WARNER MATTHEWS LIMITED

CLIENT AGREEMENT

APPENDIX 2

GLOSSARY OF TERMS

Accrual Rate The rate at which pension benefits accrue in relation to years of service, e.g. an accrual rate of pension equal to 1/60th of final salary for each year of service.

Actively Managed Funds An 'actively managed' fund is one where the fund manager buys and sells holdings with the intention of maximising gains and minimising losses. The key element of active management is that it allows the manager the flexibility to adapt to changing market conditions.

Actuarial assumptions The set of assumptions as to the rates of interest, salary inflation, prices inflation, mortality, used by the actuary in the valuation of liabilities (technical provisions) and the assets of a pension scheme.

A-Day A-Day (6 April 2006) was the date when new pensions simplification legislation, within the Government's 2004 Finance Act, came into force in Britain. From that date, all pensions are now subject to a single set of taxation rules, which replaced all those that existed previously.

Additional component That part of the state pension related to the band of earnings between the lower and upper earnings limits, usually known as SERPS- The State Earnings Related Pension Scheme or S2P- The State Second Pension.

Additional Voluntary Contributions (AVC's) Contributions to a pension scheme which a member chooses to pay in addition to normal contributions, if any, to secure extra benefits.

Alternatively Secured Pension This is available as an alternative to annuity purchase. An Alternatively Secured Pension operates in a similar manner to an Unsecured Pension but with income reviews held annually. There are minimum and maximum limits of income. There is no upper age limit for an Alternatively Secured Pension and the arrangement can until the death of the original plan holder.

Annual Allowance For pensions the annual allowance is the maximum amount you can pay into all registered pension schemes of which you are a member before a tax charge arises. If the amount paid in is more than the annual allowance, you will be taxed on any excess. The annual allowance is subject to review by the Treasury each year.

Annuity A pension annuity is an income for life purchased from an annuity provider with the proceeds of a pension fund. This is normally after the payment of any tax-free cash. An annuity can be considered as 'insurance for living too long' since income will be paid for as long as you or any nominated dependant lives.

Assets Your money, and things that you own which are worth money, such as a house or shares.

Assurance A name used for life policies to differentiate them from other types of insurance. Essentially it is the insurance of a person (their life, health, income) as opposed to insurance of things such as cars, property and travel.

Augmentation The increase of benefits over the existing scale of a pension scheme, often for particular employees with short potential service.

Authorised Collective Investment A collective investment scheme is an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities. Investors in such schemes are able to reduce risk by spreading their investments more widely than may have been possible if they were investing in the assets directly. The reduction in risk is achieved because the wide range of investments in a collective investment scheme reduces the effect that any one investment can have on the overall performance of the portfolio. UK collective investment schemes come in a number of forms. The two main ones are Authorised Investment Funds (AIFs) - the collective term for authorised unit trusts (AUTs) and Open-Ended Investment Companies (OEICs) - and unauthorised unit trusts (UUTs).

Authorised Unit Trust A trust fund operated by Unit Trust Managers which is a collective investment vehicle pooling investors' money and therefore spreading the risks involved. It is an open-ended investment and therefore units can be created and cancelled depending on demand.

AVC Additional Voluntary Contributions made by you into your occupational pension scheme to increase the value of the benefits you will receive.

Average salary scheme A scheme under which the pension benefit s linked to average salary throughout the period of membership. Now normally revalued annually.

Back service Normally refers to service which preceded the employee becoming a member of the pension scheme. May or may not be pensionable under the scheme.

Band earnings (or middle band earnings) Earnings between the lower and upper earnings limits used in the calculation of the additional component under the state scheme.

Base rate The interest rate set by the Bank of England, which loan and mortgage rates may be linked to.

Basic component The flat rate element of the state pension. The amount is increased each year, normally in April, in line with the RPI.

Basic rate tax The basic rate of income tax.

Best execution Provision of the highest standard of financial advice and service possible. The interest the clients is paramount, with procedures in place to facilitate this. Best execution includes, being open, honest and transparent in all dealings with clients, place client interests above all else, communicate clearly, promptly and without jargon, seek clients views and thoughts.

Bond A bond is a loan that you make to a company or the Government for a fixed period, during which they pay you a fixed rate of interest. At the end of the period you get your original investment back. During the period bonds can be bought and sold on the market. Their price changes according to how attractive their interest rate is compared to other available rates.

Capital Your accumulated wealth minus your liabilities.

Capital Gains Tax (CGT) A tax you pay on any money/profit you make by cashing in some types of investments.

