

## Reasons Why Quilter's Platform

*This document has been compiled to provide you with some information and reasons for your client which you may wish to incorporate within your recommendation letters. These sample paragraphs are for your information and consideration only. You will, of course, need to relate the sections you select to your client's own circumstances as they may not all be relevant. This wording has been produced to help you, as a financial adviser, draft your own material. We accept no responsibility for ensuring that it meets with your own regulatory requirements and you should arrange for approval in accordance with your regulator's rules within your own firm.*

*This document was last updated in November 2024*

For use with ISA, Junior ISA, Collective Retirement Account, Collective Investment Bond and Collective Investment Account

### *Introducing Quilter*

We are part of Quilter plc, a leading UK-focused wealth manager, providing advice-led investment solutions and investment platform services. Listed on the London and Johannesburg stock exchanges, Quilter plc manages more than £116.2 billion of assets, as at 30 September 2024.

Quilter enables financial advisers to deliver the very best service to customers and their families, to help them achieve their financial goals. We offer a comprehensive range of products (such as pensions and ISAs) and investments through our award-winning online investment platform.

The online platform makes it easy for you to hold all of your investments online, in one place. It provides access to over 2,600 funds and over 800 exchange traded investments, with a range of tax-efficient ways to hold these funds, known as 'product wrappers'. Wrappers are not investments in their own right but when you hold your funds inside them they may enjoy certain tax benefits.

Quilter offers the following:

- ▶ ISA
- ▶ Junior ISA
- ▶ Collective Investment Account (CIA)
- ▶ Collective Retirement Account (CRA)
- ▶ Onshore Collective Investment Bond (CIB)

The ISA, Junior ISA and CIA are provided by Quilter Investment Platform Limited. Quilter Investment Platform Limited provides and services your account and gives you direct access to invest in a range of funds.

The CRA and CIB are provided by Quilter Life & Pensions Limited. Quilter Life & Pensions Limited provides and administers your bond or pension product, through which you can invest in a range of funds.

## *Award-winning service*

Quilter's reputation as a market leader has been consistently recognised through prestigious industry awards for products and service. Including Defaqto who have given Quilter's platform and pension five star ratings. Since 1991 Quilter has won 42 Financial Adviser 5 Star awards – that's more than any other investment provider. Our dedication to service excellence is also reflected in our strong rating of 'Excellent' on Trustpilot, as at 30 September 2024, demonstrating the trust and satisfaction of our customers

Additional awards received recently include a Platinum rating from cost comparison and due diligence provider, AdviserAsset, Defaqto Gold Service awards, and being voted 'Best Platform' or 'Platform of the Year' at the Money Marketing Awards, Schroders UK Platform Awards, Investment Life & Pensions MoneyFacts Awards and Professional Paraplanner awards during 2024

## *About Quilter's technology platform*

Quilter is an award winning investment platform, who can provide you with access to tax-efficient products (such as pensions and ISAs) along with a wide range of underlying assets, through an innovative online investment platform. The platform gives you an easy, centralised place where all of your investments can be managed, giving you more control over your financial position.

Quilter's systems are one of the most flexible and convenient ways to invest, providing access to over 2,600 funds and 800 exchange traded investments from more than 180 fund managers.

You can access all your investments quickly and easily in one central place. Managing your investments online, in one place, means:

- ▶ you can react quickly to changes in the market, switching funds swiftly to ensure you hold the most appropriate assets for the economic climate
- ▶ you can track the performance of your investments and access all your documents through Quilter's online Customer Centre.
- ▶ you can access a wide range of assets, from leading investment companies at competitive prices, safe in the knowledge that Quilter will carry out all the administrative requirements of investment on your behalf.

### **Online Customer Centre**

Quilter's online Customer Centre enables you to quickly and easily view all of your investments online. Activating your account means you can:

- ▶ look at your investments on your tablet or computer in one secure place
- ▶ reduce paperwork by choosing to receive the communications they send you online
- ▶ get a valuation of your investments, 24 hours, seven days a week
- ▶ keep your personal details (such as your email address and security information) up to date
- ▶ track your investments performance and access additional account information such as money paid in and out, plus a transaction history.

### **Quilter's mobile app**

Quilter provides a modern and secure mobile app designed to enhance your investing experience. Through the app, you can:

- ▶ View all your Quilter platform investments in one place on your smartphone
- ▶ reduce paperwork by choosing to receive the communications they send you online
- ▶ get a valuation of your investments, 24 hours, seven days a week
- ▶ keep your personal details (such as your email address and security information) up to date
- ▶ track your investments performance and access additional account information such as money paid in and out, plus a transaction history.

## *A holistic approach to your investments*

### **Assets and asset managers**

Quilter's platform offers access to over 2,600 open-ended investment company (OEIC) and unit trust funds, plus over 800 Exchange Traded Fund and Investment Trusts. (This comprehensive range of funds represents all the main asset classes, world markets and a variety of investment approaches.

When you invest through one of the wrappers, Quilter will buy units on your behalf from the fund managers of your chosen funds and looks after the administration. Quilter's platform is not a fund manager. The value of your investment will therefore be determined by the performance of the funds within it that you choose to invest in. Its value could go up or down and is not guaranteed.

### **Discretionary investment management**

Quilter's technology provides access to discretionary investment managers, who can manage your assets alongside your financial adviser. When you choose to invest with a discretionary investment manager, they will monitor and manage your assets on an ongoing basis and gives access to additional investment expertise.



## Product wrapper features

The product wrappers available offer a wide range of features to give you the flexibility to manage your money to suit your needs. This gives you the opportunity to consolidate, build and manage your portfolio in one place. Depending on the wrapper(s) you choose, you can normally:

- ▶ enjoy certain tax advantages
- ▶ invest in a range of asset types
- ▶ view your portfolio online through Quilter's secure online Customer Centre and app
- ▶ easily switch between assets, with no administrative charge when switching between Unit Trusts and OEICs
- ▶ regularly rebalance your portfolio, thereby retaining your investment risk profile
- ▶ phase a lump-sum investment from cash into your chosen funds, enabling you to spread the risk of investing a substantial sum all at once.
- ▶ choose how income is taken.

## Transparent charging from Quilter

The service/product charges are simple, competitive and customer-focused. The more Quilter investments you hold, the more cost effective it becomes.

The service/product charges are tiered, which means that the charge is applied in slices according to how much is invested across all your investments. Customers with greater assets are rewarded by the overall charge % reducing as the value of their investments increases. The tiered charges work like income tax bands to create an overall 'effective charge.' You can further reduce the 'effective charge' by linking your accounts with family members.

The service/product charge will be deducted from cash within your account. Where this is insufficient cash within your account, assets will be sold to raise cash to the value of six month's worth of fees/charges. The proceeds will then be used to pay the charge and the remainder will be held on your account as cash. If you leave this cash within your account, it will then be used to fund future fees and charges, instead of having to sell other assets.

## Family linking

Family Linking is a multi-family member discount that can help reduce the cost of your investments.

When you and your family invest with Quilter, you benefit from one tiered charging structure that is based on the value of all products held on Quilter's investment platform, and the percentage charge reduces as assets grow.

The key features of Family Linking are:

- ▶ Up to four generations of family members can be linked.
- ▶ Each family member's charge is based on the total value of all products held on our investment platform by the family members who are linked.

## Dealing charges on exchange traded investments (Not available in the CIB)

Each time you buy or sell an exchange traded investment through Quilter, they use an experienced stockbroker to facilitate the trade and a dealing charge is made for this service. The price you pay to trade your assets depends on whether or not they are held in a model portfolio, which can be an efficient way of managing your investments within your accounts.

