Guide to SIPPS
Self Invested Personal Pensions
“Carbon prices may triple by 2013”

Chris Leeds, Head of Emissions Trading, Merril Lynch

“Carbon could become one of the fastest growing markets ever”
SIPPs explained

A SIPP works in the same way as any other personal or stakeholder pension, in terms of tax benefits, contribution limits and retirement options. You make contributions, have them boosted by basic rate tax relief and claim any higher rate relief via your tax return. You leave the contributions to grow, and then, at some point from age 55 you can convert part of the accumulated fund into a tax-free lump sum and take a taxable income from the remainder.

The main way in which SIPPs are superior to personal and stakeholder plans is in their investment choice.

Stakeholder pensions have low charges, but tend to offer a limited choice of funds. Traditional personal pensions, meanwhile, tend to offer a wider choice of funds than stakeholder schemes - between a dozen and several hundred - but can carry hefty charges, particularly on older plans. Both types are usually run by insurance companies, which generally only offer their own funds or a limited selection from other fund managers. The drawback is while a single company may have expertise in one area, it is unlikely to have the best record across all fund sectors. One might offer a good Far East fund, while another may be renowned for its expertise in picking European shares.

SIPPs offer the widest possible choice of investments, allowing holders to pick funds from across the market. You could choose a top UK smaller companies fund run by investment house A, a leading US manager at investment house B and a top fixed income manager at investment house C. With a personal pension, you must choose from the investments offered by that particular pension provider. Some of the funds offered may be good, but it is unlikely that all of them will be.

A good way to think of a SIPP is as a shopping trolley into which you can place many different types of investment, including funds, shares, bonds, gilts, futures and options, commercial property and more. The SIPP itself is merely a tax-efficient wrapper around those investments.
Is a SIPP for you?

SIPPs aren't for everyone. Some investors do not require the huge investment choice, others may have adequate pension provision through their employer. Flexibility and broad investment choice are particular attractions for those taking responsibility and control of their pension.

If starting a personal pension look at all the options.

If investment choice and flexibility are not important to you, and your contributions are going to be low, then a stakeholder pension could be a cheaper and better option than a SIPP. If you want access to the best fund managers in the market a low-cost SIPP may be a better choice.

If you want to invest directly in commercial property or more exotic investments these are normally offered by the more expensive SIPPs. With a SIPP you should have the desire and confidence to take control and make investment decisions.

If you have any doubts about the suitability of a SIPP for your circumstances you should seek advice.

Most pension plans are provided by insurance companies, which generally do not have the best record for investment performance. There are exceptions. Investment funds run by specialist companies have historically performed better, although past performance is not a guide to the future.

If you wish to escape from mediocre fund performance, and take control of your pension arrangements, SIPPs offer access to the funds of specialist investment companies. And if charges are blighting your pension fund you could try a low cost SIPP.

Certain SIPPs, such as those offering investment in commercial property, are expensive but low-cost SIPPs can represent excellent value depending on the size of the fund and the investments chosen. Low cost SIPPs may not include investments such as commercial property.

WHERE YOU CAN INVEST

Investment options

Collective investments are extremely popular and include unit trusts, investment trusts, OEICs and insurance company funds. Together they make up a range of thousands of different investment funds, offered by hundreds of different fund managers and insurers. Some invest widely around the world and across different types of asset, while others are more specialised, focusing on a particular region or type of share.

Investors can also hold individual UK and overseas stocks and shares, as well as UK gilts, corporate bonds and other fixed interest securities. Even futures and options can be included.

Whilst waiting to make an investment decision you may keep your SIPP in cash. Indeed some SIPP holders are happy with cash in the knowledge they have obtained tax relief.

In summary, you may invest across a whole spectrum. Some providers offer a more restricted choice.

Some SIPPs offer the choice of commercial property. They tend to be expensive. Low cost SIPPs tend to exclude commercial property.

Remember that investments should be held for the long term as they do fall as well as rise in value. This means you could get back less than you invested. As you approach retirement you should normally reduce exposure to volatile and riskier investments in preparation for securing your retirement income.
CAP, in conjunction with a leading IFA, offer a free and confidential portfolio review. This is complimentary with no obligation.

What do you get?
• Your personalised review will be carried out by an Independent Financial Advisor.
• We will look for ways to improve potential gains and guard against risks.
• If you simply want a second opinion on your portfolio, we are also happy to help.

What to do next?
To receive your free no obligation portfolio review, you need to open a free trading account with CAP.
You need to visit our Website www.cityap.co.uk and open a trading account.

“Carbon will be the world’s biggest commodity market”
Louis Redshaw, Barclays Capital

Carbon Credits

About The Carbon Credit Market:
• The carbon market is currently valued at €130 billion.
• It is projected to rise to €3 trillion by 2020.
• Forecast to be worth twice the oil industry within a decade.
• Fully SIPP compliant investment opportunity.
• Lower entry levels of investment compared to property.
• Potential for 30% plus annual returns.

CAP are market leaders in VER’s. We source Voluntary Carbon Credits for individuals wanting to profit from the Carbon Credits market. We also make connections with a wide range of companies from FTSE 250’s to SME’s wanting to offset their carbon emissions.

CAP source and trade VER’s from third party verified projects, and offer them to our clients at prices significantly below market value.

The important points to consider:
• Short to Medium Term Investment: 18-24 month hold.
• Profitable: With direct market access this means clients’ returns will vary depending on their buy price, projections are around 15% per annum on price forecast.
• Safe: Client’s contracts and funds all handled by FSA regulated custodian.
• SIPP Approved: All our projects are SIPP Approved in accordance with HM Revenue & Customs regulations.
Price, liquidity and risk
- Any carbon credit price shown is indicative only and based on current exchange rates. The price of Carbon Credits can go down as well as up. It may be difficult to ascertain a market value for VERs as many are transacted "over the counter" and, as such, prices may vary from reseller to reseller.

- Currently VERs are illiquid in comparison to the credits traded on the Compliance EUA Credit Market. There may also be a big difference between the buying and selling prices of carbon credits. Trading in carbon credits involves risk. You may get back less than your total outlay and there is a risk that you will make no recovery. However you may also benefit from any possible increase in the value of the carbon credits. Any growth shown or suggested is a projection only and cannot be guaranteed.

CAP main activity
- CAP deals in the physical delivery of carbon credits only and operates mainly in the Voluntary Credit Market. CAP source carbon credits from recognised and independently verified projects to ensure the emission reductions are effective.

Requirement of specific instruction before any sale
- The credits can be held for any length of time. Your credits are sold only on your instruction and will never be sold collectively or without taking your specific sell order.

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