



Your guide to Direct Property

This guide provides information on property purchase
through a Synergy product

December 2019

Standard Life

There's a lot to look forward to



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Introduction to Direct Property

Standard Life gives you the opportunity to use your pension or approved retirement fund to purchase a residential property in the Republic of Ireland, England and Wales.

You choose the property and Standard Life arranges the purchase and management of the property on behalf of your policy, so all dealings must be done through Standard Life.

Standard Life will purchase the property on behalf of your policy and will be the legal owner. The property will be an asset linked to the policy.

Your chosen property must be within the Revenue rules and match a number of criteria set by Standard Life.

Decisions relating to the property will be made solely by Standard Life, in its capacity as legal owner.

The rules

The Revenue rules are

- All property transactions must be on an arms length basis. This means that the property cannot be acquired from yourself or anyone connected to you and neither yourself nor anyone connected to you can buy, rent, use or occupy the property.
- You cannot acquire a property for development.
- You cannot acquire property from your employer.
- Your employer cannot rent or use any property owned by your policy.

Standard Life require

- All requested information to be provided upfront
- Your policy to be in force and sufficient funds available in your policy cash account and that it is freehold/long leasehold, with or without tenants*
- Your policy to be through a financial adviser who has explained the rules, charges and processes involved with an investment in direct property

And the property

- is suitable for renting

- is a single self contained unit (for example, 3 bed semi, 2 bed apartment)
- has a single tenancy in place
- a management company is in place, if within an apartment block
- is purchased by a single policyholder and the property is linked to one policy
- is available to purchase through the Property Services Regulatory Authority (Ireland) or National Association of Estate Agents (England and Wales)
- has a Building Energy Rating of C or higher (Ireland), or Domestic Energy Performance Certificate of E or higher (UK)
- purchase is funded by your policy without a loan
- has no structural or environmental issues to the best of your knowledge
- there are no plans for extensive refurbishment works (for example, moving walls or re-configuration)
- it doesn't require planning permission for building works or change of use
- has no issues with the legal title, as determined by our solicitor
- does not include agricultural or development lands
- is not within a category black or red flood zone, as determined by our insurer
- is not being auctioned
- is not used for commercial purposes (for example, student accommodation, holiday home, serviced apartment, hotel, used for short term lets)

This list is not exhaustive and is intended as a guideline only. If you have further questions, our contact details are on the back page.

Our standard charges (see charges section on page 12) will apply to properties that meet our criteria, if it doesn't, we may make a further charge for administration. We will advise you of any extra charges as soon as is reasonably possible. Some issues may not be obvious at the outset and we may need to wait for structural surveys or other information to confirm the charges. We will keep you updated throughout the process.

Direct Property option is not available on a UK pension transfer payment to a Qualifying Recognised Overseas Pension Scheme.

* In the case of freehold/long leasehold property, the property must be able to be sold on the open market without difficulty, in order for Standard Life to proceed with the purchase (a good and marketable title).

How your property will be used

Where the property being purchased is vacant, our property manager will place the property on the market to let at market value (as determined by our property manager as part of their market appraisal). Any charges arising from the marketing and letting of the property will be discussed with you and they will be deducted from your policy's cash account.

The tenant

There is no circumstance under which the tenant can be connected with you or your business. If you are in any doubt as to who qualifies as a connected party, ask us.

The lease

The tenant will have to sign a lease agreement. Our property manager will vet any potential tenants by requesting references and the setting up of a standing order for the rent.

Sometimes, we may take on an existing residential lease – we will deal with this on a case by case basis.

Once the purchase is complete, you will not have access to the property, and all dealings with the tenant must be by Standard Life through our property manager.

Who can invest?

Investments can be made by a single policyholder only

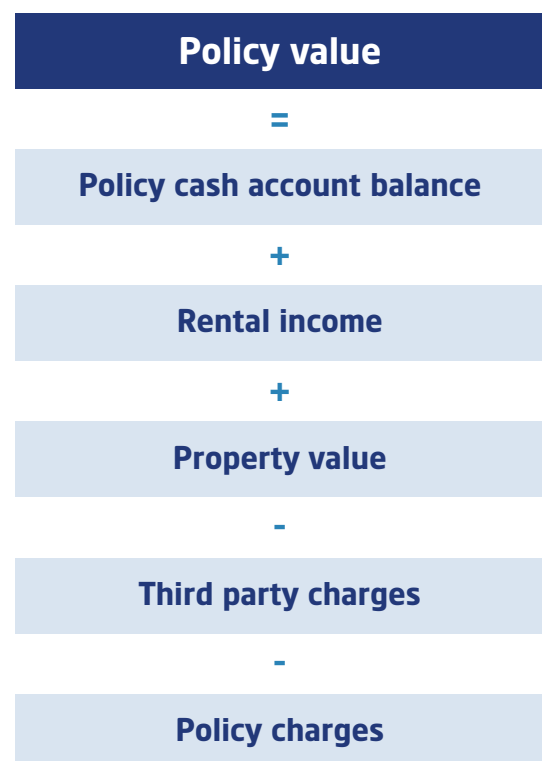
A syndicated property purchase is not allowed.