- ▶ Trades inside a model portfolio: £1 per asset being bought or sold.
- ▶ Trades outside of a model portfolio: £3.50 for trades valued at less than £10,000, or 0.035% for trades valued at more than £10,000.
- ▶ There is also a £15 cap per asset traded, meaning you'll never pay more than this for a single trade.
- ▶ Please note, stamp duty reserve tax\* and a PTM levy\*\* apply when trading investment trusts.

\*Stamp Duty Reserve Tax of 0.5% of the transaction is levied when you buy an Investment Trust. It does not apply when selling an investment trust.

\*\*What is a Panel on Takeovers and Mergers (PTM) levy?

The PTM levy is a charge of £1.50 that applies to any transaction (for example if you buy, sell, or switch an investment trust) with a value of greater than £10,000. The levy goes to the Panel on Takeovers and Mergers – a regulatory body set up to ensure that all shareholders are treated equally during takeover bids – as payment for evaluating the transaction.

## Cost-effective investing

### Fund manager initial charge

Fund managers typically apply a charge called the 'initial charge' when investors buy units or shares. With the platform, there is no fund manager initial charge on the vast majority of the funds you can invest in. This is because Quilter has negotiated substantial discounts with the managers of the funds, and means you can invest your money cost-effectively in a wide range of funds managed by different companies.

You should be aware however that, even when the fund manager initial charge is reduced to zero, there may still be some fund manager costs to bear when you invest. If you invest in a dual-priced fund, it has two prices, a higher buying ('offer') price and a



lower selling ('bid') price. The difference between the two is called the bid/offer spread. The initial charge is normally included in this spread but it also includes the costs of buying and selling the underlying assets within the fund. For example, the difference between the published bid and offer price might be 6%, of which the initial charge part would typically be 5%. The spreads vary from fund to fund and fluctuate daily. Details of the bid and offer prices of the funds we offer are available on our website.

If you invest in a single priced fund, there is no difference between the buying price and the selling price. Any initial charge is normally deducted by the fund manager as a separate explicit charge, before your money is invested, but most of the funds do not have any initial charge when purchased through the platform.

For single priced funds the fund manager can apply a dilution levy or swinging price to allow for the costs of trading assets. This is therefore an additional charge paid for by the individual investor, so that large single transactions do not reduce the value of the fund as a whole.

### **Fund manager annual charge and rebates**

Fund managers will deduct a percentage of the fund value each year to cover the day-to-day management of the fund. The actual charge varies for each fund.

Due to Quilter's scale and buying power, they have been able to negotiate the repayment of part of this annual management charge from fund managers. This repayment is known as a rebate, and the amount varies from fund to fund and can also vary over time.

When you invest through Quilter, you will be entitled to receive these rebates which will be added to your account.

(For CIA only) Any rebates that are reinvested to your account may give rise to an income tax liability.

Fund managers also charge certain additional expenses to the fund to cover ongoing costs such as bank and audit charges, trustee fees, performance related fees where applicable and any additional costs. The annual management charge plus these additional charges is sometimes referred to as the TER (Total Expense Ratio) but is now increasingly being replaced by the term OCF (Ongoing Charge Figure).

Details of these charges can be found in Quilter's Asset Lists or via their Fund Centre, both of which can be found on their website.

### **Phased investment**

Rather than investing your money all in one go, I recommend you phase your lump sum or transfer investments from cash into your chosen funds over 3, 6 or 12 months. This allows you to gradually spread the purchase of your funds over a period of time and so reduce the risk of investing a substantial sum when markets may be experiencing volatility.

(For CIB investments) To initiate a phased investment, you must firstly be invested in the BlackRock Cash Fund.

### **Cost-effective switching**

You can switch your investments between Unit Trusts and OEICs, free of any Quilter administrative charge, allowing you to stay in control of your investments and to adapt to the changing market and your own investment goals. (Does not apply to CIB) If you wish to switch from or into an exchange traded investment, a dealing charge will apply. I can of course advise you about switching funds.

(Does not apply to CIB) You can redirect future direct debit payments into a different fund choice.

When you change your fund choice there is usually no initial fund manager charge on the new funds you choose to invest in. This is because Quilter has negotiated substantial discounts with the fund managers, meaning the initial charge has been reduced to zero. However, you may still incur fund manager costs when you switch from funds which are dual priced or if one of the funds applies a dilution levy.

Dual priced funds have two prices, a higher buying ('offer') price and a lower selling ('bid') price. The difference between the two is called the bid/offer spread. The initial charge is normally included in this spread but it also includes the costs of buying and selling the underlying assets within the fund. For example, the difference between the published bid and offer price might be 6%, of which the initial charge part would typically be 5%. The spreads vary from fund to fund and fluctuate daily. Details of the bid and offer prices of the funds we offer are available on our website.

If you invest in a single priced fund, there is no difference between the buying price and the selling price. Any initial charge is normally deducted by the fund manager as a separate explicit charge, before your money is invested, but most of the funds do not have any initial charge when purchased through the platform.

For single priced funds the fund manager can apply a dilution levy or swinging price to allow for the costs of trading assets. This is therefore an additional charge paid for by the individual investor, so that large single transactions do not reduce the value of the fund as a whole.

I can switch your funds online on your behalf, providing you give me your instructions to do so. Alternatively, you can complete a switch form or submit an online switch instruction via Quilter's secure online Customer Centre, but in either case we will have a discussion beforehand to decide what best suits your financial needs and aspirations.

(Applies to CIA only) You should be aware that any switching will be a disposal of your funds and could result in a capital gains tax liability.



## Portfolio rebalancing

Funds perform differently in different market conditions. Over time therefore, the proportion of the various assets within your account can change in a way that could expose you to more or less risk than you would normally accept. I am therefore recommending portfolio rebalancing, whereby your portfolio will automatically be switched back to your original investment split every 3, 6 or 12 months.

## Individual Savings Account (ISA) and Junior ISA

Individual Savings Accounts (ISAs) are one of the most tax-efficient ways of saving.

Individuals who are resident in the UK for tax purposes and over 18 years of age are eligible to invest in an ISA (16 years of age for a cash ISA).

Children under the age of 18 can open a Junior ISA.

There are four types of ISA:

- ▶ Stocks and shares ISA
- ▶ Cash ISA (including Help to Buy ISA)
- ▶ Innovative Finance ISA
- ▶ Lifetime ISA

Quilter's ISA is a stocks and shares ISA.

Quilter's Junior ISA is a stocks and shares Junior ISA.

## Tax advantages

By investing in an ISA you can enjoy tax-efficient growth on your money as there is no personal liability to pay tax on any income or capital gains you receive, nor do you have to declare your ISA income on your tax return.

By investing in an Junior ISA the child can enjoy tax-efficient growth on their money as there is no personal liability to pay tax on any income or capital gains they receive within the Junior ISA.

## Flexi ISA functionality (not applicable to Junior ISA)

The ISA is truly flexible and allows you to withdraw assets and replenish them within the same tax year, without it affecting your ISA allowance for the year. For example, if you withdrew £10,000 from your ISA, you would be able to replenish the £10,000 plus your current £20,000 ISA allowance by the end of the tax year. This gives you easy access to your funds for short term cash flow purposes.

To take advantage of flexi ISA functionality, your account must remain open after withdrawing your assets, which means not withdrawing more than 95% of the value of your ISA assets. Your ISA may close if more than this is withdrawn.