Cash ISA A tax-free savings account.

Child Trust Fund (CTF) A Government initiative, introduced in April 2005, which aims to help parents educate children about the benefit of saving.

Collective Investments The name given to schemes such as unit trusts, investment trusts, and OEICs, where investors' money is pooled. An advantage of a collective investment is to give investors a wider range of fund types than would be available to them if they were to invest individually.

Commission This is the money payable to a broker to execute and settle a transaction. This can also be the payment received by an intermediary on the sale of investment or insurance products.

Commutation Taking a lump (within approval limits) in lieu of all or part of a pension entitlement, normally free of tax, now known as the pension commencement lump sum.

Complaints Procedure If you complain about any aspect of our service then you can expect that your complaint will be dealt with professionally, impartially and in accordance with the rules laid down by the regulator, the Financial Conduct Authority (FCA). We will provide details of our complaints policy and procedure on request.

Conduct of Business Rules Rules issued under a principles-based regime by the FCA relating to how firms may operate on a range of areas (e.g. financial promotions and communications, suitability of products, disclosure of product information through Key Features Documentation).

Contracting out A way of withdrawing from the State Second Pension (S2P) and contributing to a private pension scheme via government and employer NIC rebates.

Consumer Price Index (CPI) Usually known as CPI. A measure of inflation based on how the price of a wide range of goods, excluding housing costs, have changed over the previous year. The Government's inflation target is based on the CPI and used by the Bank of England when it sets interest rates. Also see RPI.

Contributions The term contributions means the amount you are paying in to a plan. When referred to in the Stakeholder Pension Calculator, it doesn't include any contributions from your employer or any transfer payments which you may have from other pension schemes. Please enter the amount you want to pay - we would add tax relief to this and invest the total gross contribution into your pension plan.

Contracts for difference Contracts for Difference (CFD) involve trading the difference in the price of an asset at two different points, rather than holding the asset itself. A CFD is essentially an agreement between an investor and provider to exchange the difference between the nominal value of the opening and the closing trades.

Controlling Director This has two different meanings:-

1. A director who (with spouse, minor children and trustees of any settlement made by the director or spouse) controls 20% or more of the voting rights of the company in question. Referred to as a '20% director'. There are no longer restrictions on certain benefits available to such directors.

2. Broadly a director of a company which is controlled by all the directors together and who owns or controls, directly or indirectly, more than 5% of its ordinary shares. Such a director's maximum benefits no longer have to take into account any benefits under earlier retirement annuity policies or personal pension schemes.

Crystallisation The term for when you start to draw your pension. Under the Finance Act of 2004, HM Revenue & Customs has defined a number of 'crystallisation' events. These events include drawing all or part of your pension arrangements and if death occurs before pension benefits have been taken. When benefits are crystallised, they must be tested against the Lifetime Allowance to assess potential for additional tax liability.

Data Protection Act The Data Protection Act 1998 establishes a framework of rights and duties which are designed to safeguard personal data. This framework balances the legitimate needs of organisations to collect and use personal data for business and other purposes against the right of individuals to respect for the privacy of their personal details.

Deferred pension A future pension payable to an early leaver from normal retirement age. Sometimes also used to describe a retirement pension where commencement of payment has been delayed beyond normal retirement age.

Dependant's pension A pension payable to any person who is financially dependent (such as a wife, husband or minor child) on a scheme member or pensioner, commencing on that member's or pensioner's death or when the main pension ceases to be paid at the end of a minimum guarantee period.

Deposit administration A method of funding whereby contributions are deposited with financial institutions, to which interest is added. Funds are withdrawn to provide the benefits as required.

Dividend The distribution of part of a company's profits earnings to its shareholders. The dividend is usually paid twice a year in the form of a final dividend and an interim dividend.

Dynamised remuneration A permissible adjustment to a member's emoluments for the purpose of computing final remuneration. The emoluments of each year- other than the final year before retirement- in the qualifying base period (say the 12 years up to retirement date), can be increased by a percentage equal to the percentage increase in the RPI from the relevant year to the retirement date (no longer applicable for the service after April 2006).

Early leaver The descriptive name given to the members of occupational pension schemes who leave the employer's service other than through retirement, i.e. upon a change of employer or through redundancy.

