AVALON

THE AVALON FREEDOM SELF INVESTED PERSONAL PENSION

KEY FEATURES

KEY FEATURES AND FREQUENTLY ASKED QUESTIONS

This Key Features document shows you the main points about the Avalon Freedom Self Invested Personal Pension. This includes an illustration of the pension income you may receive in the future. Please read these carefully and keep it with your Freedom SIPP documents.

Avalon's Freedom range of products are only available through independent financial advisers. Your financial adviser will be able to give you any help or financial advice.

Its Aims

To build up a sum of money, in a tax efficient way, which will give you a pension income at your chosen pension age.

To give you the opportunity:

- To take a pension commencement lump sum before age 75 in return for a lower pension income.
- To replace the benefits from an existing pension contract by allowing you to transfer these into the Avalon Freedom SIPP.
- To have total investment flexibility by providing you with an 'open choice' pension investment vehicle giving you access to the whole market for unit trusts, OEICs and equities (subject to HMRC permitted investments).

Your Commitment

In order to build up a fund at your chosen pension age one or more of the following will happen:

- You, your employer, or both of you, make regular contributions to your Avalon Freedom SIPP.
- You, your employer, or both of you, make lump sum contributions to your Avalon Freedom SIPP.
- You make a transfer payment from another UK registered pension scheme.

All payments must satisfy our minimum criteria.

Normally you must let the pension fund grow until you reach at least age 50 and then use it to provide your pension income. From 6 April 2010 the earliest pension age will rise to age 55. You must take some form of pension income by age 75.

Risk Factors

The value of your SIPP and the pension income from it at your chosen pension age cannot be guaranteed as it will depend on contributions made and investment performance when you start taking your pension income. You may not get back what you put in.

Your pension income, pension commencement lump sum and future transfer values may be lower than shown in the enclosed illustration. This could happen for reasons such as:

- contributions to your SIPP stop, reduce or there is a contribution break
- annuity rates are lower than illustrated
- investment performance is lower than illustrated
- you start taking your pension income earlier than your chosen pension age
- tax rules change
- charges are higher than shown in the illustration

Please note you could suffer a tax liability if contributions are funded from a pension commencement lump sum received from a registered pension scheme.

Monies received will go into different types of assets, such as stocks and shares or bonds and some carry specific risks.

Further details of the investment objectives are available from your financial adviser.

Contributions

Personal payments that qualify for tax relief can be paid into your SIPP. This means you can normally pay up to £3,600 a year into your SIPP regardless of your employment status, as long as you are resident in the UK. If you have UK earnings chargeable to income tax you can pay up to 100% of these earnings.

If you are employed, your employer can also contribute to your pension fund.

If you have a registered pension scheme with another company, you can transfer its value into this pension fund. You may benefit from better investment performance but we cannot guarantee this.

If your total payments to all registered pension schemes exceed an amount known as the Annual Allowance you will be liable for a tax charge of 40% on the excess. For 2009/10 tax year, the Annual Allowance is set at £245,000. From 2010/11 to 2015/16 the limit has been fixed at £255,000. The charge will be dealt with through your self assessment return.

You can build up a total pension fund from all registered pension schemes up to the standard Lifetime Allowance. For 2009/10 this is set at £1.75 million. Thereafter, up to and including 2015/16 the Lifetime Allowance will be set at £1.80 million. See the section on Lifetime Allowance below.

You can convert all of your SIPP fund into pension income. Alternatively, you can take up to 25% of the pension fund as a pension commencement lump sum in return for a lower pension income.

You are free to contribute as much as you like whenever you want to, subject to Inland Revenue limits. We allow you to start, stop or restart contributions whenever you want to, without penalty.

We will claim basic rate tax back from the Revenue for the contributions you make to us, and if you are a higher rate taxpayer, you will be able to claim back the difference between the higher and basic rate tax via your tax return.