Standard Life will acquire the property on behalf of your policy, become the legal owner of the property and link this asset to your policy.

If there is no other investment type in your policy other than property, then the value of your policy is:

The value of investments may go down as well as up, and may be affected by changes in currency exchange rates.

Examples of third party charges are property management fees, property service charges, repairs, insurance, solicitor's fees, local property tax



Direct Property option is not available on a UK pension transfer payment to a Qualifying Recognised Overseas Pension Scheme.

In-specie transfer

It may be possible to transfer a property from another pension arrangement (for example, a Small Self-Administered Scheme). We require funds to be in place to cover all costs prior to starting this process. These funds may come by way of a new contribution to your policy, and/or a transfer from another pension policy. You must seek advice if you are considering a transfer.

The charges involved with an in-specie property will follow those for a purchase.

The only difference is that stamp duty is not usually payable on an in-specie property transfer from one pension arrangement to another.

Our full due diligence process must be carried out on the property to ensure it is acceptable to us.

Please bear in mind that an in-specie transfer can take considerable time to complete.



Direct Property investing

The diagram below details the process to be followed when purchasing a property through the Self-Directed Option of Direct Property.



Standard Life alone decides whether to agree to a purchase. We may be unable to proceed, if at any stage, issues come to light that we were not aware of at the outset, including onerous landlord obligations or unusual administrative requirements. If this happens, you will have to pay for any costs and fees incurred to date. We will keep you updated throughout the process.

The process

The first formal step in applying to buy a property through your policy is to complete a Property Information Questionnaire (SYPIQ). We will give an initial assessment as to whether the property is viable by reviewing the questionnaire and the proposed funding, and will aim to give a quick response on whether we can agree to buy the property as part of your policy. Our charges will commence once we have reviewed the questionnaire and you instruct us to proceed with the purchase. At this stage it is necessary to have a minimum balance in your policy's cash account. If the purchase does not proceed, then any charges/costs that has been incurred will be payable from your policy's cash account.

If you decide to invest in English or Welsh property, a sterling policy cash account will have to be set up in addition to the euro policy cash account within your policy to facilitate all sterling transactions. This is a cash-flow management account and is not intended

to hold balances in excess of the amounts required to acquire and maintain the English or Welsh property, but to only hold a minimum balance to service liabilities such as repairs and any expected or unexpected expenses.

Every three months, we will review your sterling balance. The balance over and above the minimum balance will be transferred into the euro policy cash account. We will only transfer between policy cash accounts to cover property transaction costs.

When the property is sold and the money is credited to the sterling policy cash account, we'll transfer it to the euro policy cash account. This will be affected by changes in currency exchange rates.

The Annual Management Charge for all assets, is deducted monthly from your euro policy cash account and, in the case of sterling assets, is based on the exchange rate on that day.

Funding

We expect the purchase price to be within a reasonable range above or below the property value quoted in the valuation report.

The purchase and its associated costs must be funded by your policy.

You should bear in mind that all payments to pension and approved retirement fund policies are subject to Revenue limits and you should discuss these with your financial adviser.

Your policy must be set up before we can issue instructions to purchase the property and your policy's cash account must hold enough money to fund each transaction in advance. The total amount required to pay all purchase costs, legal expenses and charges need to be available before we exchange contracts on the property.

We'll give you a funding illustration (SYDPFI) when you give us the details of a potential property purchase.

You need to ensure that enough money is in place to cover the total cost of the purchase and ongoing management of the property. In particular, your policy's cash account must

have a sufficient balance available in it to cover the purchase and all its associated costs. Don't forget your policy's other charges or investment value which may go down as well as up. We'll tell you what the minimum balance needs to be after you have completed your Property Information Questionnaire (SYPIQ) – it depends on your policy and property chosen. If you don't have a sufficient balance in place, the purchase may fall through and we'll deduct any costs to date from your policy.

Policy cash account maintenance

You must maintain a sufficient level of cash in your policy's cash account, to allow for times when your policy may face unexpected property costs, such as

- insurance premiums
- maintenance costs
- service charges

This list is not exhaustive and they must be paid whether the property is rented or vacant.