Earnings cap Before the introduction of the new pensions tax regime on 6 April 2006, an 'earnings cap' limited both contributions to, and benefits payable from , tax approved pension schemes. This cap disappeared under the new regime but remains a feature of many pre-existing pension scheme rules as a measure they use to limit increases in benefits payable. To help the pensions industry with the transition into the new pensions tax regime, and in particular those schemes whose rules still restrict benefits by reference to the earnings cap, HM Revenue and Customs (HMRC) agreed to publish details of a notational earnings cap setting out what the earnings cap would have been had it still been in existence, each year until 2011. The notional earnings cap for 2009/10 will be £123,600.

Enhanced Protection A method of protecting both pension benefits built up before A-Day and any growth in these benefits post A-Day. Enhanced protection is available for any value of funds or pension rights.

Equities A stake in a company listed on a stock exchange, entitling you to a proportion of any profits made by the company.

Escalation Regular increases of pensions in payment, usually by reference to a fixed annual percentage rate or the increase in the RPI during the period under review, whichever is the less.

Execution-only Transaction Selling or buying shares through a broker who gives no advice, but merely executes your instructions. This also applies when you instruct us to carry out a transaction on your behalf, where at the point of the instruction, you state that no advice from Warner Matthews is being sought, and we are simply required to implement that transaction for you immediately. Under these circumstances, you will be informed that you will waive all cancellation rights pertaining to that specific transaction.

Executive pension plan Pension scheme designed for senior executives.

Exempt approved scheme Under the code of HMRC approval (introduced by FA 1970, as amended by FA 1971 and ICTA 1988), occupational schemes require to be approved HMRC if they are to qualify for tax relief. If set up under irrevocable trust and meeting the various conditions to qualify, the scheme will be an 'exempt approved' scheme with full tax relief available. With effect from the 6 April 2006 such schemes are known as Registered Pension Schemes.

Fee A fixed charge or agreed rate of charge for professional services.

Final pensionable salary/earnings The amount of earnings on which the pension in calculated in accordance with a pensions scheme's rules. In some schemes it will be the average of earnings over a number of years. The definition may include bonus, commission, overtime payments, etc. Post- 6 April 2006 there is no limit on the amount of pension benefits that can be taken, but any pension fund in excess of the personal lifetime allowance may suffer a tax charge of up to 55%.

Final Salary Scheme A scheme that calculates the amount of pension on pay or salary at or near retirement date and the number of years of membership.

Financial Planning Objectives The organisation of clients personal or corporate financial affairs to more readily achieve their goals in the future. Financial planning involves identifying these financial objectives and determining how to achieve them. Financial objectives often determine the amount that is needed or desired, the timeframe in which it must be made, and how this will be achieved.

Financial Ombudsman Service The independent service for settling disputes between businesses providing financial services and their customers.

Contact: The Financial Conduct Authority
South Quay Plaza
183 March Wall
London EC14 9SR
Tel: 08000 234 567
Email: complaint.info@financial-onbudsman.org.uk
Web: www.financial-ombudsman.org.uk

Financial Conduct Authority (FCA) An independent body set up by the Government to regulate the financial services industry.

Financial Services Compensation Scheme (FSCS) The FSCS is the UK's compensation fund of last resort for customers of authorised financial services firms. They may pay compensation if a firm is unable, or likely to be unable, to pay claims against it. This is usually because it has stopped trading or has been declared in default.

Contact: Financial Services Compensation Scheme
7th floor, Lloyds Chambers
Portsoken Street
London E1 8BN
Tel: 020 7892 7300
Email: enquiries@fscs.org.uk
Web: www.fscs.org.uk

Fixed interest security Another name for a bond.

Franking The practice now outlawed by which the required revaluation to be applied to preserved benefits and to guaranteed minimum pension is set off against the totality of pension benefits promised by an employer, instead of being additional (as required by the Health and Social Security Act 1984) to total accrued pension rights at the same time the employee leaves the scheme.

Free Standing Additional Voluntary Contributions (FCAVCs) Additional voluntary contributions made by employees into a money purchase fund of their choice outside those offered by an employer's occupational pension scheme, i.e. free standing. Only available to members in an occupational pension scheme as an alternative to the scheme's AVC arrangement and subject to the same contribution limits.

FTSE All-Share Index The Financial Times Stock Exchange's measure of the performance (or 'index') of more than 800 companies listed on the London Stock Exchange. FTSE is pronounced 'footsy'.

FTSE 100 Index The index of the top one hundred companies listed on the London Stock Exchange.

FTSE 250 Index The index of the top 250 companies i.e.101-350 listed on the London Stock Exchange.

Future A type of derivative where the contract to buy or sell securities must be exercised on the specified date at the specified price (of the underlying security). If the price has moved against the purchaser significantly, large losses can be incurred.

