risks associated with remaining invested in the stock market, as the value of your investment can go down as well as up and it is not guaranteed. In addition, taking high levels of income can leave you with inadequate savings to support you during retirement.

The Income Drawdown Plan

Income drawdown is a sophisticated investment product and not suitable for all investors. You must take professional financial advice before you take out an Income Drawdown Plan with LFS.

The Plan may be suitable for you if you:

- ✓ Have at least £25,000 to invest after taking tax-free cash and paying adviser charges
- ✓ Want flexible income payments
- ✓ Want to keep your retirement savings invested
- ✓ Are aged 55* or over
- ✓ Are willing to take the risk that the value of your savings could go down

The Plan is not suitable for you if you:

- × Have less than £25,000 to invest
- × Want guaranteed income payments for life
- × Are aged under 55*
- × Want to withdraw all of your funds over a short period of time
- × Do not want to take the risk that the value of your savings could go down

* Unless HM Revenue & Customs (HMRC) rules allow you to access your benefits earlier due to ill health, you have a protected early pension age or you are entitled to a dependant, nominee or successor drawdown plan.

Its aims, your commitment, risks

ITS AIMS

The aims of the Income Drawdown Plan are to:

- Allow you to take up to 25% of your pension fund as tax-free cash.
- Allow you to withdraw an income, whilst your pension fund remains invested.
- Benefit from any potential investment growth.
- Provide benefits to your dependant(s) on your death, or pass on your remaining pension fund when you die.
- Provide an alternative to an annuity.
- Give you the option to convert your remaining pension savings into an annuity at a later date.

YOUR COMMITMENT

- You will inform us what tax-free cash amount you wish to take (generally up to 25% of the value of your pension fund).
- You will inform us what level of income you wish to receive and how often.
- You will inform us if you have accessed any of your pension savings flexibly and triggered the Money Purchase Annual Allowance (MPAA) with another provider. Your pension provider will tell you if you have.

RISKS

- In drawdown your pension continues to be invested. This means that the value of your Plan can go down as well as up and is not guaranteed.
- Income withdrawals will reduce the value of your Plan, especially if income levels are high and investment performance is poor. There is a risk you may run out of money for your retirement if you do not manage your income levels appropriately.
- Taking high levels of income or one-off payments could push your income into a higher rate tax band and you could pay more tax than you were expecting.
- If you decide to purchase an annuity in the future, annuity rates may be at a worse level than they are now and therefore the income you receive may be lower.
- Your Plan invests in one of our range of portfolios. Each portfolio has a different risk level. Please read the Guide to LF Investment Funds and the Guide to Investment Risk so that you are fully aware of the level of risk associated with each portfolio. You should review your investments regularly to ensure they continue to meet your needs and circumstances.
- As your pension remains invested, you will continue to incur charges for the management of the investments.
- Transferring into this Plan may mean that you are giving up valuable benefits from your previous scheme(s) and you must consider this with your financial adviser.
- You should be aware that contributing to a pension plan may not be suitable for you, particularly if small amounts of savings affect your entitlement to any means tested State Pension benefits.
- Death benefits under the Plan are normally free of Inheritance Tax. There are however, some occasions when they do incur tax. If you have any doubts or queries, please consult a suitably qualified tax professional.
- Returns on your investments may be less than those shown on your personal illustration. Cases where this applies are:
- You take an income level higher than the one we illustrated
- Investment performance is lower than illustrated
- Changes are made to legislation and tax levels
- Plan charges increase.
- Future changes in legislation and taxation could affect the benefits of your Plan.
- If your savings remain invested and continue to grow, it's possible they will exceed the Lifetime Allowance. The limit on the total of all benefits which you can take from all your pension schemes is called the Lifetime Allowance (LTA).

Questions and answers

Q. How much tax-free cash can I take?
A. You can normally take up to 25% of the pension savings you are moving into drawdown as a tax-free cash lump sum.

Q. Do I have to take an income?
A. No, you do not have to take an income. You can leave your pension savings invested until you need them. You can choose to start taking an income at any time. Please contact us if you wish to do this.