We will accept transfers from the majority of pension schemes, including Protected Rights transfer values into the Freedom SIPP. The Avalon Freedom SIPP cannot be used to contract out of the state second pension (S2P).

Note: You should also be aware of the content of the key features that may be issued by the product provider of any underlying investment.

What about tax?

You will get tax relief on your personal payments up to the greater of £3,600 and 100% of your earnings chargeable to income tax.

Your personal payments are paid after deducting basic rate tax. We then claim back the basic rate tax from HM Revenue and Customs and invest it into your pension fund. If you are a higher rate tax payer, you can claim any extra tax relief directly through your self assessment tax return.

Tax relief will not be given to you on the following:

- Employer contributions
- Transfer payments

If your total payments to all registered pension schemes exceed the Annual Allowance you will be liable for a tax charge of 40% on the excess. The charge will be dealt with through your self assessment return.

You can build up a total pension fund from all registered pension schemes up to the standard Lifetime Allowance. (See below)

You can convert all of your SIPP into pension income. Alternatively, you can take up to 25% of the pension fund as a pension commencement lump sum in return for a lower pension income. Your pension income will be taxed as earned income. Tax benefits may change in the future.

You may be subject to additional taxes or costs which are not accounted for within the contract. Please refer to your financial adviser for further details.

How does the standard Lifetime Allowance work?

The Government has set the standard Lifetime Allowance at £1.75 million for 2009/10 and it will increase as follows:

2010/11	£1.8 million
to 2015/16	£1.8 million

It may increase in future years, but this is not guaranteed.

Each time new benefits commence (crystallise) a portion of your Lifetime Allowance is used up.

Once you have used up your Lifetime Allowance, any benefits paid above the allowance will be subject to the Lifetime Allowance charge. If excess funds are used to provide a taxable pension, the Lifetime Allowance charge is 25% of the fund above the lifetime allowance. Alternatively, if excess funds are paid as a lump sum, called a Lifetime Allowance Excess Lump Sum, the Lifetime Allowance Charge is 55%. We will deduct this tax charge from your fund and pay it to HMRC before paying your benefits.

If you built up substantial pension savings before 6 April 2006 and have registered for enhanced and/or primary protection (transitional protection) with HMRC then this may reduce, or eliminate, any Lifetime Allowance Charge that would otherwise be payable.

Where will my money be invested?

You will have a choice; you can make the investment decisions yourself or you can choose your own investment manager.

You, or your investment manager, can choose how your SIPP should be invested between broadly:

- Quoted shares, including investment trusts
- Gilts and debentures
- Unit trusts and OEICS
- Commercial property
- Deposit accounts

Subject to HMRC permitted investments regulations.

Can I be sure how much pension I will get?

No - the size of your pension will depend on the size of your SIPP fund when you reach retirement; this depends upon how much you have put into your SIPP and how long it has had to grow. It also depends upon the investment growth achieved. What you might get is set out in the illustration provided to you.

Retirement

From the age of 50 (55 from 2010) you can:

- start taking your pension income at any time between the ages of 50 (55 from 2010) and 75, even if you are still working. You must start taking a pension income by age 75
- start taking a pension income before age 50 (55 from 2010) only if you are forced to take early retirement through ill-health or you have a protected pension age
- convert all of your Personal Pension into a pension income by age 75. You will have several options including:

Income Withdrawal

This allows you to take income directly from your pension fund without the need to purchase a lifetime annuity.

By age 75 you must use all your fund to provide an income, a lifetime annuity or a combination of the two. Income withdrawal can continue after age 75 by way of an alternatively secured pension (see below). It can cease at any time but any remaining funds must then be used to buy a lifetime annuity.

Lifetime Annuity

This allows you to use your pension fund to buy an annuity from the provider of your choice. The annuity guarantees regular payments until you die. Normally once purchased it cannot be altered.

There are different types of annuity available in the market and your financial adviser will help you find the best product to suit your circumstances.