## Contributions

Each tax year, you can invest into one stocks and shares ISA. You are able to:

- ▶ transfer your existing ISAs freely between different ISA types
- ▶ decide how you invest your allowance between stocks and shares or cash ISAs up to a maximum of £20,000.
- ▶ decide how you invest your allowance between stocks and shares or cash ISAs up to a maximum of £9,000 for a Junior ISA.

## Regular contributions

As you prefer to pay on a regular monthly basis you can do so by direct debit. You can choose any day from 1 to 28 of the month for the money to be collected from your bank account and you can start or stop these payments as required.

## Cash

There may be occasions during the course of your investment where you would like to place your investment in cash in the short term, for example during a period of increased market volatility. Having the ability to switch into cash in the short term means that you can move your money out of the market without withdrawing from the ISA you hold and potentially losing the tax shelter. This facility is available through the ISA.

## Income payments (Not available for the Junior ISA)

You can select from a range of flexible income options to suit your needs. You have the choice of receiving a fixed monetary amount or fixed percentage amount, and/or the dividend and/or interest income produced by your investments. If you choose a fixed monetary or percentage amount, Income can be paid in any months you choose and on any day from 1 to 28 of the month. Alternatively, if you choose to take the dividends or interest from your investments as income, this would be paid directly to your bank account, on a frequency chosen by you, after Quilter have received the payment from the asset manager. Payments can start or stop at your request.



If you choose to receive a fixed monetary amount or fixed percentage amount from your ISA, you can select how you prefer these payments to be funded:

- ▶ By selling assets proportionately (including cash and exchange traded investments)
- ▶ By choosing specific assets to sell, including cash.

### **Holding investments in one place**

#### **Transfers and re-registration**

As you currently hold a [cash/stocks and shares] ISA with another company you can transfer it to Quilter.

(Junior ISA only) As you hold a Junior ISA you should be aware that you can only have one stocks and shares Junior ISA and one cash Junior ISA.

(Transferring from a cash ISA/Junior ISA into a stocks and shares ISA/Junior ISA may not always be appropriate as it will depend on specific circumstances. In your particular case I recommend you transfer into a stocks and shares ISA/Junior ISA with Quilter, for the following reasons:)

(I recommend you transfer from your existing stocks and shares ISA/Junior ISA into a stocks and shares ISA/Junior ISA with Quilter for the following reasons:)

- ▶ There will be no loss of tax benefits.
- ▶ The transfer would be in keeping with your attitude to risk.
- ▶ As your current ISA/Junior ISA was invested in a previous tax year(s) this does not affect your ISA/Junior ISA allowance in the current tax year.
  - The ISA will allow you to replenish any withdrawals you have taken from your ISA, in addition to your annual ISA allowance, if you do so within the current tax year.
- ▶ The funds that you already hold that are also available on the platform and will be re-registered to Quilter, which means that they remain invested at all times so there is no loss of tax-efficiency or risk of missing out on market movements.
- ▶ Holding all your investments in one place will make managing your investments simpler and more efficient.
- ▶ It means less paperwork for you – and less time spent monitoring your investments.
- ▶ There are no initial charges to transfer your ISA/Junior ISA.
- ▶ Your investment portfolio, after the cash ISA/Junior ISA transfer, is sufficiently diversified to support an increased holding in stocks and shares which is consistent with your attitude to risk.
  - You will gain access to Quilter's online Customer Centre, enabling you to track the performance of your investments online.

### *The Collective Investment Account*

The Collective Investment Account is a flexible way of investing your money, giving you the potential for growth over the medium to long term. There are no specific tax advantages, as with an ISA for example, which means you can invest as much as you wish as there's no maximum.

As you have used up your ISA allowance, the Collective Investment Account will allow you to continue investing in Quilter funds.

As you are resident in the [UK/Isle of Man/Guernsey/Jersey] and are over 18 years old I recommend this as a suitable investment for you.

As you hold a self-invested personal pension (SIPP) I am recommending the Collective Investment Account as a suitable way of investing in a wide range of unit trusts and OEICs through your SIPP.

## **Tax**

### **Personal tax**

You will need to declare income and any capital gains from your investments on your tax return. This includes gains arising on the sale of units to pay charges, fund switches (including rebalancing), all fund rebates reinvested in your account, automatic income withdrawals and full or partial surrender. I will be happy to discuss this with you in more detail.

As you are holding this account as an investment of your registered pension scheme, your fund will accumulate free of any liability to UK income tax or capital gains tax.

### **Tax on dividends**

Dividends arising from funds within your account are received gross. You are able to receive up to

£500 per annum of dividends without paying tax with any excess taxable at your marginal rate.

As you are a basic rate taxpayer you will pay 8.75% on any excess.

As you are a higher rate taxpayer/approaching the higher rate tax bracket, you may be liable for tax at a higher rate on any excess over your allowance. I can explain this to you in more detail.

Income distributed from UK domiciled funds as interest are paid gross. These distributions are taxed as savings income and as such will fall within any available Personal Savings Allowance (PSA) you may have (£1,000 for basic rate taxpayers or £500 for



higher rate taxpayers. There is no allowance for additional rate taxpayers). Non-taxpayers will have no liability. Where the distributions do not fall within your available PSA, you will be liable to tax at your marginal rate. Interest on cash held on deposit within the CIA is paid net of 20% tax deducted at source. As interest is also considered savings income it may also fall within any PSA you have available. Where it doesn't you will be liable at your marginal rate but credit is given for the tax deducted at source against any further liability.

I can explain this to you in more detail.

The tax rules on distributions from funds that are domiciled overseas may be different to those described above. The tax liability will depend on the fund's reporting status and whether income is treated as dividends or interest. I will be able to explain the different tax rules and how they apply to the funds you will be investing in.

### **Tax on fund rebates**

Any rebates that are reinvested to your account may give rise to an income tax liability. Quilter will deduct an amount equal to the basic rate of income tax and allocate the net rebate to your account. Whether you can reclaim this tax, or have an additional tax liability will depend on your marginal rate of income tax and personal circumstances.

### **Tax voucher**

You will receive a consolidated tax voucher shortly after the end of each tax year. This provides the details of any income received within your account for the previous tax year, and any tax deducted

(as required). However, it does not include interest earned on cash. The information contained in the voucher must be included in your self-assessment return.

### **Tax on your account if you die**

As the account is being set up in your name only, the value of your account on death will form part of your estate for inheritance tax purposes.

As the account is being set up in joint names, if one of you dies, the deceased's share of the account will form part of their estate for inheritance tax purposes and the surviving account holder will become the sole legal owner of the investment.

As the account is being held as an investment of a registered pension scheme/employer-funded retirement benefits scheme, on your death, the value of the account will be returned to the trustees of the scheme for distribution in accordance with the rules of the scheme and any direction you have given to the scheme trustees as to who should receive the benefits from your membership of that scheme. In normal circumstances there should be no inheritance tax liability arising from any lump sum payment by the scheme trustees.

### **Payment flexibility**

The Collective Investment Account offers complete payment flexibility. As you will be setting up your account with monthly payments/a lump sum investment/a transfer/a re-registration, you can make additional investments/start making investments on a monthly basis at any time in the future.

Where you are making monthly investments, these can be collected on any day from 1 to 28 of the month and you can stop, reduce or increase them (within certain limits) without extra costs or penalties. This gives you the peace of mind of being able to change how much you invest if your income or circumstances change. You can invest monthly by direct debit and have a choice of dates on which the money can be taken from your bank account.