Gilt See Government Bonds.

Government Actuary's Department A Government department which operates as an actuarial consultancy along commercial lines. The Government Actuary's Department gives independent professional advice within the public service and sets the minimum and maximum incomes allowable from an unsecured or alternatively secured pension.

Government Bonds Commonly known as gilts when they are issued by the UK government. When you or a fund manager invests in a gilt, this is effectively a loan to the government. In return the government pays a fixed rate of interest based on the "nominal value" of the gilt. For example, if an investor holds a gilt with a nominal value of £100 and a fixed interest rate of 5%, the government pays the investor £5 a year in interest. This is normally until a specified date in the future (the "maturity date") when the government repays the nominal value of the investment - £100 in this case. Gilts are normally regarded as relatively low risk investments. This is because there is almost no risk of the UK government being unable to repay its debts.

Group Money Purchase Scheme This is a type of occupational scheme where the employer and usually the employee make a contribution into the pension arrangement. The amount to be contributed is normally defined in the contract of employment - hence these schemes are also classified as 'Defined Contribution'.

Group Personal Pension This is a personal pension provided through an employer. Each member builds up their own personal pension, but the employer usually collects your contribution from your pay packet and passes them on to the pension company. Although provided through an employer, this is not legally speaking an occupational pension. However such a scheme arranged through an employer may have lower charges, and the employer may make a contribution.

Gross Annual Earnings The amount of money an individual has earned before tax, national insurance and other deductions during the 12 months of a tax year (6 April to 5 April the following year). This excludes 'Payments in kind' otherwise known as 'Benefits in kind'.

Growth An increase in the value of an asset.

Guaranteed annuity option The right of a member to have his share of the fund at retirement date applied on a specified terms to produce a pension. A valuable right when interest rates are low at retirement date. When they are high more favourable terms are likely to be available in the market than those guaranteed.

Guaranteed minimum pension (GMP) The minimum pension payable under scheme rules to enable a final salary pension scheme to contract-out under the Social Security Pension Act 1975. Its purpose was to ensure that a member would be entitled to a benefit at least equal to the additional component which would have accrued o him under the state scheme, had he not been a member of a contracted-out scheme. The GMP thus approximates to the additional component. There are various options open to employers to preserve GMP for early leavers from schemes. GMP's were abolished for contracted-out service from 6th April 1997 when final salary schemes had instead to pass a 'reference test' in order to be contracted-out.

Illustration An estimate that shows you how much a particular investment may be worth in the future.

Immediate annuity/ pension An annuity or pension payable from the date of purchase.

Impaired Life A person with a reduced life expectancy due to the existence of known health conditions and/or lifestyle (e.g. Smoking).

Income Drawdown This is an old reference which was previously available to holders of personal pension arrangements. It offered an alternative to purchasing an annuity where a variable income could be drawn directly from the pension fund. It is now known as an unsecured or alternatively secured pension.

Income yield The amount of income generated by a fund's investments in relation to the price at which they were bought.

Independent advice Whereby consumers are provided with unbiased advice from a professional on the whole market in a broad range of financial products without limitation, acting in the best interest of the client, independent of the financial product provider.

Index linked annuity An annuity which increases over time. It could be linked to the Retail Prices Index or a chosen annual percentage, e.g. 5%.

Initial Fee or Commission An agreed one off front end charge for professional services expressed as a percentage of the value of the money invested. For example, a £100,000 investment with an initial fee set at 1% would have a charge of £1,000.

Insurance Policies A contract which usually provides a lump sum or regular payments on the occurrence of a specified event e.g. death, illness etc, in return for payment of regular or single premiums.

Insured scheme A pension scheme, the benefits of which are secured in the form of insurance policies providing minimum funds or benefits at specified dates with or without profits or on a unit-linked basis.

Investment This is an asset, financial product or fund of money, which may generate income or grow in value over a period of time.

Investment advice Advice on pension, investment and insurance products in order to produce favourable returns while taking the least amount of risk.

Investment Business Services Use of specialist accountancy or legal firms on tax planning matters etc.

Investment Company with Variable Capital (ICVC) Another name for an Open Ended Investment Company (OEIC), which offers collective investments through purchasing of shares in a variety of fund types.

Investment funds We have a range of funds or portfolios that you can invest in, click the links to find out more: Funds, Portfolios.

