

# **Key Features and Benefits Member Directed RATS**

**Seek Independence.**



## General

A Retirement Annuity Trust Scheme (“RATS”) is a personal pension scheme established to provide retirement benefits to its member(s) who are able to join upon application to the Trustees of the RATS at any point following its establishment.

The Trustee of your RATS is New Street Trust Limited (“NST”), who are regulated by the Guernsey Financial Services Commission. As Trustee, NST become the legal owner of the assets within the RATS, to be held on trust for the Members and managed in accordance with the Trust Deed and Rules.

Upon establishment of the RATS, NST obtained Guernsey Income Tax Office approval, under section 157A of the Income Tax (Guernsey) Law.

As there may be tax implications for members in respect of transfers, contributions or benefits in the future, NST expects all members to have taken personal tax advice at the outset and thereafter at any necessary trigger events.

## Contributions

- ✖ Flexible Contributions – there is no limit in Guernsey law on the level of contributions, however this should form part of the tax advice provided to you the member prior to the establishment of the RATS;
- ✖ Tax Relief is generally available on personal contributions up to £35,000 per annum for Guernsey taxpayers; and
- ✖ Additional Contributions with no monetary limit can be paid into the RATS, although no tax relief will be granted for contributions in excess of £35,000.

## Investments

The RATS is Member directed. As such, the choice of investments and the responsibility as to the performance is held with the Member. NST as the trustees of the RATS have the power to veto any investment should it impact on the approval of the RATS or be unlawful. The Member should be mindful of the following when choosing the investments.

Any investment(s) selected should also have regard to the cash flow requirements needed to provide retirement benefits. The RATS allows investment flexibility with open architecture, however the following are examples of suitable investments:

- ✖ Cash or cash funds;
- ✖ Corporate bonds;
- ✖ Equity investment in any company quoted on a recognised stock exchange;
- ✖ Equity investment in companies not quoted on a recognised stock exchange (subject to certain levels/approvals);
- ✖ Gold bullion, ETFs, REITs; and
- ✖ Purchase of property let on a commercial basis. The RATS must however own 100% of the property.

NST are not responsible for making, changing or reviewing any of the investments and is not obliged to take any steps to monitor the investments on your behalf.

It is your responsibility as the Member directing the investments within the RATS to confirm that the investments made are appropriate in your circumstances.

NST will have no liability to you the Member to the extent that investments fall or might be considered inappropriate in your circumstances.

We will notify you if there are circumstances in which NST will be unable to exercise the investment power (such as where an investment proposed is illegal or could prejudice the RATS' approval), those circumstances.

We will also inform you of any circumstances in which you the Member or another person may change the investment basis, or where the investment basis will automatically change (for example following the death of the Member who has responsibility for the investment direction of the RATS).

Notwithstanding that the investment direction is the responsibility of the Member, as Trustee we shall continue to oversee the investments held within your RATS on a periodic basis in accordance with our investment monitoring framework.

### **Gearing**

The RATS cannot borrow money for the purposes of additional investment (i.e. "gearing") except in the case of investment into real property. Further information on gearing can be provided by NST upon request.

### **Outward Transfer of Benefits**

Outward Transfers of Benefits may be made to:

- \\ another approved scheme or an approved occupational pension scheme or a statutory scheme;
- \\ a pension scheme approved in the United Kingdom, Jersey, the Isle of Man or the Republic of Ireland;
- \\ other pension schemes outside Guernsey which provide similar benefits (i.e. schemes which have the same early retirement and retirement lump sum restrictions as an approved scheme);
- \\ Guernsey schemes which are neither approved schemes nor approved occupational pension schemes; and
- \\ Qualifying Recognised Overseas Pension Schemes.

### **Inward Transfers of Benefits**

Consolidation of other pension arrangements may be made by way of inward transfer of benefits. Care should be taken to the relevant legislation regarding pension transfers in the transferring territory. Additional consideration should be given and advice sought should any of the transferor schemes provide defined benefit. Tax advice should be taken prior to contemplating a consolidation of this nature.

### **Benefits**

Commencement of Benefits:

- \\ A Member may elect to commence benefits at any time from age 50, or at an earlier age if due to Incapacity or where the Director of Income Tax has agreed an earlier age due to the individual's occupation. Commencement of benefits should not be deferred beyond age 75.