Q. When can I start taking an income?
A. You can set up your Plan and start taking an income from the age of 55. HM Revenue & Customs (HMRC) may allow you to access your benefits earlier if you have poor health, you have a protected early pension age or you are entitled to a dependant, nominee or successor drawdown plan.

Q. Is there a minimum initial investment amount?
A. Yes, £25,000 after taking any tax-free cash and paying any initial adviser charge. The minimum amount you can hold in your Plan is £1,000.

Q. Can I pay additional funds into my Plan?
A. Yes, you can make additional transfers into your Plan. The minimum additional transfer in is £5,000 and you will be required to complete a transfer application form. We may ask that you speak to your financial adviser before making an additional transfer in.

Q. Can I carry on paying into a pension when I start taking an income from my Plan?
A. Yes, you can still pay into a pension even when you start taking your retirement income. However, when you start to take income from your Plan, your annual allowance for contributions into defined contribution plans will reduce. This is known as the Money Purchase Annual Allowance (MPAA). It means payments made over this amount will incur a tax charge. You can find out more about the MPAA on page 6.

Q. How will I know how my Plan is performing?
A. We will send you an Annual Statement, showing you how your Plan is performing. In addition, unit prices are published daily at pensions.linkfundsolutions.co.uk. Alternatively, you can obtain an up-to-date valuation by contacting us.

We recommend that you review your Plan and the level of income you take in consultation with your financial adviser on a regular basis.

Q. How can I pay for advice?
A. You can pay a one-off charge for initial advice directly to your financial adviser or we can deduct the charge from your Plan at the time it is set up. If you wish to pay your financial adviser to review your Plan annually, we can also deduct the charges for these reviews from your Plan if you ask us to do so.

TAKING AN INCOME

Q. How much income can I take?
A. There are no restrictions on the amount of income you can take. However, if you take high levels of income, you risk depleting your pension savings to nothing and having to rely on the State Pension and other savings you may have.

Q. Can I access my pension savings like I can my bank account?
A. Your Plan gives you flexible access to your pension savings as it allows you to take money out as it suits you. We send your regular or ad-hoc payments directly to your chosen bank account, like a salary payment.

Unlike a bank account, every time you take money out of your pension savings, you will be taxed on it as if you are receiving an income. We usually take this tax from your money before we pass it on to you.

Under certain circumstances you may be charged for withdrawing money from your pension savings (see Charges section on page 7).

Q. Which fund are my income payments taken from?
A. We take your payments from the LF Cash Fund. We manage payments in this way to ensure greater predictability, as this fund has lower levels of volatility. If there are insufficient monies within the LF Cash Fund to pay your income, we will sell units in your other LF Investment Funds. In this instance, units will be sold in the order of their risk rating as listed in the Guide to LF Investment Funds. We will notify you if this occurs. 5% of your Plan value is automatically allocated to the LF Cash Fund. The investments in your Plan will be adjusted quarterly to ensure that 5% of the Plan value remains within the LF Cash Fund.

Q. How is my income paid?
A. Income can be taken monthly, quarterly, annually or on an ad-hoc basis and is paid directly to your chosen bank.

You must let us know how often you want your income paid and how much you require. Income payments are made on the first of the month or the previous working day if the first of the month is a weekend or bank holiday.

In a similar way to taking a salary, income payments are subject to PAYE income tax. A payslip for each income payment will be produced for you showing the net income you receive and the tax you have paid. Please supply a current P45 showing the income you have received and the tax you have paid if you have one. Otherwise, HMRC will notify us of your current tax code in due course.

At the end of each tax year you will also be issued with a P60 which summarises the total income payments you have received from your Plan during the tax year.

Q. Can I alter my income payments?

A. Yes, you can change your income payments and take ad-hoc withdrawals when it suits you. This allows you to manage your income and help with tax planning.

The first change of income frequency or amount or ad-hoc withdrawal in any tax year is free of charge. Subsequent changes or ad-hoc withdrawal requests in that tax year are charged at £45 per request. VAT is not applicable on this fee.

TAXATION

Q. Will I pay tax on my retirement income?

A. You can normally take up to 25% of the value of your current pension savings in a tax-free cash lump sum, when you first set up your Plan.