Investment trusts A type of collective investment scheme. An investor buys shares directly in the investment trust and the trust managers invest this money in various other company shares according to the investor's fund choice. Investment trusts differ from unit trusts in that they can take on debt in order to buy more assets to try to exploit upward movements in the market. Of course, this can work the other way if the market goes down. They also deal in shares rather than units and are a plc not a trust.

ISA An Individual Savings Account.

ISA manager The official term for the manager of ISA plans.

Junior ISA A government initiative created for children who did not qualify for a Child Trust Fund account. The Junior ISA allows you to invest up to a specified amount in each tax year in a cash or stocks and shares Junior ISA, or a combination of both. Only the child will be able to access the money and only from their 18th birthday.

Key Information Document A document which gives a detailed explanation of how a financial plan works, including any charges you may incur. You should always read the Key Information Document carefully before proceeding.

Legacy commission The trail commission payable from an existing insurance or investment product.

Lifetime Allowance The Lifetime Allowance is effectively the total amount of pension and/or pension commencement lump sum (tax-free cash) that can be taken before tax is charged in either a single scheme or in total across several different schemes.

Life Assurance or Life Insurance A contract between a policy owner and an insurance company. The policy owner pays an agreed premium (e.g. monthly or annually) over a specified term (e.g. 15 years, 20 years, 25 years, Whole of Life) to the insurance company. On the death of the policy owner within the specified term, the insurance company agrees to pay a sum of money to beneficiaries designated by the deceased policy owner.

Limitations Any limitation on financial arrangements or investments imposed in writing by the client.

Lump sum Normally refers to that part of the retirement benefit whish can be taken in a tax-free cash payment, known as the pension commencement lump sum with effect from 6 April 2006.

Market Value Reduction (MVA) A Market Value Reduction only applies to units invested in a With Profits fund. It is applied when the value of the underlying investments supporting the policy becomes significantly less than the unit value. A percentage of units are deducted from the fund to make this charge and investors will be told if it applies before the MVR is applied.

Maturity When an investment plan reaches the end of its fixed term.

Mid-market price The mid-market price is half way between the bid (selling) price and the offer (buying) price for securities, and is usually the price quoted as the value of the security.

Minimum guaranteed period The payment of a schemes member's pension may be guaranteed for a minimum period of up to ten years, whether or not the recipient dies during that period. Schemes continue payment for the minimum period or may provide a lump sum, sometimes discounted, in lieu of the outstanding installments if the original guarantee period did not exceed five years.

Money Laundering Regulations Money Laundering Regulations are designed to protect the UK financial system. If the business is covered by the regulations you must put in place certain controls to prevent it being used for money laundering by criminals and terrorists. These include appointing a 'nominated officer', checking the identity of customers and keeping all relevant documents. You must also report any suspicious activity to the Serious Organised Crime Agency.

Money market investment A general term for short-term investments in either cash, or bonds which are very close to maturity.

Money-purchase scheme The amount of benefit is determined by the accumulated value of contributions paid by and in respect of the member, and the cost of securing a pension, according to age and sex.

National Average Earnings This Index shows the growth in national average earnings across all sectors of the UK economy**.** If you are making monthly contributions to your Stakeholder Pension Plan, you can choose whether you would like those contributions to increase each year in line with the change in the National Average Earnings Index.

New defined contribution regime The tax regime covering personal pensions, stakeholder pensions, and money-purchase occupational schemes which opt in from April 6 April 2001.

Non investment insurance See Pure Protection Products

Normal retirement date The date from which members normally retire from the service of the employer. Also the date from which an occupational scheme normally first gives a member the right to an unreduced pension (pensions are usually reduced for early payment). It is not necessarily the date as that on which state benefits are payable ('state pensionable age'). It is no longer necessary to retire to receive pension benefits.

OEIC An Open-Ended Investment Company (OEIC) is a type of collective investment scheme, similar to a unit trust except that an OEIC is incorporated as a separate legal entity and issues shares rather than units.

Occupational Pension This is the term given to certain types of pension schemes set up by employers on behalf of their employees and would include all final salary schemes and many money purchase schemes.

Offer price The price at which a share is bought.

On deposit A sum of money you put into a bank, a building society, or National Savings is said to be 'on deposit'.

Open market option Almost all personal pension scheme policies, and certain occupational pension schemes. Provide that the fund available at retirement may be used to purchase an immediate pension from a life office other than that with the pension fund was built up.

Option A type of derivative where the contract to buy or sell securities may be exercised by the buyer of the option prior to or on the specified date at a predetermined price. If the option is not exercised on or before its specified exercise date it expires and the cost of the option is lost.

