INVESTMENTS

Your guide to making withdrawals from your Personal Investment Plan

For plans opened before 28th June 2010

Provided by Halifax Financial Services ("Halifax")

the people who give you extra HALIFAX

Contents

Deciding what's best for you

You probably gave it a lot of thought before you contacted us about cashing-in your Personal Investment Plan. Whether you're thinking of taking out all your investment or just part of it, it's a big decision and you'll want to be completely sure you do what's best. That's why we've sent you this guide. It aims to give you information to help you decide.

A lot of the information in this guide is about tax, and we all know that can be a complex subject. We've tried to make the guide easy to understand, so we've detailed specific subjects in the pages below:

If after reading this guide you'd like to discuss your plan call us on **0345 030 6244.**

Things to think about

Long term or short term?

The investment you made into your plan should be viewed over the medium to long term, at least a five to ten year period to help meet your financial objectives. Taking this approach aims to help smooth out the ups and downs of the stock market.

If you see a fall in the value of your plan because the stock market has fallen, you may be tempted to cash in some or all of your plan. This might stop any further losses but you could be missing the potential for further growth over the longer term. Moving out of an investment during a downturn may mean missing any recovery and therefore upturns in the market. If you don't need the money, you may be better leaving your plan invested.

Of course, this may not be the case if the markets continue to fall.

The value of an investment isn't guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas). You may get back less than you paid in.

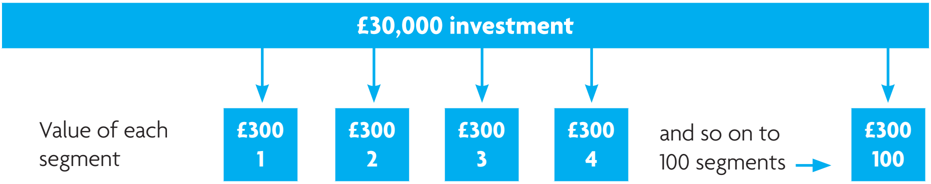
Here are a few things to think about before making your decision:

- You'll lose any future investment growth on money you take out of your plan.
- You may have some extra tax to pay when you take money out of your plan.
- If you don't need all the money now, you could take what you need and leave the rest invested, or take a regular income from your plan if you need it.
- You could change the fund you are invested in instead of withdrawing money from your bond.
- You may be eligible for a loyalty bonus in the future, which may be reduced or lost if you take money out of your plan.

How your plan is structured

Your plan is invested across 100 identical plan segments. You can cash-in these segments in several different ways, and the option you choose may affect whether you have to pay tax on the amount you've withdrawn.

For example, if you invested £30,000 this would be split into 100 identical plan segments of £300 each:



What you need to know about tax

Before you decide whether to cash in your whole plan or just part of it, there are some key points about tax that you need to know.

We pay corporation tax on the income and capital gains from investments held within the funds in which you choose to invest your plan. We pay this tax out of the fund and it's reflected as a notional amount of basic tax treated as paid on any gain which may arise when you cash in part or all of a policy. It can't be reclaimed, even if you're a non tax payer, but does mean that if you are a basic rate tax payer there's no further tax for you to pay, unless any gain you've made takes you into a higher rate(s) tax band.

You pay tax at your highest marginal rate of income tax on chargeable event gains. If you're a higher rate or additional rate taxpayer, or if any gains from a chargeable event make you a higher rate or additional rate taxpayer, you may therefore have further tax to pay. If you're normally a basic rate taxpayer, but become a higher rate taxpayer because of the chargeable event gain, top-slicing relief may be available to reduce the rate of tax charged on the gain. Top-slicing relief may also be available if you are normally a higher rate taxpayer but become an additional rate taxpayer because of the chargeable gain event.

The tax treatment of your bond depends on your individual circumstances which may change in the future. Tax rules can also change.

You should remember that the taxation of your plan is complex and ultimately depends on your personal circumstances.

The tax information in this guide is based on our current understanding of legislation and HMRC practice, which can change. If you're not sure about whether this affects you or if your plan is written under trust, it's advisable to discuss your tax position with a tax specialist such as an accountant or your tax office, before making any decisions.

Making a withdrawal from your Personal Investment Plan

There are five ways to withdraw your investment, as shown overleaf. You'll find full details of how each option works on the following pages.

You can take any amount out of your plan from £100 upwards. You'll need to leave at least £100 in your plan (or £3,000 if invested in the Managed Income Fund) otherwise we'll have to close it and pay you the proceeds.