### **Cash facilities**

There may be occasions during the course of your investment where you would like to place your investment in cash in the short term, for example during a period of increased market volatility. Having the ability to switch into cash in the short term means that you can move your money out of the market without withdrawing it from the wrapper you hold. This facility is available through the CIA. You should be aware that switching into cash will be a disposal of your assets and could result in a capital gains tax liability.

### **Income payments**

You can select from a range of flexible income options to suit your needs. You have the choice of receiving a fixed monetary amount or fixed percentage amount, or the dividend and/or interest income produced by your investments. If you choose a fixed monetary or percentage amount, Income can be paid in any months you choose and on any day from 1 to 28 of the month. Alternatively, if you choose to take the dividends or interest from your investments as income, this would be paid directly to your bank account, at a frequency chosen by you, after Quilter have received the payment from the asset manager. Payments can start or stop at your request.

If you choose to receive a fixed monetary amount or fixed percentage amount from your ISA, you can select how you prefer these payments to be funded:

- ▶ By selling assets proportionately (including cash and exchange traded investments)
- ▶ By choosing specific assets to sell, including cash.

### **Holding investments in one place**

### **Transfers and re-registration**



As you currently hold an investment with another provider, you can move it into a Collective Investment Account with Quilter.

I recommend you do this for the following reasons:

- ▶ The transfer would be in keeping with your attitude to risk.
- ▶ The funds that you already hold that are also available on the platform will be re-registered to Quilter, which means that they remain invested at all times so there will not be a disposal for capital gains tax and there is no risk of missing out on market movements.
- ▶ Holding all your investments in one place will make managing your investments simpler and more efficient.
- ▶ It means less paperwork for you – and less time spent monitoring your investments.
- ▶ There are no initial charges to transfer your CIA.
- ▶ You will gain access to Quilter's online Customer Centre, enabling you to track the performance of your investments online.

## **Bed & ISA**

If you want to realise a gain to use up your annual exemption for capital gains tax purposes you can use a transaction known as 'Bed & ISA'. This is a term used to describe the movement of money from a Collective Investment Account into the tax-efficient environment of an ISA. You can set up a Collective Investment Account and then when the time is right, such as a new tax year, you can use some of the money held within the CIA to subscribe or add to an ISA to take advantage of your new annual ISA allowance.

## *The Collective Retirement Account*

The Collective Retirement Account is a personal pension, which is one of the most tax-efficient ways of saving for retirement. It has the added advantage that, when you come to take retirement benefits, you can take an income directly from your account in a number of different ways. This means you can keep your pension not just up to retirement but for life, whilst enjoying the flexibility to adapt it as your circumstances change.

It also provides a number of options that will allow any value remaining on your death to be passed to your chosen beneficiaries tax-efficiently and in a way best suited to their individual needs.

## **Tax advantages**

The Collective Retirement Account will enable you to enjoy the benefit of the following tax advantages:

### **Tax relief on contributions**

You can pay in, and will be given tax relief on, your personal contributions up to 100% of your relevant earnings or £3,600, whichever is the greater amount. You will not be able to contribute to the Collective Retirement Account once you reach your 75th birthday.

You will receive income tax relief on your personal contributions at the basic rate (up to the limits mentioned above). This means that if you pay £80, currently HM Revenue & Customs will add £20 to that net pension contribution. This means Quilter will invest a gross contribution of £100 to your account immediately when a contribution is received.

All personal contributions are paid net of basic rate tax. Higher rate and additional rate tax relief is reclaimed through your tax return. Any employer contributions will be paid gross and your employer will normally be entitled to business tax relief on those contributions.

Any changes in basic rate tax will affect the amount allocated to your account. For example, if basic rate tax reduces, the amount of money you will need to pay will stay the same and the amount allocated will reduce.

### **Scottish taxpayers**

As you are a Scottish taxpayer, HMRC has agreed that we can claim tax relief at the rate of 20% regardless of the rate of tax you pay in Scotland.

If you pay the Scottish intermediate tax rate of 21%, you will be entitled to claim the additional 1% relief due on some or all of your contributions above the 20% tax relief paid to your CRA.

If you are a higher or additional rate tax payer at the Scottish rate, you can claim any extra tax relief directly through your self-assessment tax return.

### **Welsh taxpayers**

The Welsh rate of income tax came into force on 6 April 2019. The Welsh rates of income tax are currently the same as those for England and Northern Ireland.

### **Annual Allowance**

If your total value of annual contributions from all sources to all registered pension schemes (including employer contributions and annual increases in pension entitlements you receive from active membership of final salary schemes) exceeds an amount known as the 'Annual Allowance', you may be liable for a tax charge on the excess. For the 2024/25 tax year the standard Annual Allowance limit is set at £60,000.





The tax charge will depend on the rate(s) of income tax you pay and will be at a level that will effectively mean that you receive no tax relief on any Annual Allowance excess. This will generally be dealt with through your self-assessment tax return. You may be able to avoid the liability for such a charge by use of the 'carry forward' facility described below.

Unless you are subject to the Money Purchase Annual Allowance (see below), you can currently 'carry forward' any unused Annual Allowance into the current tax year from the three previous tax years. This means that, if you have not been able to use the maximum pension saving allowance in previous years, you may be able 'carry forward' the unused allowance into the current tax year to protect yourself against an Annual Allowance tax charge. This unused allowance will be based on the difference between what you had previously paid and the Annual Allowances applicable to the previous three tax years (£40,000 for 2021/22 and 2022/23 £60,000 for 2023/24). This can be added to the current Annual Allowance.

### **Tapered Annual Allowance**

From the 2016/17 tax year onwards, people with high taxable income levels may have a restricted Annual Allowance. For each tax year from 6 April 2016, if your annual adjusted income (see below) exceeded £150,000 your Annual Allowance for that tax year will be reduced by £1 for every £2 over this limit to a minimum Annual Allowance amount of £10,000. From the tax year 2020/21 the adjusted income figure increased from £150,000 to £240,000 with the minimum Annual Allowance dropping from £10,000 to £4,000. From the tax year 2023/24, the adjusted income figure increased from £240,000 to £260,000 with the minimum Annual Allowance increasing from £4,000 to £10,000. This 'tapered' Annual Allowance will only apply to that specific year. Carry forward is still available from previous years.

Adjusted income is your annual income before tax, plus the value of any employer pension contributions plus any personal contributions you have made to your employer's occupational pension scheme.

This is a complex area of pensions legislation which I will discuss in more detail with you.

### **Reduced Money Purchase Annual Allowance**

You will be subject to a reduced Money Purchase Annual Allowance (MPAA) if, as a result of the new pension income choices that became available on 6 April 2015, if you have:

- ▶ taken income under flexi-access drawdown
- ▶ taken income above the capped drawdown annual limit
- ▶ taken a taxable lump sum from untouched pension savings (those savings which you have not used to provide any retirement benefits previously) or
- ▶ purchased a Lifetime Annuity that allows future annuity income to reduce
- ▶ taken a stand alone lump sum where you have primary protection and a protected tax- free lump sum greater than £375,000.

This reduces the annual amount that can be contributed to money purchase pension arrangements such as the Collective Retirement Account to £10,000.

You are not able to carry forward any unused Annual Allowances to offset contributions that exceed the £10,000 limit. However, if you are an active member of a final salary pension scheme, you do still have an available Annual Allowance of £50,000 for the increases in value of your pension benefits and the ability to carry forward three years' of unused Annual Allowances in such a scheme.