Subsequent payments are taxed as income. The amount of tax paid will depend on your income tax rate at the time a payment is made.

If you have not provided us with a current P45 we are required by HMRC to use an Emergency Tax Code.

Taking income payments could push your total income in any one tax year to a higher rate tax band and you could pay more tax than you were expecting.

After you receive your first income payment, HMRC will normally inform us of your new tax code and any initial overpayment of tax will usually be corrected over subsequent payments. Alternatively you can contact HMRC to arrange a refund of any potential overpaid tax.

The growth in the value of investments within the Plan is exempt from capital gains tax.

Important Note: Tax treatment of your Plan depends on your individual circumstances. The information above is based on our understanding of current law and practice. Tax law and practice may change in the future. Please note that we are not authorised to advise you about these matters. You should seek advice from a suitably qualified tax professional to understand how these regulations will affect you.

Q. What is the Lifetime Allowance?

A. The limit on the total of all benefits which you can take from all your pension schemes is called the Lifetime Allowance (LTA). If you exceed this level a charge may be applied against the excess, unless you have registered for pension protection. You must provide us with the Protection Certificate if this is the case.

The value of the pension savings you have taken over your lifetime will be measured against the LTA on the following occasions:

Every time you take money before the age of 75, when for example:

- you take a tax-free cash lump sum
- you buy a lifetime annuity
- you start income drawdown
- there is a lump sum payment from funds in the event of your death

At the age of 75, any pension that you have not started to take benefits from, and any growth in drawdown funds started after 6 April 2006, are also measured against the LTA.

If your pension benefits exceed your LTA during one of these events, a significant tax charge could be applied to the excess. If you are close to the LTA, or in any doubt about this, you should consult your financial adviser.

Q. What is the Money Purchase Annual Allowance?

A. When you start to take taxable income from a Pension, excluding any tax-free cash, your annual contribution allowance into defined contribution pensions reduces. This is known as the Money Purchase Annual Allowance (MPAA). Payments made over this amount will incur a tax charge.

If you think the Money Purchase Annual Allowance or Lifetime Allowance may affect you, you can get more information from the HMRC website at www.hmrc.gov.uk. Tax rules do require careful consideration and you should contact a suitably qualified tax professional if you require advice.

Important Note: For a summary of our understanding of current tax rate and allowances see Summary of Pension Scheme Taxation. However, we are not authorised to provide you with tax advice and you should ensure you are aware of the tax treatment of your plan. You should consult HMRC or a suitably qualified tax Professional if you require information of advice relating to your own circumstances.

LINK Asset Services

INVESTING YOUR PENSION SAVINGS

Q. Where are my savings invested?
A. You can invest in one of five risk-rated portfolios. We regularly monitor and review the investment funds in the portfolios on your behalf to ensure they continue to meet their investment objectives. Please refer to the Guide to LF Investment Funds for details of the portfolios.

Important note: Your investment is not guaranteed and it may pay back less than has been paid in.

At age 75, your savings will be automatically moved into Drawdown Portfolio 1 to reduce the impact of any sudden market movements. You can choose not to move your savings and remain in your existing portfolio, or switch to another portfolio.

All of our funds are described in the Income Drawdown Plan – Guide to LF Investment Funds. Details of the underlying funds in these portfolios can be found in the fund factsheets which are available from our website at pensions.linkfundsolutions.co.uk or please contact us for a copy.

Q. What is a portfolio?
A. A portfolio is a collection of funds. These funds have been specifically chosen and brought together to match different attitudes to risk. One of the benefits of a portfolio is that it has in-built fund diversification.

The funds within the portfolios are reviewed quarterly and adjusted if required to ensure that the percentage fund allocation remains consistent with the stated fund split of the portfolio. All LF Drawdown Portfolios have 5% of their value in the LF Cash Fund to facilitate your income payments.

Your savings are used to buy units in the funds within your chosen portfolio. We work out the value of your Plan based on the number of units you have in each fund within your portfolio.