When you request a withdrawal you need to tell us clearly which option to use.

It's important that you understand the impact of each option before you tell us which one you've chosen. You can't change to a different option once we've accepted your instructions and made the payment.

Once you've decided which option suits you best, please complete and return the relevant withdrawal form.

If you withdraw all or part of your investment in the first five years after making your initial or any subsequent investments, you may have to pay an early withdrawal charge.

Regular withdrawals of over 7.5% a year of the total amount invested in any individual segment may be subject to early withdrawal charges in the first 5 years.

We'll calculate the withdrawal value on the day of the next valuation after we receive your completed withdrawal form, unless we need additional documents or information.

Once we have your completed withdrawal form and other relevant information, if required, we aim to make payment to you within 9 working days.

Please remember to fully complete the withdrawal form and ensure all planholders or trustees have signed the form.

Option 1	Withdraw a specific amount of money using a combination of Options 2 & 3
Option 2	Take a lump sum or regular withdrawals by partly cashing in an equal amount from all segments
Option 3	Cash in whole segments
Option 4	Cash in a specific number of whole segments and then partly cash in an equal amount from all the remaining segments
Option 5	Withdraw all of your investment and close your plan

Option 1

Withdraw a specific amount of money using a combination of options 2 and 3

If you want to withdraw a specific lump sum, we'll cash in enough whole plan segments (as described under **Option 3**) to provide just under this amount.

Then we'll take an additional small partial withdrawal (as described under **Option 2**) from the remaining segments.

This may result in an immediate **chargeable event** gain and you may have to pay income tax. It may also result in an early withdrawal charge if one applies.

Option 1 is the standard option. If you don't tell us clearly which option you'd like to use, we'll always use this option for paying you a lump sum withdrawal.

Option 2

Take a lump sum or regular withdrawals by partly cashing in an equal amount from all segments

Under this option, we'll cash in an equal amount from each segment within your Personal Investment Plan.

You can take out any amount from £100 upwards, or ask for regular withdrawal payments. If you take out a lump sum, and you're also taking regular withdrawals, you should review the level of the regular withdrawals to make sure they don't take you above your 5% **tax-deferred allowance**.

Any regular withdrawals in any plan year over 7.5% of the total amount you have invested in any individual segment may be subject to an **early withdrawal charge**. A plan year runs from the start of the plan to the day before the first anniversary and then from each anniversary to the day before the next anniversary.

Do you want to make regular withdrawals from your plan?

We always use option 2 to pay you regular withdrawals. You can take regular withdrawals from any fund and you can take any amount from £50 upwards every month, from £250 every six months or from £500 every year (except for investments in the Managed Income Fund, where we only pay regular withdrawals quarterly (every three months)).

Do you want to change an existing regular withdrawal payment?

If you're already taking regular withdrawals from your plan and you want to change the amount or the frequency, please show the changes on the withdrawal form.

Tax

Each year you can take up to 5% of the total amount you have invested in any individual segment without immediately having to pay tax, depending on how many withdrawals you've made before and how much they were. This is known as a **tax-deferred allowance**. Using the example on page 5, if you originally invested £300 in each of the 100 plan segments, you could take £15 from each segment (making £1,500 in total) each year without having to pay tax immediately.

However you may have to pay tax in the future, because the value of any withdrawals you make over the lifetime of your plan will be added to the final withdrawal value of each plan segment (see **Option 3**).

If you withdraw more than your accumulated tax-deferred allowance, the excess will be a **chargeable event** gain and you may have to pay income tax.

Option 2 Example

Your initial investment of £30,000 has grown in value to £36,000*. You don't take any withdrawals until the third plan year, when you withdraw a lump sum of £18,000 using this option. You cash in £180 from each of the 100 plan segments, which leaves £180 invested in each segment.

* These figures are only to show the potential effect on tax, and don't indicate actual or potential returns or the impact of any **early withdrawal charges**.

	£36,000 fund value					
Value of each segment	£360 1	£360 2	£360 3	£360 4	and so on to 100 segments →	£360 100
Cashed in from each segment	-£180 1	-£180 2	-£180 3	-£180 4	and so on to 100 segments →	-£180
Amount remaining in each segment	£180 1	£180 2	£180 3	£180 4	and so on to 100 segments →	£180

Because you've withdrawn your lump sum in the third plan year, the accumulated 5% **tax-deferred allowance** is:

£30,000 x 5% x 3 years = £4,500.

The amount you've withdrawn in excess of the tax-deferred allowance is:
£18,000 – £4,500 = £13,500.

