

# Key Features and Benefits Licensee 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 (“NSM”), who are regulated by the Guernsey Financial Services Commission. As Trustee, NSM 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, NSM 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, NSM 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 Licensee Directed (also referred to as the “Traditional Approach”). As such, the ultimate power to make, select and direct investment decisions and the responsibility as to the performance is held with NSM as the Trustee and Licensee responsible for the RATS.

It may be that as a member of the RATS, you provide NSM with investment recommendations, or otherwise NSM provide you as a member with investment options to provide us with your opinion thereon. Notwithstanding your input into the investment selection, NSM as Licensee still retains responsibility for the professional conduct of the investment management activity.

## 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 NSM 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 (ie 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 55, 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 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 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 55 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:-

- (i) a lump sum (tax free) of up to the amount of the Member's Fund Value at the date of death; plus
- (ii) an annuity payable to the Member's spouse, children or Dependants 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, NSM will expect each proposed member to have taken their own tax advice before admission to the RATS.

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

NSM 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 NSM 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**

NSM takes all complaints extremely seriously. Any complaints should be directed in writing in the first instance to your Client Relationship Director. NSM 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 NSM's website [www.nsmtrust.com](http://www.nsmtrust.com).

NSM 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:	<a href="mailto:enquiries@ci-fo.org">enquiries@ci-fo.org</a>
Website:	<a href="http://www.ci-fo.org">www.ci-fo.org</a>
Jersey local phone:	01534 7485610
Guernsey local phone:	01481 722218
International phone:	+44 1534 74865120

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### **New Street Management Limited**

PO Box 20  
Les Echelons Court  
St Peter Port, Guernsey, GY1 4AN

### **Guernsey**

**T:** +44 (0) 1481 755860  
**E:** [enquiries@nsmtrust.com](mailto:enquiries@nsmtrust.com)  
**[nsmtrust.com](http://www.nsmtrust.com)**