Q. Can I switch portfolio?
A. You can switch between portfolios at any time, but you can only hold one portfolio within your Plan. We encourage you to review your investment strategy, financial objectives and circumstances on a regular basis with your financial adviser. We currently offer unlimited free switches between portfolios, although we reserve the right to charge for this in the future.

	Asset Split		Risk Rating
Drawdown Portfolio 1	Cash Fund	5%	Lower
	UK Gilt Fund	20%	
	Cautious Managed Fund	60%	
	Multi-Asset Fund	15%	
Drawdown Portfolio 2	Cash Fund	5%	Low-Medium
	Cautious Managed Fund	47%	
	Multi-Asset Fund	40%	
	Global Equity Index Fund	8%	
Drawdown Portfolio 3	Cash Fund	5%	Medium
	Cautious Managed Fund	15%	
	Multi-Asset Fund	50%	
	Global Equity Index Fund	30%	
Drawdown Portfolio 4	Cash Fund	5%	Medium-High
	Multi-Asset Fund	35%	
	Global Equity Index Fund	60%	
Drawdown Portfolio 5	Cash Fund	5%	Higher
	Global Equity Index Fund	95%	

DEATH

Q. Can I pass on my pension savings after I die?
A. Yes you can. Your pension savings can now be passed on through family generations. When you set up your Plan you will be asked to nominate a beneficiary or beneficiaries who will normally receive your savings when you die. However, this is at the discretion of the scheme administrator. You can nominate more than one beneficiary and you can change your beneficiaries at any time.

Beneficiaries can use your pension savings in a variety of ways, and some are tax-free.

On your death there is normally no Inheritance Tax payable on the value of your Plan unless it forms part of your estate.

	Death before age 75	Death after age 75
Take a lump sum payment	Tax-free	Subject to tax at the recipient's marginal rate of income tax
Carry on with income drawdown	Tax-free	Taxed as income
Take out an annuity	Tax-free	Taxed as income

Q. Who can be a beneficiary and what is the definition of a dependant?
A. Beneficiaries can be a dependant, nominee, successor or a charity if there are no dependants.

Beneficiaries are described in detail in the **Terms and Conditions**.

A dependant is:

- Your husband, wife or civil partner (or other person to whom you are legally married) at the date of your death.
- Any child of yours (including adopted child) who is under 23 at the date of your death.
- Any person who is dependent on you because of disability.
- Any person who is financially dependent on you at the date of your death.
- Any person whose financial relationship with you at date of death is one of mutual dependence. This can include an unmarried partner of the same or opposite sex who relied on your income to maintain a standard of living that depended on your joint income.

CHARGES

Q. What are the charges?
A. Your personal illustration shows our current charges and how they could affect what you might get back.

	Charge
Total Expense Ratio	This represents all of the fund-related charges and will vary depending on the funds in the portfolio (see the **Guide to LF Investment Funds** for more information). It includes the Annual Management Charge and the additional costs of operating each fund. It is calculated on an annual basis.
Annual Management Charge	This charge will vary depending on the funds in the portfolio (see the **Guide to LF Investment Funds** for more information).
Plan set-up fee	No charge.
Initial fund charge	No charge.
Ongoing service fee	No charge.
Income change fee	The first change of income frequency or amount of withdrawal in any tax year is free of charge. Subsequent changes or ad-hoc withdrawal requests in that tax year are charged at £45 per request. VAT is not applicable on this fee.
Portfolio switches	We do not currently make an administration charge for switching between portfolios. However, we may do so in the future, and we will tell you about this in advance.
Exit fee	No charge.

NEXT STEPS

Q. What happens next?
A. You will be issued with a Welcome Pack once your application has been processed and we have received your transferred pension savings. This will contain this **Key Features** document, a copy of your personal illustration and the **Terms and Conditions**, including details about how to cancel your Plan (please see below).

If for any reason, we are unable to invest your pension savings, due to an incomplete application for example, the money will be held in a Client Money Account for up to 10 working days. If after this time we are still unable to invest your pension savings, the money will be returned to your previous pension provider, or an alternative provider as identified by you. No interest is payable on monies held in the Client Money Account.