The **chargeable event** gain is therefore £13,500.

Where you make partial withdrawals within the accumulated 5% tax-deferred allowance, you won't have to pay tax immediately. However, you may have to pay tax in the future.

Option 3

Cash in whole segments

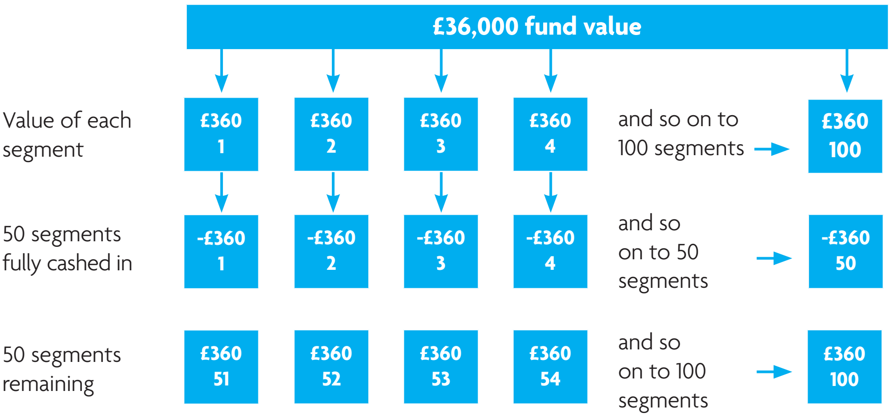
Instead of cashing in part of each plan segment, you can choose to fully cash in whole segments. This will reduce the number of segments left in your plan.

Option 3 Example

Your initial investment of £30,000 has grown in value to £36,000*. You don't take any withdrawals until the third year, when you withdraw a lump sum of £18,000.

You fully cash in 50 whole segments each worth £360, to give you the total of £18,000. This means you still have 50 segments left.

*These figures are only to show the potential effect on tax, and don't indicate actual or potential returns or the impact of any **early withdrawal charges**.



Tax

When you cash in whole plan segments the **chargeable event** gain is calculated as:

The cash-in proceeds from these segments **plus** **any previous withdrawals from the segments you're now cashing in**	–	**The total amount you've paid in to the segments you're now cashing in** **plus** **any previous chargeable event gains you've made on these segments**	=	**Gain**

This calculation gives the overall gain you've made on the cashed-in segments after taking into account any amounts that may have already been taxed. You may have to pay income tax on this gain and an early withdrawal charge may apply.

Regular withdrawals

If you've cashed in whole segments then your 5% **tax-deferred allowance** will be reduced in proportion across your whole plan.

If you continue to take regular withdrawals after you've cashed in whole segments, you may have a **chargeable event** gain. This can happen if your total yearly withdrawals add up to more than the accumulated 5% tax-deferred allowance.

Therefore if you're making regular withdrawals and you then withdraw a lump sum by cashing in whole segments, you should review the amount of your regular withdrawals. We'll continue paying you the same regular withdrawals unless you tell us on the withdrawal form to change the amount.

Option 3 continued

The gain on each segment you've cashed in will be:

Cash in proceeds	£360
plus	
previous withdrawals	nil
	£360
minus	
amounts paid in	£300
plus	
previous chargeable event gains	nil
Gain	**£60**

So the total chargeable event gain will be: **£60 x 50 segments = £3,000.**

If you compare the example on page 12 with the example under Option 2, you'll see that if you want to make a large withdrawal that's higher than the accumulated 5% tax-deferred allowance you might reduce the amount of tax you have to pay by cashing in whole segments.

If you ask to withdraw an amount that can't be provided by cashing in a complete number of segments, we'll fully cash in enough to give just under that amount.

For instance, if in the example above you'd asked to withdraw £18,200 we would fully cash in 50 plan segments to pay you £18,000.

Option 4

Cash in a specific number of whole segments and then partly cash in an equal amount from all the remaining segments.

You can cash in a specified number of whole segments (as in **Option 3**) and then partly cash in an equal amount from all the remaining segments (as in **Option 2**).

If you use this option you could have a number of different **chargeable event** gains depending on how you choose to combine fully cashing in and partly cashing in. It may also result in an early withdrawal charge if one applies.

Option 5

Withdraw all of your investment and close your plan

Before you decide to fully cash-in and close your plan, have you thought about taking just part of it, and leaving the rest invested? Options 1 to 4 show how you can do this and the tax consequences.