Other assets held within your policy may have to be sold to cover costs if the minimum balance is not maintained. We will inform you in advance if this needs to happen.

Suitability of chosen property

The property is further assessed by getting the following:

- **A valuation report** carried out by our appointed valuer.

If a recent valuation report exists, we may be able to use this. It may need to be reassessed noting Standard Life's 'duty of care'. If there is a charge for this it will be deducted from your policy cash account.

Valuations will need to be carried out by a member of one of the following

- Society of Chartered Surveyors Ireland (Irish property)
- Institute of Professional Auctioneers and Valuers (Irish property)
- Royal Institution of Chartered Surveyors (English or Welsh property)

who has appropriate professional indemnity insurance.

- **A structural survey**, carried out by our appointed building surveyors. We need to be satisfied that the property is structurally sound, compliant with regulations and that there are no onerous health and safety risks.

- **An inspection** by a qualified electrician and/or plumber may also be required.

Report, survey and inspection costs will be deducted from your policy's cash account.

Insurance

We have a group insurance policy under which all properties will be insured. Our insurer may wish to carry out further surveys to satisfy underwriting requirements. We'll tell you as early as possible of any issues, special requirements, or any premium loadings.

Sometimes, our insurers may decline to insure a property, and in such a situation we will be unable to purchase it.

Solicitor due diligence checks

We've appointed solicitors to act in all legal transactions for property held within your policy. Once we are satisfied with the acceptability of the property, our solicitor will be instructed. They'll carry out all due diligence checks, report on the title, leases and boundaries, and will liaise with the vendor's solicitor. We will keep you informed throughout the process and will discuss any issues as and when they arise. Decisions will need to be taken by Standard Life as the prospective legal owner of the property. There may be circumstances that could result in us rejecting the property at this stage. If either you or we decide not to proceed with the purchase, then all costs to date will be deducted from your policy's cash account.

Timescale for the purchase

Timescales to carry out a property purchase can vary enormously. As a guide, however, we expect this process to take on average from 3 to 6 months to complete from the date we instruct our solicitor.

Provided everything is in order and

- you've instructed us to proceed with the purchase,
- we've received a report on contract, building survey report and an energy rating certificate from our solicitor

the exchange process will then commence and the property purchase will proceed.

As mentioned previously, your policy with Standard Life must be set up before we can instruct our solicitor and all payments and transfers necessary to make the purchase must be available in your policy's cash account prior to exchange of contracts.

We will advise you at the outset and throughout the purchase if your transaction is likely to take longer than average or expected.

To ensure that the process is dealt with efficiently, we recommend that

- the Property Information Questionnaire (SYPIQ) is fully completed. Missing information will slow the process
- early application for transfer payments is made from other pension arrangements. This process can be time consuming
- prompt replies are given to our requests for further information

If you have any other information relating to the property, for example, maps, you should forward these to us to help with the process.

We aim to provide quick decisions and we have established streamlined processes with our solicitor in order to minimise the time the purchase process takes.

We can not be held liable for any delay or cancellation of the contract by the vendor. You will be liable for any costs incurred should a property not reach the completion stage.

Value Added Tax (VAT)

For residential buy to let, we will be unable to reclaim the VAT on the purchase price or any VAT charged on professional fees.

Maintaining your policy's investment

Managing the property

After the property purchase is completed, there are many tasks that must be carried out, some once off upon the transfer of the asset into your policy and others on an ongoing basis while the property is held within your policy. We'll undertake some of these functions, and appoint a property manager and other third parties to carry out others. If any legal work is required, we will instruct our solicitor.

As the legal landlord, we will

- pay all invoices in respect of the property out of your policy's cash account
- manage and review your policy's cash account, to ensure there's sufficient funds to meet future charges and costs (including those relating to maintenance, update and repair of the property), and
- arrange and maintain the property's insurance

Insuring the property

As mentioned previously, Standard Life has a group property insurance policy. The property will be added to this policy.

The property will be put on risk from completion of the purchase. As it will have gone through the insurance referral stage in the assessment of the property for suitability, any issues will be identified together with any special requirements of the insurer, and any premium loadings. You'll have been informed of any such issues as early as possible.

We'll pay the property's insurance premiums from your policy's cash account.

The tenant must organise their own insurance to cover their belongings. Where a property is vacant, we must follow our insurer's guidelines. Any costs will be deducted from your policy's cash account.