Q. Can I change my mind?
A. You have the right to cancel your Plan within 30 days of receipt of your Welcome Pack. If you wish to cancel the Plan, please write to us to confirm your cancellation at:

LFS
PO Box 1043
CHELTENHAM
GL50 9JB

The section on "Cancellation of your Plan" in our **Terms and Conditions** explains the cancellation process in more detail.

If you decide to cancel, we will return a payment to your previous provider. If the value of your Plan has fallen, you may not get back the amount which was transferred to us.

You must return any tax-free cash and income payments made. We will return the value of any funds invested, minus any adviser charges paid, to the transferring scheme. Your existing pension scheme is not obliged to take back the transfer payment and you may need to choose another registered pension scheme to transfer your pension to.

If you do not exercise your right to cancel within the 30 day period, the contract will become binding. We will not return any money except in the form of a benefit payable in accordance with the Plan **Terms and Conditions**.

Please remember that we are not authorised to give financial advice. If you need advice regarding your retirement benefits or the investments to be held within your Plan, please contact your financial adviser.

Q. Can I transfer my Plan to another provider?
A. Yes, you can transfer all or part of your Plan to another drawdown provider or use the value to purchase an annuity from an annuity provider. If you transfer part of your savings, you need to keep a minimum of £5,000 in your Plan to keep it open. **Plans under this value may be closed.**

We recommend you seek financial advice before deciding whether to transfer your Plan or buy an annuity.

Q. Can I cash-in my Plan?
A. Yes, you can take the full value as an income payment. We recommend you seek financial advice before deciding to cash-in your Plan fully as the income payment may significantly increase the amount of tax you pay in that tax year.

How to contact us

If you have any queries you can contact us at:

LFS
PO Box 1043
CHELTENHAM
GL50 9JB

Telephone: 0345 055 0606 or +44 1242 214297
if calling from abroad (Monday to Friday 9am-5pm)
Email: PPPadmin@linkgroup.co.uk
Website: pensions.linkfundsolutions.co.uk

Other Information

HOW TO MAKE A COMPLAINT

If you are dissatisfied with any aspect of your relationship with LFS, we will ensure that your complaint is dealt with quickly and efficiently. Please contact our Service Centre on 0345 055 0606. We will endeavour to answer your complaint immediately, or alternatively we will investigate your complaint and provide you with a comprehensive written response. We have a leaflet that summarises our complaints handling procedure. A copy of this can be found on our website at pensions.linkfundsolutions.co.uk or alternatively you can contact us and we will be happy to provide you with this.

If you are dissatisfied with the outcome of the investigation and the complaint relates to the sale and marketing of the Plan then you may refer to:

The Financial Ombudsman Service
Exchange Tower
London
E14 9SR

Telephone: 0800 023 4 567 or 0300 123 9 123
Fax: 020 7964 1001
Website: www.financial-ombudsman.org.uk
Email: complaint.info@financial-ombudsman.org.uk

If you are dissatisfied with the outcome of our investigations and the complaint relates to how the LF Personal Pension Trust is run you have the right to contact:

Pensions Ombudsman Service
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7630 2200
Website: www.pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk.

FCA REGISTRATION

Link Fund Solutions Limited (LFS) is authorised and regulated by the Financial Conduct Authority.

We are entered on the Financial Services Register under number 119197.

GOVERNING LAW

The Plan is governed by and construed in accordance with the laws of England and Wales.

CLIENT CLASSIFICATION

The Financial Conduct Authority requires us to classify our customers to ensure they get the appropriate level of protection under the rules.

You have been classified as a retail client which means that you will benefit from the highest level of regulatory protection available for complaints and compensation and will receive information in a straightforward way.

SUITABILITY OF PRODUCT

You should have received advice from an adviser when you bought this product. This means that you benefit from the protection provided by the Financial Conduct Authority's rules advisers must follow when giving financial advice.

COMPENSATION

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Further information about compensation arrangements is available from:

Financial Services Compensation Scheme
10th Floor, Beaufort House
15 St Botolph Street
London
EC3A 7QU

Telephone: 0800 678 1100 or 020 7741 4100
Website: www.fscs.org.uk
Email: enquiries@fscs.org.uk

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pensions.linkfundsolutions.co.uk

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