Think about what your plan is currently worth. If you see a fall in the value of your plan because the stock market has fallen, you may be tempted to cash in some of your plan. This might stop any further losses but you might be missing the potential for further growth over the longer term. Moving out of an investment during a downturn may mean missing any recovery and therefore upturns in the market. If you don't need the money, you may be better leaving it invested. Of course, this may not be the case if markets continue to fall.

If you don't need the money now, you could leave your plan invested to potentially grow in value.

If you do decide to close your plan, all the segments will be cashed in. We'll work out the withdrawal value on the day of the next valuation after we receive your completed 'fully withdraw and close' request form at the address shown on it, except where we need additional documents or information.

Please remember too, that if you close your plan before a **loyalty bonus** is due, you won't get the loyalty bonus and an early withdrawal charge may apply.

Tax

When you fully withdraw and close your bond the **chargeable event** gain is calculated as:

The cash-in proceeds **plus** **any previous withdrawals you've made**	–	**The total amount you've paid in to the bond** **plus** **any previous chargeable event gains you've made on the bond**	=	**Gain**

This calculation gives the overall gain you've made on the cashed-in segments after taking into account any amounts that may have already been taxed. You may have to pay income tax on this gain.

Option 5 Example

Your initial investment of £30,000 has increased in value to £36,000* and you withdraw the whole amount. You haven't made any withdrawals before.

*These figures are only to show the potential effect on tax, and don't indicate actual or potential returns or the impact of any **early withdrawal charges**.

The total **chargeable event** gain will be: **£36,000 – £30,000 = £6,000**.

This is an immediate chargeable event gain and we'll send you a chargeable event certificate.

If you're not sure whether fully cashing in your plan is the right thing to do, then please call us on **0345 030 6244** (lines open Monday to Friday 8am-6pm and Saturday 8am-3pm) and we'll be happy to answer any questions you have.

We can't, however, give advice on tax – please see the section on 'Where can I go for more information?'

Early withdrawal charge

If your plan started before 29th June 2009, you won't have to pay an early withdrawal charge if you make a withdrawal.

If your plan started on or after 29th June 2009, and you withdraw all or part of your investment in the first five years after making your initial or any subsequent investment, you'll have to pay an early withdrawal charge on the amount taken out unless one of the following applies:

- you transfer all or part of your investment to another investment plan provided by HBOS Investment Fund Managers Limited or Halifax Financial Services.
- in each plan year you only take regular withdrawals of up to 7.5% of the total amount you have invested in any individual segment. Any amounts above this limit would be subject to early withdrawal charges.

Withdrawing part of your investment

If you withdraw part of your investment in the first five years after making your initial or any subsequent investment, you'll receive the entire amount you ask to withdraw, because we won't take the charge from the amount we pay you – instead, we'll include it in the total amount taken from your plan:

Amount you ask for + early withdrawal charge = total amount taken from your plan.

The charge is a percentage of the total amount taken from your plan, worked out as shown in the table below.

Years you have held your plan	Early withdrawal charge as a % of total amount taken from your plan	How we work out the total amount taken from your plan
Up to 1	5%	Amount you ask for divided by 95%
1 to 2	4%	Amount you ask for divided by 96%
2 to 3	3%	Amount you ask for divided by 97%
3 to 4	2%	Amount you ask for divided by 98%
4 to 5	1%	Amount you ask for divided by 99%
5 or more	no charge	–

Early withdrawal charge – continued

The following examples show how this works:

You ask to withdraw	In year	Amount taken from your plan	Amount you receive	Amount of early withdrawal charge
£10,000	Up to 1	£10,000/95% = £10,526.32	£10,000	£526.32
£10,000	3 to 4	£10,000/98% = £10,204.08	£10,000	£204.08

Early withdrawal charges will be applied equally across all segments of your plan, regardless of the withdrawal option you have chosen.

Closing your plan

If you want to withdraw all of your investment and close your plan in the first five years, the early withdrawal charge will be taken from the total plan value. This means that the amount you receive will be reduced by the amount of the charge, as shown in the table below.

Years you have held your plan	Early withdrawal charge as a % of total plan value
Up to 1	5%
1 to 2	4%
2 to 3	3%
3 to 4	2%
4 to 5	1%
5 or more	no charge

Loyalty bonus

Depending on how long you've invested in the Personal Investment Plan and when you started, you may be eligible for a loyalty bonus.

We work out the loyalty bonus based on a percentage of the average value of your plan over a period of time, as shown below. We pay you the bonus by adding units to your plan.