You may take up to 25% of the pension fund as a tax free cash sum in return for a lower pension income. This can be done between the ages of 50 (55 from 2010) and 75. Some people may be eligible for a higher tax free cash sum. Your financial adviser will be able to tell you if this applies to you.

There may be other options available to you. Your financial adviser will be able to select the right one to suit your circumstances.
You can choose to purchase a lifetime annuity with your alternatively secured pension fund at any time.

Before selecting an alternatively secured pension you should consult your adviser

What is an Alternatively Secured Pension?

An alternatively secured pension is a continuation of income withdrawal after age 75. As for an unsecured pension, your SIPP fund will remain invested and you will be able to choose how much income to withdraw each year up to the maximum set by HMRC.

For an alternatively secured pension, the minimum/maximum income that can be withdrawn is 55% to 90% of the GAD relevant annuity rate for a 75 year old. The maximum is reviewed annually based on the value of the fund at the review date but using the GAD relevant annuity rate for a 75 year old, regardless of your age at the time.

What happens if I die before age 75?
Uncrystallised Funds

Uncrystallised funds are those where benefits have not yet commenced, ie you have not yet received your pension commencement lump sum and commenced your pension.

The investments held under your SIPP will be realised and their full cash value used to provide benefits for your spouse/civil partner, dependants, family members or other beneficiaries nominated by you for this purpose.

The Scheme Administrator will decide who will receive benefits and the form of the benefits, in its absolute discretion. However, it will take into account any wishes you have expressed through the completion of a death benefit expression of wish. You may complete a new nomination at any time.

Death benefits will normally be paid as a lump sum but pensions may be provided for a spouse/civil partner and/or dependant, either under income withdrawal or by annuity purchase.

Lump sum payments on death are normally free of any inheritance tax but we cannot guarantee that this will be the case. You should consult your adviser if you are unsure.

Any amount of the fund over your personal lifetime allowance which is taken as a lump sum is subject to 55% tax charge payable by your personal representatives.

Unsecured Pension Funds

If you die whilst in receipt of an unsecured pension, then we will realise the investments held under your unsecured pension fund and use the full cash value to provide benefits for your spouse/civil partner, dependants, family members or other beneficiaries nominated by you for this purpose.

Avalon SIPP Trustees Ltd will decide who will receive benefits and the form of the benefits, in its absolute discretion. However, it will take into account any wishes you have expressed through the completion of a death benefit expression of wish.

The value of your fund can be used to pay benefits:

- As a lump sum, subject to a deduction of a 35% tax charge; and/or
- with no 35% tax deduction to provide a pension for your spouse/civil partner and/or dependant, either by way of an annuity purchase or under income withdrawal. In this instance, the fund will be paid as unsecured income until he or she reaches age 75, when it will convert to alternatively secured pension.

What happens if I die after age 75?

If your pension is being paid under an alternatively secured pension then the full value of your alternatively secured pension fund will be applied to provide pension benefits for your surviving spouse/civil partner or dependants, either in the form of income withdrawal, or through the purchase of an annuity.

Avalon SIPP Trustees Ltd will decide who the pension will be paid to but will take into account any wishes you have expressed by completing a nomination.

If you do not leave a surviving spouse/civil partner or dependants, then the value of your fund may be paid to a charity nominated by you for this purpose.

Funds paid as a transfer lump sum death benefit will be subject to inheritance tax (IHT) on your death, as if the funds were part of your taxable estate.

Any funds paid to a charity or paid out in pension benefits to your spouse/civil partner, or dependants, will be exempt from IHT.

However, if there are any funds left over after the spouse's /civil partner's or dependant's pension has come to an end then, unless paid to a charity, the funds will become chargeable to IHT. These remaining funds will be treated as if they were an addition to your estate.

We will deduct any IHT due from your fund before paying any death benefits and pay it to HMRC.

If you have purchased an annuity then the benefits payable if any, will be determined by the terms of the annuity contract.