If/As your earnings are greater than the Annual Allowance you may still contribute 100% of your earnings and receive tax relief. However contributions exceeding the Annual Allowance or Tapered Annual Allowance and any carry forward allowance, or the Money Purchase Annual Allowance if that applies, will be subject to the Annual Allowance tax charge that will remove any entitlement to tax relief on the excess contributions.

### **The Lifetime Allowance/Lump Sum Allowance/Lump Sum and Death Benefit Allowance and Maximum tax-free cash**

Until 6 April 2023, you could build up a total pension fund from all registered pension schemes up to the standard Lifetime Allowance of £1,073,100 without suffering a Lifetime Allowance Charge. From April 2023, no Lifetime Allowance charge applied regardless of the amount saved in pensions. However maximum tax-free cash is now limited by the standard Lump Sum Allowance of £268,275. Maximum tax-free cash is the lower of 25% of your fund value or 25% of your remaining Lump Sum Allowance.

From 6 April 2024 the Lump Sum Allowance and Lump Sum And Death Benefit Allowance was introduced. The Lump Sum Allowance is set at £268,275 and the Lump Sum And Death Benefit Allowance is set at £1,073,100. The Lump Sum and Death Benefit Allowance is the maximum tax free lump sums that can be received by you in your lifetime, and by your beneficiaries if you die before your 75th birthday. You may have (or be entitled to) Lifetime Allowance Protections that allow you to have higher allowances.

When the Lifetime Allowance came into force on 6 April 2006, people with pension funds in excess of the Lifetime Allowance (£1.5m) at the time, or who felt their pension funds would be greater than this figure by the time they retire, could apply for protection to minimise or totally avoid additional tax charges if the value of their pension funds exceeded the normal Lifetime Allowance. These protections were called Primary and Enhanced Protection. If you registered for either, or both, of these forms of protection, they will continue to apply to your pension funds, unless, in the case of Enhanced Protection, it is ever withdrawn by HMRC either because of your actions or because it is given up by you.

### **Fixed Protection 2012, 2014 and 2016**

Fixed protection protected an individual from reductions in the standard lifetime allowance, on the basis that no further pension savings are made after the relevant date.



Where fixed protection was granted after 15th March 2023 it will be lost (and the protection offered by the fixed protection would no longer apply), if certain conditions are not met on an ongoing basis. Examples of the conditions to be met include (but are not limited to) the following:

- ▶ No further contributions can be made into money purchase pension schemes on or after the relevant date;
- ▶ Any amount of benefits accrued under defined benefit pension schemes on or after the relevant date may not exceed a relevant percentage;
- ▶ An individual may not join a new arrangement under a pension scheme on or after the relevant date, unless the new arrangement is for the purposes of receiving a pension transfer;
- ▶ Certain types of pension transfers may not be able to be made on or after the relevant date
- ▶ Creation of new arrangements to allow a lump sum payment to be made in accordance with the small pension fund lump sum legislation (this could also impact your ability to apply for Fixed Protection 2016 in the future).

Fixed Protection 2012 gives an individual a Lump Sum Allowance of £450,000 and a Lump Sum and Death Benefit Allowance of £1,800,000. Applications needed to be made by 05/04/2012. It was not possible to apply for fixed protection 2012 if the individual already had enhanced or primary protection.

Fixed Protection 2014 gives an individual a Lump Sum Allowance of £375,000 and a Lump Sum and Death Benefit Allowance of £1,500,000. Applications needed to be made by 05/04/2014. It was not possible to apply for fixed protection 2014 if the individual already had enhanced or primary protection, or fixed protection 2012.

Fixed Protection 2016 gives an individual a Lump Sum Allowance of £312,500 and a Lump Sum and Death Benefit of £1,250,000. The relevant date is 06/04/2016. It is not possible to apply for fixed protection 2016 if the individual already has enhanced or primary protection, or fixed protection 2012 or 2014.

There is a deadline of 5 April 2025 by which Fixed Protection 2016 must be applied for. Applications must be made to HM Revenue & Customs (HMRC) using the online application service.

### **Individual Protection 2014 and 2016**

Individual protection protected an individual from reductions in the standard lifetime allowance by giving the individual a personal lifetime allowance that is equal to the value of their pension savings on the relevant 5th April, but subject to a maximum cap. The individual must have more than a certain amount of pension savings in order to qualify to apply for individual protection.

Individual protection does not require the individual to stop making pension savings. Individual protection cannot be lost, except in a case where a pension debit following a divorce reduces the value of the member's pension savings below a relevant amount.

Individual Protection 2014 gave an individual a personal lifetime allowance equal to the value of their pension savings on 05/04/2014, but no higher than £1.5m. An individual must have a value of pension savings on 05/04/2014 that is greater than £1.25m in order to apply. Applications had to be made by 05/04/2017. Their Lump Sum Allowance now is 25% of Individual Protection amount or £375,000 whichever is the lower. Their Lump Sum and Death Benefit Allowance now is the Individual Protection amount or £1,500,000 which ever is the lower.

Individual Protection 2016 gave an individual a personal lifetime allowance equal to the value of their pension savings on 05/04/2016, but no higher than £1.25m. An individual must have a value of pension savings on 05/04/2016 that is greater than £1m in order to apply. Their Lump Sum Allowance is now 25% of the Individual Protection amount or £312,500 whichever is the lower. Their Lump Sum and Death Benefit Allowance is the Individual Protection amount or £1,250,000 which ever is the lower.

There is a deadline of 5 April 2025 by which Individual Protection 2016 must be applied for. Applications must be made to HM Revenue & Customs (HMRC) using then online application service.

### **Tax on funds**

Growth of the funds you invest in through the Collective Retirement Account is free from capital gains tax (CGT) and mostly free from income tax\*. This means that, as there is less tax paid, more goes towards the growth of your fund.

*\*The exception is that some funds may suffer overseas withholding tax on investment income which we cannot recover.*

### **Payment flexibility**

The Collective Retirement Account offers complete payment flexibility.

As you will be setting up your account paying <regular contributions and/ or/a lump sum> you can

<pay a lump sum/start paying contributions on a regular basis> at any time in the future. As you have built up a pension fund with another/other provider(s), you may also transfer those benefits into the Collective Retirement Account to enable your pension savings to be managed in one place but this will be subject to a separate recommendation.

Where you are paying regular contributions you can stop, reduce or increase them (within limits) without extra costs or penalties. This gives you the peace of mind of being able to change how much you are paying if your income or circumstances change. You can invest regularly by direct debit and have a choice of dates on which the money can be taken from your account. We would recommend you also choose to increase your payments automatically each year in line with the Average Weekly Earnings Index.



There are legislative restrictions on when tax relief ceases to be available on contributions made to registered pension schemes. The Collective Retirement Account can only accept contributions on which tax relief can be granted and, as such, regular contributions into the Collective Retirement Account must stop at the last payment date prior to your 75th birthday. No increases in regular contributions can be accepted within 12 weeks of your 75th birthday. Any lump sum contributions must be received no later than five working days prior to your 75th birthday to be accepted into the Collective Retirement Account.

Other people such as relatives can also pay into the Collective Retirement Account on your behalf and these contributions will be treated for tax relief purposes as though they are paid by you personally.

If you are employed, your employer may pay contributions into your account, however the Collective Retirement Account cannot be used as a workplace pension arrangement for auto-enrolment purposes.

If you are transferring funds from other pension arrangements into the account and you have not yet taken any benefits from these, these transfers must be completed no later than five working days prior to your 85th birthday.