When you make withdrawals from your plan, it will reduce the average fund value and therefore reduce the amount of loyalty bonus due to you. If you fully withdraw and close your plan before a loyalty bonus is due, you won't receive that loyalty bonus.

In the event of a death claim before the next loyalty bonus due date, we'll add a proportionate loyalty bonus to the plan value.

We work out loyalty bonuses as follows:

For plans taken out on or after 1st December 2007

Loyalty bonus due date	% of average plan value used to work out the bonus units to be added
5th anniversary of starting your plan	0.5% of the average plan value up to the 5th plan anniversary
10th anniversary of starting your plan	0.75% of the average plan value between the 5th and 10th plan anniversaries
15th anniversary of starting your plan	1% of the average plan value between the 10th and 15th plan anniversaries

For plans taken out on or before 30th November 2007

Loyalty bonus due date	% of average plan value used to work out the bonus units to be added
25th November 2010	0.5% of the average plan value between 25th November 2007 and 24th November 2010
25th November 2015	0.75% of the average plan value between 25th November 2010 and 24th November 2015
25th November 2020	1% of the average plan value between the 25th November 2015 and 24th November 2020

Chargeable event

When you make withdrawals from your plan you may have to pay extra tax if an event occurs and it results in a gain being made, HM Revenue & Customs call this a ‘chargeable event’. A chargeable event can happen when you take a full or part surrender of value from a policy, assign or sell a policy for money or money’s worth or when a policy pays a death benefit. A part surrender taken from a policy which does not total more than 5% of the accumulated premiums paid into that policy can be taken without an immediate tax charge. The amount you gain following a chargeable event is called a ‘chargeable event gain’:

- If you cash in a whole policy the chargeable event gain will be the total profit you’ve made. This profit takes into account any withdrawals you’ve taken, any amounts you’ve paid in and any previous chargeable event gains that have taken place on the policy as a result of taking part surrenders.
- If you withdraw part of your investment in a policy, the chargeable event gain is the amount by which your withdrawals exceeds the accumulated 5% **tax-deferred allowance**.

The amount of the chargeable event gain is treated as income so you may have to pay extra income tax on it.

We pay tax on the income and capital gains of the funds the plan invests in. As long as you remain a basic rate taxpayer even after the chargeable event gain is added to your other taxable income, you currently don’t have to pay any further tax. (But some personal allowances may be affected.)

If you’re a higher rate or additional rate taxpayer or if the chargeable event gain takes you into a higher rate or additional rate tax band, you’ll currently have to pay income tax at your highest marginal rate of income tax, this is generally the difference between the basic rate and higher rate or additional rate tax on the amount that falls into the higher band(s).

You should remember that the taxation of your plan is complex and ultimately depends on your personal circumstances. The law and HMRC practice are subject to change.

Age-related allowance

If you're entitled to an age-related tax allowance or married couple's allowance, and if the chargeable event gain added to your other income adds up to more than the annual income limit, your tax allowance will be reduced accordingly. This means you may have to pay more tax on your other income.

Personal allowance

This is the amount of income you can receive each year without having to pay tax on it. Under current rules, the personal allowance is reduced if your taxable income exceeds £100,000 in a tax year. If the chargeable event gain added to your other income adds up to more than this income limit, your personal allowance will be reduced accordingly. This means you may have to pay more tax on your other income.

Tax-deferred allowance

Depending on how many withdrawals you've made before, and how much they were, you can take up to 5% each year of your initial investment without any immediate liability to tax. The 5% amount is known as a tax-deferred allowance.

A plan year runs from the start of the plan to the day before the first anniversary and then from each anniversary to the day before the next anniversary.

The tax-deferred allowance is cumulative. This means if you don't use the allowance in any plan year it can be carried forward and used in future plan years. For instance, on a plan with an initial investment of £30,000, if you don't make any withdrawals in the first and second years then you could withdraw £4,500 in the third year without an immediate tax liability.

If your withdrawal is within your accumulated 5% tax-deferred allowance, you won't have to pay any tax immediately. You may have to pay tax in the future, because the value of any withdrawals you take over the lifetime of your plan will be added to the final cash-in value of each segment (this is explained under **Option 3**).

The maximum amount you can take over the lifetime of the plan using the tax-deferred allowance is the total amount you've paid into the investment. For instance, with an initial investment of £30,000 you could withdraw £1,500 each plan year for 20 years.

Top-slicing relief

If you're a basic rate taxpayer and there's a likelihood that the **chargeable event** gain will make you a higher rate taxpayer or you are a higher rate taxpayer and the gain makes you an additional rate taxpayer, then there's a way you might be able to reduce the tax you have to pay on the 'top slice' of the amount you've gained.