Packaged Products Packaged products includes life policies, pensions, collective investment schemes and investment trust savings schemes.

Paid-up pension Pension payable from a future retirement date in respect of which contributions are no longer payable.

Past service Normally refers to pensionable service which a member has already completed under an occupational pension scheme after becoming a member.

PAYE Pay As You Earn is the system whereby Income Tax and National Insurance contributions are deducted from your salary before you receive it.

Payment in Kind Payment made in the form of goods and services, rather than cash. Sometimes referred to as 'Benefit in Kind'.

Pension A tax-efficient savings plan whereby you save money to provide benefits which cannot be touched until you reach minimum pension age.

Pensioneer trustee An individual or body experienced in pension matters, accepted by HMRC as a pensioner trustee of small self-administered pension schemes. Pensioneer trustees are no longer needed after 6 April 2006.

Pension sharing or splitting From 1 December 2000 the ability to share or split pension rights in divorce settlements.

PEP Short for Personal Equity Plan, was a tax-efficient method of investing which has now been superseded by the ISA.

Personal pension plan (PPP) A type of pension originally designed in order that people who were not part of an occupational scheme could save while taking advantage of the available tax relief.

Personal pension scheme Arrangements which an employee makes with a pension provider instead of belonging to the employer's occupational pension scheme, if any. Available since 1 July 1988 they also replaced retirement annuity policies for the self-employed. Employees have complete portability and transferability of the scheme, the employer can contribute to the scheme if so minded. Employees may use personal pension schemes to contract-out of SERPS/S2P, these scheme being known as appropriate personal pension schemes (APPS).

Phased Retirement A personal pension fund is set up as a number of segments, generally speaking a thousand, allowing you to take benefits from segments in stages over a number of years. This is done by either buying an annuity with a segment (or segments) or taking advantage of an unsecured pension from a segment (or segments). The benefit of phased drawdown is that you do not have to take your entire pension in one go and the remaining segments stay invested with the potential to grow (or drop in value). This is also sometimes referred to as staggered vesting.

Portability The facility to take a pension scheme from one employment to another.

Portfolio The full spread of investments held by an individual or a fund.

Pound cost averaging Pound cost averaging is a way of smoothing returns on your investment over time without having to predict when markets will rise or fall. You make regular fixed contributions to an investment, such as a unit trust or OEIC. When prices are low your money buys more shares or units, and when prices are higher it buys fewer. The effect of this is that you pay the average share or unit price over time.

Preservation The procedure which the benefit entitlement of an early leaver is not paid out until normal retirement date but preserved within the scheme. The Social Security Act 1973 requires that normally the only benefit to those leaving the service within two or more years' qualifying service shall be preserved benefit or the payment of a transfer value to another scheme. Preserved benefits are variously referred to as deferred benefits, frozen benefits and paid-up benefits. Defined benefit pensions must be inflation-proofed. GMP built up between 6 April 1988 and 5 April 1997 must increase in line with the RPI capped at 3%. Pensions built up between 6 April 1997 and 5 April 2005 must increase in line with RPI capped at 5%. Pensions built up after 5 April 2005 can increase in line with RPI capped at 2.5%.

Proceeds of Crime Act An Act to establish the Assets Recovery Agency and make provision about the appointment of its Director and his functions (including Revenue functions), to provide for confiscation orders in relation to persons who benefit from criminal conduct and for restraint orders to prohibit dealing with property, to allow the recovery of property which is or represents property obtained through unlawful conduct or which is intended to be used in unlawful conduct, to make provision about money laundering, to make provision about investigations relating to benefit from criminal conduct or to property which is or represents property obtained through unlawful conduct or to money laundering, to make provision to give effect to overseas requests and orders made where property is found or believed to be obtained through criminal conduct, and for connected purposes.

Product Charges Charges applying to specific products which will be disclosed prior to purchase of such an item.

Protected Rights The rights acquired under pension schemes which contract out of SERPS/S2P on money-purchase basis under Social Security Act 1986 and subsequent legislation. The rights are separately identified to ensure that the corresponding fund is used to purchase pre-described benefits. Commutation, i.e. tax-free cash (pension commencement lump sum) is now allowable up to 25% of the value of the fund, the benefits can be taken from age 55 and the annuity does not have to increase. However, the retirement to purchase a spouse's pension if the member is married or in a registered civil partnership remains.

Protected Rights Funds Pension funds which have been built up from National Insurance rebates as a result of contracting out of the State Second Pension - formerly known as SERPS.