Transfers of funds currently held in capped or flexi-access drawdown arrangements can be completed no later than five working days prior to your 85th birthday. Separate accounts may be required to hold this money to comply with current legislation.

## Retirement benefit options

The Government increased the ways in which you can access your pension savings from April 2015. To benefit from these new freedoms, it is important that the pension wrapper holding your savings has a choice of income options to meet your needs both now and in the future, as your circumstances change.

You can normally start taking pension benefits from your Collective Retirement Account from the age of 55 (57 from April 2028). When you decide to draw benefits there are a number of options available to you.

You can choose from a combination of:

- ▶ tax-free cash
- ▶ income withdrawals using the capped drawdown option if you started drawdown before 6 April 2015
- ▶ income withdrawals using the flexi-access drawdown option
- ▶ taxable lump sum payments from untouched savings
- ▶ small pots payments
- ▶ regular monthly income from untouched savings, using either tax-free cash in isolation or combined with taxable monthly amounts, to suit your circumstances and overall tax position
- ▶ a lifetime annuity.

## Tax-free cash

When your Collective Retirement Account is used to generate income through income withdrawals, taxable lump sum payments, small pots payments or a lifetime annuity, you may take part of your pension fund as a tax-free cash sum.

Typically this will be 25% of your pension fund up to your remaining Lump Sum Allowance. You might be able to get more than this lifetime limit if you have Primary, Enhanced, Fixed or Individual protection. You can phase in the use of your tax-free cash entitlement to take your retirement income on a gradual basis as and when required. Where you do this on an ad hoc basis, the minimum value of your account that must be used each time is £1,000. There is no maximum age at which you have to take your tax-free cash from your account.

Where you have scheme specific protected tax-free cash entitlement that is greater than 25% of the fund, you will be able to receive this higher amount when you decide to draw benefits, but only by taking all your benefits from the scheme at once (fully crystallising).

## Income withdrawals

You can select from a range of flexible income options to suit your needs. Income can be paid to you on an ad hoc basis, monthly, quarterly, half yearly or yearly. It is paid directly to your bank account. For regular payments these can be set up to be on any day from 1 to 28 of the month. Payments can start or stop at your request.

You can select how you prefer these payments to be funded:

- ▶ By selling assets proportionately (including cash and exchange traded investments)
- ▶ By choosing specific assets to sell, including cash.

## Capped drawdown

Capped drawdown is an income withdrawal facility within your Collective Retirement Account which was available for you to select before 6 April 2015. The Collective Retirement Account can accept transfers from other registered pension schemes where you are already using capped drawdown, so that you can take advantage of the more flexible solutions the account can provide to meet your future needs.

Capped drawdown enables you to take an income directly from your account, while retaining control over how the remaining value of your fund is invested. There is no minimum level of income you must take, which means you can take some or all of



your tax-free cash entitlement without actually taking any income. However, the minimum regular income payment that can be made from the Collective Retirement Account is either £25 a month or £300 a year. You can also take ad hoc income withdrawals from the drawdown fund as and when you require of a minimum gross amount of £300.

There is a maximum annual limit on the level of income you can take using capped drawdown which is set by the Government. This varies according to your age, the size of your investment and the rates set by the Government Actuary's Department in accordance with legislation. Your maximum income must be reviewed at least every three years and annually from your first review following your 75th birthday.

However, the Collective Retirement Account a feature that will enable you to change the annual level of income more frequently and without any charge.

This is an annual re-basis review whereby each year Quilter will write to you and invite you to change your maximum income limit to whatever the current market conditions will permit. This is a valuable option in volatile market conditions as it can secure a new maximum income level for a further three year period regardless of future investment market conditions. If you select to do so before age 75 at any review, the new maximum will apply for three years or until you reach age 75 if earlier, or unless you change again at the time of a future annual re-basis review.

Keeping income withdrawals within the capped drawdown limits will allow you to keep the normal Annual Allowance funding limits of £60,000 plus the option of carrying forward unused Annual Allowances from the three preceding tax years. This could be advantageous to you if you intend to build further pension savings from ongoing earnings before you reach age 75.

You also have the option of converting your capped drawdown facility to flexi-access drawdown to enable you to draw income at whatever levels you may require. You can also buy a lifetime annuity at any time with the remaining value of your account using the open market option that is built in to the account.

### **Flexi-access drawdown**

Flexi-access drawdown is built in to your Collective Retirement Account and is available, without charge, where you start to take income from your pension savings now. It enables you to take an income directly from your account, while retaining control over how the remaining value of your fund is invested.

The Collective Retirement Account offers a range of income options under flexi-access drawdown that are designed to meet different income needs. There is no maximum limit to the income you can take from your account. Flexi-access drawdown provides you with complete freedom to take income from your investment as you need to meet your future retirement needs.

Where you wish to take some, or all, of your tax-free cash entitlement, there is no minimum level of income you must take from the balance of your account. After you have taken your tax-free cash, the balance of your account will be treated as being in drawdown. The minimum regular income payment that can be made is either £25 a month or £300 a year. Income payments can be paid regularly, either monthly or annually, or on a one-off basis. You can take one-off payments alongside regular payments to allow you to meet specific one-off income needs.

### **Manage your tax liability with regular income**

You may have no need to access a large part of your tax-free cash entitlement initially, but may want a regular monthly income from your untouched pension savings. To avoid encashing an unnecessary amount of your savings to meet your needs, the Collective Retirement Account provides a range of monthly income options which use your tax-free cash entitlement to provide you with income, that is wholly, or partially tax-free.

There are three income options that are available and you can select the option most suited to your personal circumstances:

- ▶ Tax-free cash only, whereby 25% of each encashment will be paid to you tax-free and the balance of each encashment will build a flexi-access drawdown fund for future use.
- ▶ A combination of tax-free cash and taxable income, whereby 25% of each encashment will be tax free and the balance of each encashment will be paid as a taxable income payment.
- ▶ A combination of tax-free cash and taxable income, whereby 25% of each encashment will be tax free, part of the balance of each encashment will be paid as taxable income, and the remainder will build a flexi-access drawdown fund for future use.

These options are not available if you:

- ▶ have a protected tax free cash entitlement or
- ▶ are taking benefits early due to ill health or
- ▶ have a protected early retirement age or
- ▶ have a disqualifying pension credit following divorce or
- ▶ have primary protection with primary protected tax free lump sum

The minimum monthly encashment for using one of the above options is £125, providing a minimum monthly income of £31.25.

### **Lump sums from untouched savings**

The Collective Retirement Account provides a facility where you can take a one-off taxable lump sum from untouched savings within your Collective Retirement Account within the flexi-access drawdown facility. If the lump sums you take are only part of your overall Collective Retirement Account savings, 25% of each such payment will be tax-free and the balance will effectively be taxed at your marginal rate of income tax.



Where you wish to fully encash your Collective Retirement Account as a lump sum, if you have a protected tax-free cash sum that is greater than 25% of your overall savings, you will be able to receive that higher amount tax-free and the balance will effectively be taxed at your marginal rate of income tax.

Because of the way in which taxable income has to be taxed through the Pay as You Earn (PAYE) system, the first such payment will be subject to the emergency tax rate, which may mean that the tax deducted is greater than it should be for your circumstances. You will be able to reclaim any overpaid tax directly from HM Revenue & Customs.

### Small pots payments

You can withdraw up to £10,000 from each of three pension arrangements within your Collective Retirement Account at any time from age 55 to 75 these payments must fully extinguish all funds under the arrangement.