Calculating top-slicing relief is complicated, but it can be an important factor in any decision about making a withdrawal. Top-slicing relief can significantly affect the amount of tax that you might have to pay.

This is only a summary and the tax you have to pay depends on your personal circumstances. You should speak to an appropriate professional such as an accountant if you need help working out your tax or if you need to know about tax rules if the plan is under trust. Tax rules may change in future.

Important information

Plans written under trust

If the plan is written under trust we'll make payments in accordance with the terms of the trust to ensure that beneficiaries' interests are protected, the trustees are not in breach of trust, and any tax planning benefits are not affected.

We would only look to make payment in accordance with these terms and therefore initially to the trustees having received their written agreement. Payments to trustees would normally be made to a designated trustee account, where all trustees are joint signatories.

Special tax and administrative rules apply where the plan is held under trust or owned by personal representatives. If this applies to your plan then you should seek further guidance from a professional adviser.

Financial Services Compensation Scheme

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the FSCS if we can't meet our obligations. This depends on the type of business, the circumstances of the claim and the date of the failure.

The Personal Investment Plan is classified as 'long-term insurance'. The FSCS may arrange to transfer your plan to another insurer, provide a new plan or, if these actions are not possible, pay you compensation of 90% of your claim.

Further information about compensation scheme arrangements is available from the FSCS at 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU.

Telephone: **0800 678 1100** or **0207 741 4100**. Website: **www.fscs.org.uk/contact-us/**

Where can I go for more information?

Contacting us

If you're not sure whether fully cashing in your plan is the right thing to do or if you want to discuss your options, please call us on **0345 030 6244**.

Tax advice

If you'd like more information or guidance on the tax implications of withdrawing we recommend that you talk to a suitably qualified professional adviser – for instance an accountant or tax adviser. You can also get further information from your tax office. The taxation of your plan is complex and depends on your personal circumstances.

HM Revenue & Customs publish a useful helpsheet – Helpsheet HS320: Gains on UK life insurance policies. You can download it from HMRC's website at **www.gov.uk**

We've taken every care to ensure that this information is correct and in accordance with our understanding of the law and HMRC practice at the time of going to print. You should note, however, that we can't take upon ourselves the role of an individual, trustee or adviser. You should get independent confirmation before acting, or not acting, on the basis of the information we've given in this guide. The law and HMRC practice can change.

How to complain

Our promise

If you do have a problem we'll do our best to resolve it immediately. Where we can't, we'll ensure you have the name and contact details of the person or team dealing with your complaint.

Tell us if there's a problem

If you have a complaint or just want to tell us about something we could do better, there are a number of ways you can let us know:

Visit a branch: – Pop into any of our branches and speak to a member of the branch team.

By telephone: – Call our Telephone Banking Service on **0345 725 3519**.

By textphone: – If you have a hearing impairment, call us on **0345 300 2283**.

By post: – write to us at Halifax, PO Box 548, Leeds LS1 1WL.

If you're still not happy

If you're still unhappy and we can't put things right to your satisfaction, you can ask the Financial Ombudsman Service to look at your complaint – provided you've tried to resolve the matter directly with us first.

We hope you won't need to contact the Financial Ombudsman Service but if you do, we'll tell you how to do this.

Free booklets and information

This brochure gives you an overview of the financial adviser service Halifax offers. If you'd like more detailed information, our staff will be happy to help.

The Financial Conduct Authority (FCA) also provides a range of free booklets and fact sheets. You can call their consumer helpline too.

Please note that the FCA will only give you general information and are unable to give you any advice, investigate a complaint or contact a financial company for you. All the information in this booklet was correct when it was printed (April 2015). Taxation may change in the future.

Do you need extra help?

We want to help our customers in any way we can. If you have a hearing or speech impairment you can use Text Relay (previously Typetalk) or Textphone on **0345 732 3436** (lines are open seven days a week 9am-5pm). We can provide brochures and other documents in large print, Braille, CD and audio tape. Please ask a member of staff if you'd like individual pieces of literature in any other formats or would like to know more.

It's easy to get in touch

Current accounts	0345 720 3040
Savings	0345 726 3646
Credit cards	0345 728 3848
Personal loans	0345 724 3444
Mortgages	0345 727 3747
Secured lending	0345 727 3747
Insurance	0345 723 3343
Investments	0345 835 7375
Share dealing	0345 722 5525
Lost and stolen cards	0800 015 1515

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