- Benefits must be taken in pension form. It is not, however, necessary to purchase an annuity from an insurance company as an annual pension/annuity may be paid out of the fund itself. The benefit of this being that any remaining value is able to be paid to your heirs on death rather than to the insurers. It is important to contact us to discuss such annuity payments prior to commencement of benefits.

The lifespan of a Member of the RATS, and the investment performance of the assets held in a RATS, are impossible to predict. As a result, once a Member has started to draw down benefits from the RATS and depending on the level of benefits paid the assets may be exhausted before the death of the Member(s). Periodic review of the assets and updated advice is strongly recommended.

### **Lump Sum Benefits**

Retirement Lump Sum:

- A Member who has attained age 50 may commute up to 30% of his Fund Value for a lump sum. Retirement lump sums in excess of a specific limit may be subject to income tax.

Triviality and 100% lump sums payments:

- Where the Fund Value is Trivial in amount or the Fund Value in respect of a spouse's, child's or Dependant's pension is Trivial in amount or retirement is due to serious ill health the entire Fund Value may be paid as a lump sum. It is permissible to commute a Fund Value which is Trivial in amount at any age.

### **Death Benefits**

Death before Commencement of Benefits:

The following benefits may be provided:

- a lump sum (tax free) of up to the amount of the Member's Fund Value at the date of death; plus
- an annuity payable to the Member's spouse, children or Dependents derived from the Member's remaining Fund Value. This annuity will be taxable according to the recipient's personal circumstances.

Death after Commencement of Benefits:

An annuity payable to the Member's spouse, children or dependants with the aggregate of such pensions not exceeding 100% of the pension which could have been provided for the Member had he not commuted any annuity for a lump sum may be provided. Alternatively, it is acceptable to wind up the RATS, or the Member's share of the RATS.

### **Taxation of Benefit**

Payments of benefits will be made after deduction of Guernsey income tax at 20% unless the member or recipient is not and never has been Guernsey tax resident, in which case the payment may be made without deduction of Guernsey tax. UK income tax may be due if you are UK resident at the time of drawing.

### **Termination of your Pension**

Once all benefits are paid, and subject to settlement of all costs, charges and expenses properly incurred, or you have transferred your benefit to a different retirement scheme, the RATS will cease.

Full details of all benefits and provisions of the RATS can be found in the trust deed and rules governing the RATS.

### **Tax Advice**

This document is provided for information only and cannot be taken as tax advice. As mentioned in the General Section, NST will expect each proposed member to have taken their own tax advice before admission to the RATS.

### **Pension advice and investment planning**

NST do not give pension advice or advice on investments. As such the RATS is intended for sophisticated investors only. If you are at all unsure as to the suitability of this structure or the proposed investment strategy, you should speak to a suitably qualified pension or investment advisor as appropriate and inform your contact at NST immediately.

### **Costs**

The costs for the establishment and ongoing running costs of the RATS are set out in the Fee Schedule contained within the Application Form and will be payable annually in advance in accordance with the with the agreement.

### **Complaints Resolution Policy**

NST takes all complaints extremely seriously. Any complaints should be directed in writing in the first instance to your Client Relationship Director. NST will acknowledge any complaint within five (5) business days of receipt and will respond in accordance with their Complaints Procedure, a copy of which is available on NST's website [www.nsmtrust.com](http://www.nsmtrust.com).

NST implements the Channel Islands Financial Ombudsman Model Procedure. This is the Model complaint-handling procedure for financial services providers, published by the Channel Islands Financial Ombudsman and available at <https://www.ci-fo.org/>.

If you are not satisfied with our final response to your complaint, you can refer your complaint to the Channel Islands Financial Ombudsman (CIFO).

You can contact CIFO at:

Channel Islands Financial Ombudsman (CIFO)  
PO Box 114  
Jersey, Channel Islands  
JE4 9QG

Email: [enquiries@ci-fo.org](mailto:enquiries@ci-fo.org)  
Website: [www.ci-fo.org](http://www.ci-fo.org)  
Jersey local phone: 01534 748610  
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