25% of each payment will be tax free (where taken from untouched savings) with the balance taxed at the basic rate. If you are a higher rate or additional rate taxpayer you will be subject to the additional tax liability through your self-assessment return in the tax year you receive the payment.

The benefits of using this facility within the Collective Retirement Account as part of your future retirement income planning are:

- ▶ the value of any small pots payment does not reduce your available Lump Sum Allowance or Lump Sum and Death Benefit Allowance for future use
- ▶ you keep the normal Annual Allowance options for your future contributions prior to age 75, unlike other income options available that will reduce your ability to make further money purchase contributions to £10,000 a year
- ▶ if you are a basic rate taxpayer, the income tax deducted will be correct, unlike the first income payment for other lump sum options, which will be subject to emergency tax.

### Lifetime annuity

A lifetime annuity is a regular income for life. You can use your fund value to buy an annuity with the provider of your choice. This will enable you to take advantage of the best annuity rates available on the market at the time. There are different types of annuity available in the market and we, [financial adviser's name], will help you find the best product to suit your circumstances.

There are advantages and disadvantages to each of these approaches to retirement income. Some of the advantages of taking income withdrawals rather than buying a lifetime annuity are as follows:

- ▶ Savings that remain in your account will continue to be invested with the potential for further growth in a beneficial tax environment.
- ▶ It is more flexible than the conventional annuity approach, because you can change the income to suit your circumstances. Any funds remaining in your account when you die can provide benefits to the beneficiaries you choose.
- ▶ If annuity rates are low compared to previous years, the income withdrawal route will give you the option of waiting to see if rates improve, although there is a risk that annuity rates could fall in the future. Also the value of your remaining fund available to purchase an annuity may fall as a result of market fluctuations.
- ▶ You can choose to take no income or vary the income within defined limits according to your needs at the time. You should remember that the greater the income you take, the higher the risk is that your fund will diminish.

However, the benefits that a Lifetime Annuity can provide to help meet your retirement income needs are important. A Lifetime Annuity will provide a guaranteed income for life, regardless of future investment market fluctuations, providing security and ensuring that the income will continue for your lifetime, and that of your spouse or civil partner if you choose a joint life annuity.

You can combine the use of a Lifetime Annuity with income withdrawals using the Collective Retirement Account. Whilst Quilter does not offer a Lifetime Annuity, the Collective Retirement Account will always allow the purchase of a Lifetime Annuity with part or all of your remaining savings without any charge. This can help ensure your long-term retirement income needs are met, as they change over time.

### Phased retirement option

When you decide to start taking benefits from your Collective Retirement Account you have the flexibility to take your benefits in one go or phase your benefits over a period of time to suit your circumstances. The advantages of the phased approach are:

- ▶ More flexibility, as you do not need to take your entire fund when you retire.
- ▶ Part of your retirement fund remains invested with the potential to grow almost entirely tax free – giving you the possibility of increasing the amount of tax-free cash you have available later.
- ▶ Allows you to put off committing your entire fund to buying an annuity. This is of benefit because once you have bought an annuity you can't change the basis that you bought it on. What might have been right a year ago may not be right now.
- ▶ Annuity rates could improve with age so you could possibly buy more with your pension fund if you delay buying an annuity, although there is a risk that rates could fall because of interest rate changes.
- ▶ Income levels can be tailored to suit individual circumstances, but you should remember that the greater the income you take, the higher the risk is that your fund will diminish. Where you are using this option alongside capped drawdown, as you take further instalments of tax-free cash, your maximum annual income will be recalculated using the total savings now in income withdrawal but keeping the same scheme income year and statutory review period that initially applied.



- ▶ Minimising the amount of your pension savings you use to meet your short-term income needs will leave the rest of your savings to continue to grow. Your savings can be used in the future either for your own income needs or, should you die before buying an annuity, to pass on to your beneficiaries. Please also refer to the section on tax on death for more information.
- ▶ You must use at least £125.00 of your account value each time you wish to phase in your retirement income whether you are taking income withdrawals using capped or flexi- access drawdown or taking taxable lump sums from untouched savings in your account.

### **Tax on death**

The Collective Retirement Account plays an important role in your inheritance tax planning. When you die, your account can normally be used to provide your beneficiaries with an income or lump sum in line with regulations.

The scheme administrator, Quilter Life & Pensions Limited, will decide who will receive such benefits taking into account any nominations made when you complete the expression of wish form. It is therefore essential that you complete this form and keep it up to date with your wishes.

The tax position of the value of your account on death will depend on the age at which you die. From 6 April 2027 the value of the account after your death will be included in your estate for Inheritance Tax Purposes regardless of your age on death or how the benefits are taken by the beneficiary. The rules that apply are as follows:

#### **▶ If you die before age 75:**

The value of your pension savings will be tax free in the hands of your beneficiaries if they choose to receive an annuity or to have the value of the savings held in a beneficiary flexi-access drawdown account via a separate Collective Retirement Account.

If your beneficiaries choose to receive a lump sum, this will be paid tax free, up to your remaining Lump Sum and Death Benefit Allowance. Anything paid out over your remaining Allowance will be subject to income tax at the beneficiaries marginal rate.

#### **▶ If you die after 75:**

Income paid to a beneficiary through annuity or a beneficiary flexi-access drawdown facility will be taxed as income in the hands of the recipient.

Any lump sum payable will be subject to income tax at the recipient's marginal rate.

The Collective Retirement Account also provides a facility so that, if the beneficiary of your CRA elects to establish a beneficiary drawdown account, on their death there is an option for anyone they have nominated to receive the residual value either as a lump sum, annuity or via a successor drawdown account. The tax treatment of any such payment will depend on the age at which the beneficiary dies; i.e. before or after their 75th birthday as above.

### **Cash**

There may be occasions during the course of your investment where you would like to place your investment in cash in the short term, for example during a period of increased market volatility. Having the ability to switch into cash in the short term means that you can move your money out of the market without withdrawing it from the wrapper you hold. This facility is available through the CRA.

### **Stakeholder pensions**

You can choose to invest in a stakeholder pension. Stakeholder pensions were introduced on 6 April 2001 as a pension vehicle with a minimum cost guarantee. Stakeholder products were initially limited to charging a maximum annual management charge of 1% of the fund value per year, throughout the term of the stakeholder contract. However, from April 2005, they were allowed to charge up to 1.5% per year for the first 10 years, reducing to a maximum of 1% per year after this.

The Collective Retirement Account is not a stakeholder pension. It does not restrict costs in line with a 1% or 1.5% per year budget. It does not provide a guarantee in terms of the cost of the plan; however, details of the initial and ongoing costs incurred are in your personal illustration.

In view of your particular circumstances which are summarised below:

- ▶ Insert details here

We are recommending the Collective Retirement Account instead of a stakeholder pension for the following reasons:

- ▶ One implication of such a limit on charges is that there may be a need to compromise on some of the features of the plan to minimise cost. Stakeholder pensions generally tend to be less flexible than personal pensions.
- ▶ A maximum annual charge means that a stakeholder provider will have a limited budget to spend on fund management. This will impact on the investment choice available, which could make it difficult for you to achieve your investment objectives.
- ▶ Working without a cost restriction means that Quilter can provide access to an unrivalled and extensive range of funds.
- ▶ This means you can invest in funds and switch your investment easily between them, plus you can spread your investments



between some of the UK's best performing funds, managed by the top fund management groups. You also have the added flexibility of switching between funds/fund managers when needed.