Pure Protection Commission Initial or trail commission payable on an insurance policy with no investment content attaching to it.

Pure Protection Products Insurance policies with no investment content attaching to them.

Recovery Charge This is the term given to the tax payable on any amount over the Lifetime Allowance when benefits are crystallised. The scale of this charge is designed to take back the benefits of tax relief and growth on the part of the fund in 'excess'.

Redemption yield The total expected yield from a bond in relation to the price at which it was purchased.

Regular Premium Policy A contract where the client pays regular (e.g. monthly, quarterly or annually) amounts into an investment policy (e.g. pension or endowment) or a life assurance contract.

Regulatory Services Ltd Is our compliance consultancy firm aimed at providing compliance support to firms who are either directly regulated by the FCA, or are looking to become directly regulated in the near future.

Renewal Commission - see Trail Commission or Trail Fee

Restricted advice Advice to customers which is restricted in scope either because the advisor offers advice only upon the products of one or more product provider or focuses on a particular market or markets.

Retail Client An individual or family with assets to invest, as opposed to larger clients which are known as institutions.

Retail Investment Product A range of products available to the retail client, including a life policy, a unit trust, a stakeholder pension, a personal pension, an interest in an investment trust or a security in an investment trust, a regular saving scheme, any other designated investment which offers exposure to underlying financial assets in a packaged form which modifies that exposure when compared with a direct holding in a financial asset, or a structured capital-at-risk product.

Retail Prices Index Also known as RPI. A measure of inflation based on how the prices of a wide range of goods, including housing costs, have changed over the previous financial year. The RPI is the most widely known measure of inflation in the UK. Tax allowances, benefits and pensions are often increased line with RPI. Also see CPI.

Retained benefits A member's preserved benefits from previous employments which may need to be taken into account when calculating their entitlement to benefits from their current employer's pension scheme.

Return The gain or profit on an investment; does not include the original capital invested.

Reversionary annuity/ pension (**also called a contingent pension)** An annuity/ pension which commences only on the death of another, e.g. the pension payable to a widow on the death of a retired husband.

Securities The generic term for shares and bonds.

Self-administered pension scheme An occupational pension scheme the assets of which are invested directly on the trustees' behalf by investment managers (as opposed to an assured scheme).

Self-invested personal pension (SIPP) A personal pension scheme in which the assets are selected by the policyholder (within HMRC guidelines) who may also (again with HRMC guidelines) decide when they should be bought or sold.

Small self-administered pension scheme (SSAS) An occupational pension scheme with fewer than 12 members where the trustees have freedom (within HRMC guidelines and regulations) to invest the assets as they see fit. It is possible to have hybrid or mixed schemes where part of the fund is self-administered and part insured with a life office.

Share A stake in a company listed on a stock exchange entitling you to a proportion of any profits made by the company.

Staggered vesting A personal pension fund is set up in a number of segments, generally a thousand, allowing you to take benefits from segments in stages over a number of years. This is done by either buying an annuity with a segment (or segments) or taking advantages of an unsecured pension from a segment (or segments). The benefit of phased staggered vesting is that you do not have to take your entire pension in one go and the remaining segments stay invested. This is also sometimes referred to as phased retirement.

Stakeholder pensions Available from 6 April 2001, a type of personal pension scheme which meets prescribed conditions, for example in relation to charges.

State Earnings Related Pension Scheme (SERPS) The additional earnings-related component of the state pension available from 6 April 2002.

State Pension Credit The State Pension Credit was introduced on October 6 2003 to replace the Minimum Income Guarantee. It is a means tested benefit available to people over State Pension Age and the amount depends on age, income and savings. The stated intention is to reward savers rather than penalising them as tended to happen before.

State Second Pension (S2P) If you qualify for the State Second Pension (S2P), you are entitled to a supplementary pension from the state when you reach the state retirement age. This replaces SERPS.

Stock A general term that can cover gilts and corporate bonds. Essentially a fixed term, fixed interest loan to the government (gilts) or companies (bonds).

Structured Investment Product Structured products usually take the form of a stockmarket linked lump sum investment that aims to repay your capital on a specific date in the future. There are several different types and most seek to better the return available through more conventional investments in return for an increased risk of losing some of your original investment owing to unexpected stockmarket performance, or all of your investment if the company offering the product is unable to meet its financial obligations.

Switch Fee An agreed charge for professional services for switching funds expressed as a percentage of the value of the money switched. For example, a £10,000 switch, with a fee set at 1%, would have a charge of £100.