What happens if I am ill?

Waiver of Contribution benefit, which provides that regular contributions continue to be paid in the event that you are ill, is not available with the Avalon Freedom SIPP.

If you are unable to maintain contributions, the implications are outlined above in 'What happens if contributions stop?'

What are the charges?

Avalon's charges are explained in the separate SIPP charges sheet.

How much will the advice cost?

We will pay your adviser for advice given on the Avalon Freedom SIPP in accordance with the terms he will agree with you prior to application.

Other Information

Your right to change your mind

You may change your mind about having an Avalon Freedom SIPP. When your SIPP starts you will receive a cancellation notice. This will give you the right to cancel during the next 30 days.

If you wish for your SIPP to be invested in assets during this period you may waive your right to cancel during the initial 30 day period. To waive your right to cancel you must expressly request this by ticking the waiver box at the foot of the Application Declaration and signing the Declaration to this effect.

If you do make this request then you will lose your right to cancel your SIPP.

If you exercise your right to cancel your SIPP you will receive a full refund of all your regular or single contributions.

Cancellation rights may also apply to any additional contributions or transfers.

Please note that it may not be possible to return the funds received from a transfer in to the original pension arrangement should you cancel the transfer within the cancellation period. In this instance you will need to arrange for another pension arrangement to accept the transfer.

If you opt to enter into unsecured income or alternatively secured pension you will also receive a separate cancellation notice for this. This gives you the right to cancel the chosen option during the next 30 days. You will need to return any pension commencement lump sum and income paid to you.

If you decide to cancel an alternatively secured pension we will be required to transfer the fund to another provider of your choice.

Banking & Administration

When you apply for your Avalon Freedom SIPP any cash held on long term deposit will be placed into a client money bank account held with HSBC or Cater Allen. Interest will be earned at the prevailing business rates on all cash deposits as declared by HSBC/Cater Allen from time to time.

Avalon is a specialist investment administrator with excellent systems and administration experience.

The Avalon Freedom SIPP is a self invested personal pension plan administered by Avalon Investment Services Limited. Avalon Investment Services Ltd has appointed Avalon SIPP Trustees Ltd as trustee.

Avalon Investment Services is authorised and regulated by the Financial Services Authority.

How to complain

- If you ever need to complain, please write to:
  The Compliance Manager, Avalon Investment Services, 2 Market Place, Tetbury, Gloucestershire GL8 8DA

- If you are not satisfied with the response you receive you can take your complaint to Pensions Ombudsman if it is regarding the adminsitration of your pension:
  11 Belgrave Road, London, SW1V 1RB
  Tel No: 0845 601 2923

- Financial Ombudsman Service, for all other complaints:
  South Quay Plaza, 183 Marsh Wall, London E14 9SR
  Tel No: 0845 080 1800

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Terms and Conditions

- This Key Features document gives a summary of Avalon's Freedom SIPP. It doesn't include all the definitions, exclusions, terms and conditions.
- A copy of the full terms and conditions is available on request
- We reserve the right to change some of the terms and conditions. We will inform you to explain what has been changed if this affects your plan.

Law

- The law and courts of England will apply in legal disputes

Compensation

- The Avalon Freedom Self Invested Personal Pension Plan is not an insurance policy and is not subject to the Financial Services Compensation Scheme (FSCS). However, if some of the pension fund investments are insurance policies, these policies will be covered by the FSCS. For pension fund investments that are not insurance policies, you may be covered by the appropriate compensation scheme of your investment fund manager or adviser, if one has been appointed.

The Avalon Freedom SIPP is a self invested personal pension administered by Avalon Investment Services Limited.
Avalon Investment Services Limited has appointed Avalon SIPP Trustees Limited as trustee of the Plan.

Avalon Investment Services Limited is authorised and regulated by the Financial Services Authority.
Avalon Investment Services Limited Registered in England No 3792386.

www.avaloninvestment.com