- ▶ The account provides not only flexibility in the way in which you can build up your pension savings but within the same account the ability to draw retirement income as you require, normally from age 55 (57 from April 2028) in a variety of ways to meet your changing circumstances.

### *Collective Investment Bond – Personal Investor*

The Collective Investment Bond is a flexible way of investing your money, giving you the potential for growth over the medium to long term. The bond is structured as 1,000 life assurance policies initially. This can provide tax advantages for certain types of investor by allowing them to cash-in separate policies rather than the whole bond. The bond also allows you to take tax-efficient withdrawals and provides a small amount of life cover as standard.

It can be set up on single life or joint life last death basis with up to 10 lives assured.

Your bond will be set up on a:

**Single life basis**, which means that benefits will be paid on the death of the life assured.

**Joint life last death basis**, which means that benefits will be paid on the death of the last surviving life assured.

As you are resident in the UK and are over 18 years old, I recommend this as a suitable investment for you. You should view a Collective Investment Bond as a medium- to long-term investment.

#### **Tax**

The tax position on the Collective Investment Bond is as follows.

##### **Personal tax**

There is normally no personal liability to basic rate income tax or capital gains tax in connection with this bond. However, bear in mind that Quilter Life & Pensions Limited makes additional charges to reflect its tax liability.

As you are a higher rate taxpayer or close to the higher rate tax limit, you may be liable for income tax when you encash all or part of the bond. With careful planning we may be able to reduce this liability.

##### **Tax on withdrawals**

Your bond provides you with a tax-efficient way of taking either regular or one-off withdrawals.

Each policy year, you can withdraw up to 5% of the payments made into your bond without having to pay income tax at the time of the withdrawal. You can withdraw up to 100% of your investment in this way, spread over 20 years, without any immediate tax liability. Any unused allowance in a given tax year will be rolled over to successive years so with planning it may be spread over more than 20 years. For example, you could take a withdrawal of 4% for 25 years or 2.5% for 40 years.

There may be an income tax liability later when you cash in some of the individual policies in your bond, finally cash-in your bond, or on a death claim, as these amounts are taken into account when determining whether a gain has been made at that time.

The 5% allowance is spread evenly across all policies making up your bond. If you cash-in one or more policies, then the overall value of your 5% allowance will be reduced.

A separate allowance of 5% each year applies to each additional payment you make into your bond. It starts in the policy year in which you make the additional payment even if this is on the last day of the policy year.

If you withdraw more than 5% each year, or more than you have invested, then you may be liable for income tax. In this case Quilter Life & Pensions Limited will send you a 'Chargeable Event Certificate' which provides you with the information needed to complete a tax return (if necessary).

This could also affect your right to a personal allowance, any entitlement to means-tested benefit and other personal tax reliefs and tax credits.

It should be noted that any adviser fees taken from this bond will form part of your 5% withdrawal limit.

##### **Tax on your bond if you die**

As the bond is being set up in your name only, the value of your bond on death will form part of your estate for inheritance tax purposes.

As the bond is being set up in joint names, if one of you dies, the deceased's share of the bond will form part of their estate for inheritance tax purposes and the surviving bondholder will become the sole legal owner of the investment.

##### **Tax on full surrender or death**

If you fully cash-in (surrender) your bond or individual policies within it, or if your bond comes to an end as a result of death of the last of the lives assured, there may be a liability to income tax on any gain. If a gain arises and, when added to your taxable income for the year, keeps you within the basic rate tax band there will be no further tax due. However, if it takes you into the higher or additional rate tax bracket then the gain may be spread over the number of complete years the bond has been held. If this figure, when added to your taxable income for the year, keeps you within the basic rate tax band then there will be no further tax due.



This could also affect your right to a personal allowance, any entitlement to means-tested benefit and other personal tax reliefs and tax credits.

### **Tax on income within the funds**

Quilter Life & Pensions Limited is liable to tax on the income and capital gains arising on the investments they make on your behalf into your chosen funds.

Quilter Life & Pensions Limited makes charges to reflect its liability to tax on distributions received from assets held on behalf of their policyholders. There is no additional charge on dividends.

### **Tax on gains**

Quilter Life & Pensions Limited makes charges to reflect its liability to tax on investments held on behalf of their policyholders. This charge is calculated based on the difference in the value of the units at the end of the year or the day they are sold if earlier, and the value at the beginning of the year, or the value at the date they were purchased (whichever is later). Should the value of the units fall then a notional tax credit will be applied and used to reduce potential gains in the future.

Charges on gains will also be calculated when you make encashments or switches.

### **Tax on rebates**

Under current practice any rebates received by Quilter Life & Pensions Limited on behalf of their policyholders are taxed as income arising within their chosen funds. Quilter Life & Pensions Limited makes charges to reflect this liability.

### **Inheritance tax (IHT)**

Putting your bond under trust may help to reduce your potential IHT bill.

I strongly recommend you put your bond under trust to help reduce your potential IHT bill. There are many types of trust available and I can help you choose one suitable for your circumstances.

As your bond is being put in trust all the trustees will need to jointly authorise any future policy transactions. Quilter will make any payments to the trustees.

### **Death benefits**

The bond offers two options when selecting the benefit payable on the death of the relevant life assured. These are 'with capital protected death benefit' and 'without capital protected death benefit'.

#### **With capital protected death benefit**

The lump sum payable on death will be the greater of the total premiums paid on each policy, less any encashments, including those for Adviser fees (known as the 'capital protected benefit'), or 100.1% of the policy encashment value. As you have been accepted for this benefit, a charge will be applied to your bond based on the difference between the capital protected benefit and 100.1% of the cash-in value.

#### **Without capital protected death benefit**

Selecting this option will mean that the amount payable on the death of the relevant life assured will be 100.1% of the policy cash-in value.

### **Payment flexibility**

Your bond will be invested with your initial lump sum payment (after the deduction of any Adviser Fee you have agreed to pay me from your investment) which can be topped up at any time. You can invest as much as you like into your bond and payments can be made by debit card, cheque or electronic transfer. The minimum initial investment for your bond is £10,000 but there is no minimum top-up amount.

### **Investing in cash funds**

By investing in a Collective Investment Bond you have access to a number of cash funds. You can choose to invest in these funds at any time as part of your portfolio. As with all funds, the value of units is not guaranteed and could fall as well as rise.

### **Taking money out of your bond**

You can set up regular withdrawals from your bond or take a lump sum amount whenever you wish.





## Automatic withdrawals

The automatic withdrawal facility is a built-in feature of your Collective Investment Bond and is free of a charge. It enables you to take an income directly from your bond, while retaining control over how the remaining value of your fund is invested and this can be set up at any time.

Your income can be set a monetary amount and can be paid to you monthly, quarterly, half yearly or annually, or you can choose the months in which you would like to receive your income.

If you choose to take an income from your bond, you can select how these payments can be funded;

- ▶ by selling assets proportionately
- ▶ by choosing specific assets to sell.

## One off withdrawals

You can fully or partially cash in your bond at any time.

Your bond is initially made up of 1,000 policies and you can cash-in one or more of these policies as an alternative to partially cashing-in your bond.

These two different methods of extracting money from your bond can have different tax implications and it is important that you get advice before making a decision.

The process of cashing in involves selling units. The minimum balance that must be left in the bond after a lump sum withdrawal is £1,000 plus any tax charges that apply at the date of the transaction.

If you have selected a monetary value to be withdrawn from a fund then at least 5% must be left in that fund afterwards.

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*Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.*

*Quilter is the trading name of Quilter Investment Platform Limited which provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA) and Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).*

*Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431 respectively.*

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