Stock exchange A stock exchange is where stocks and shares are bought and sold.

Suitability Report A written report on which clear reasons are given by recommendations should be implemented with consideration for each clients financial planning objectives, their attitude towards risk and the cost associated with taking up such recommendations.

Superannuation Another name for an occupational pension scheme.

Surplus The excess of the value of the assets over the value of the liabilities on the basis of a given set of actuarial assumptions.

Tax-efficient A term used to describe investments which offer tax benefits or tax relief.

Tax Planning Advice Advice specifically on taxation mitigation strategies.

Tax Relief This is the mechanism by which successive Governments have encouraged individuals and corporations to make private provision for retirement. For example, for individuals, it means that tax can be reclaimed on pension contributions at the highest rate(s) at which it is paid.

Tax Year A tax year runs from 6 April one year to 5 April the following year.

Term assurance A low-cost form of life insurance. If you die within a given period (the 'term'), it will pay out, however, if you survive the term nothing will be paid out.

TESSA A Tax Exempt Special Savings Account was a five-year cash savings plan, free of income tax. Like PEPs, TESSAs have been superseded by ISAs.

Tracker funds Also known as 'index funds', they are designed to track (as closely as possible) the performance of a Stock Exchange index such as the FTSE All-Share Index Tracker. Funds are passively managed, meaning there is no manager making investment decisions & will usually have lower charges than actively managed funds.

Trail Fee or Trail Commission An agreed ongoing annual charge for professional services expressed as a percentage of the value of the money invested. For example, a £20,000 spread of investments with trail fees set a 1% per annum would see the sum of £200 being deducted from these holdings over the year and might be paid monthly, quarterly, six monthly or annually.

Transferability The facility to transfer pension rights from one pension scheme to another on changing employment.

Transfer payment/value A payment made by one pension scheme to another, to provide benefits in the receiving scheme in lieu of benefits in the transferring scheme. Where the receiving scheme is a final salary scheme which offers additional years of service in respect of the transfer payment, the years offered will normally fall short of the pensionable service under the transferring scheme.

Transitional Protection These were measures introduced as part of the A-Day changes to enable individuals with significant (or with the expectation of significant) pension benefits to reduce or avoid a recovery tax charge by registering for either Primary or Enhanced Protection.

Trust An arrangement whereby control over an asset is transferred to a person or organisation (known as the 'trustee') for the benefit of someone else (known as 'the beneficiary').

Unapproved scheme A scheme set up to provide extra benefits for employees without special tax relief in addition to those provided by an exempt approved pension scheme. (See provisions of FA 1989). May be funded or unfunded. These scheme are now called employer financed retirement benefit schemes.

Unfunded scheme (Pay as you go scheme) A scheme under which the benefits are paid from current revenue and no fund is built up in advance to make provision for the payment of future benefits, e.g. the state scheme.

Unit A share in a unit trust.

Unit-linked The generic term for policies whose value is determined by the performance of a portfolio of stocks and shares. A unit linked investment can therefore go up and down in value.

Unit trust A company which allows investors to pool their funds collectively and have them invested by a professional fund manager. A type of collective investment, where investors' pool their money to buy units in a choice of fund.

Unregulated Collective Investment Schemes An unregulated scheme means a collective investment scheme which is not an authorised unit trust scheme nor a scheme constituted by an authorised open-ended investment company.

Unsecured Pension This is the A-Day term for what is essentially Income Drawdown but there are key differences. There is no requirement to draw any income and the maximum level of income you can take is set by the Government Actuary's Department. This level of income drawdown is reviewed every five years.

Uplifted sixtieths/ uplifted eightieths These relate to the additional benefit that can be provided by a pension scheme in respect of years of service with the company including those before the employee became a member of the scheme. For example, a pension of 40/60th could be permitted if the member's total service with the company before normal retirement date will be 20 years or more irrespective of length of membership of the scheme. Similar provisions exist for the amount of pension commutable but only in proportion to pension benefits. Sliding scales could apply to shorter periods of service.

VAT Value Added Tax

Widow's/ widower's option Most schemes include an option whereby a married person can choose to reduce his pension entitlement in exchange for a pension (not exceeding the level of his remaining pension) payable to the widow/ widower (or other dependants) after his death.

Withdrawal option What the occupational scheme rules may offer a member if he leaves service before normal retirement date. Usually the choice is between preserved benefit and a transfer. In restricted circumstances a refund of an employee's contributions may be offered.

Yield The amount of income generated by an investment, expressed as a percentage of the value of the investment.