Property manager

Our property manager will

- set up and maintain property records, including a diary of critical events
- collect rent and other charges due from the tenants
- pay all collected monies to your policy's cash account
- inspect and produce reports on the property regularly
- consider a tenant's request for maintenance and other repair work
- obtain quotes/estimates and appoint contractors to carry out any repair or maintenance (you cannot choose who carries out the work)

The property manager will take all steps necessary to collect rent when due. If the tenant defaults on rent, the property manager will follow their normal commercial procedure to obtain all outstanding money. This may involve the use of a solicitor and/or bailiff, or, in extreme circumstances, take court action to repossess the property. Costs of dealing with such situations may be recoverable from the tenant. In the event that they are not, the costs will be paid from your policy's cash account.

The property manager's management fee and any other associated cost will be payable from your policy's cash account.

We will notify you of any rent reviews and lease renewals. All costs in dealing with rent reviews and lease renewals (including Residential Tenancies Board registration fees) will be deducted from your policy's cash account. The rent will be determined by our property manager.

Where a tenant's lease ends and a new tenant needs to be found, there may be a delay between the old and new let to allow for access, cleaning and refurbishment. Our property manager has a panel of contractors that provide nationwide property services. Those contractors may not always be local to the property.

Refurbishment

Refurbishment of the property is governed by Revenue rules. Any refurbishment or renovation of the property must be carried out for commercial purposes and must add value to the market rental rate and the property itself. However 'development' is not permitted, for example, you cannot purchase a residential dwelling and redevelop it into an apartment block with the intention of selling on the apartments.

We will assess each refurbishment application to ensure it is:

1. Cosmetic – painting and decoration etc.
2. Structural – any structural works that may need planning permission
3. Mandatory – repairs and maintenance to comply with legislation

Our property manager will supervise any renovation work by their appointed third party contractors.

The property purchase must be completed before any refurbishment work can begin. Our property manager will inspect the property after completion and will discuss any necessary or advisory refurbishment works with us. Supervision of all refurbishment will be undertaken by our property manager and all associated costs will be deducted from your policy's cash account.

Any work undertaken without our consent may have to be reversed and the property returned to its previous condition.

All costs will be deducted from your policy's cash account.

If you're considering refurbishing or renovating the property, give us details first, so that we can assess them.

Selling the property

You may decide to sell the property at for example, retirement or because market conditions are favourable. It can take considerable time to sell a property and you should consider this when deciding the best time to put it on the market. Remember, the property must be sold on an arm's length basis.

When you decide to sell the property, you must tell us. We'll organise a valuation and any other inspections necessary. We will nominate an estate agent to act for us. We'll then formally instruct the estate agent and all fees will be deducted from your policy's cash account.

We don't know how long it will take to sell a property, therefore you must be sure that there are sufficient funds in place to cover any potential rent free periods and ongoing management of the property and policy.

We reserve the right to sell the property if

- all other investments linked to your policy have been exhausted and we still need to meet charges, costs or expenses of your policy
- if your policy's investment no longer meets Revenue rules
- if we become aware that our terms and conditions and/or Revenue rules are not being met

We will set the asking price for the property.

Charges

The costs outlined below are examples based on standard cases where no additional time or resources are required from our third party providers. We will advise you of the charges that will apply for your chosen property as soon as reasonably possible. Some issues may not be obvious at the outset but we will keep you informed of any changes to the final charges. All efforts will be made to give exact figures where possible, however as each property is unique, these charges are for illustrative purposes. We'll tell you if they change.

Standard Life Direct Property administration charges

Standard Life charges - Irish, English and Welsh properties	
Set up charge	€1,400 per property (taken at outset)
Renewal charge	€423 per property per annum increasing by CPI*
Annual management charge	1% of asset value
Disposal charge	€400

* Irish Consumer Price Index

The Standard Life administration charges set out in this table apply to properties that meet our criteria.

If the property you wish to purchase does not meet our criteria, we may charge more for administration. We will advise you of this as soon as reasonably possible. Some issues may not be obvious at the outset and we may need more information before we can confirm final charges.

Local Property Tax for Irish residential property

An annual Local Property Tax (LPT) is charged on all residential properties in the State.

The LPT charge is based on the market value that the property could reasonably be expected to fetch in sale on the open market on the valuation date. The valuation date is 1 May 2013 for the years 2013 to 2020 inclusive. This means that the valuation for LPT purposes on 1 May 2013 will stay the same between 2013 and 2020 (even if improvements are made to the property).

The liability date is 1 November in the preceding year. For example, the liability date for 2020 is 1 November 2019.

In each year, Standard Life will deduct the Local Property Tax from your policy's cash account and pay the Revenue. Your annual statement will reflect this LPT payment.

For more information on LPT, please visit www.revenue.ie

Third party property charges

The following information is a guideline only. Each property is different and charges will be based on the specific requirements of each property.

Property valuation report

Will depend on property chosen.

Surveyor's report

Will depend on property chosen.

Insurance premium

Will depend on property chosen.

Utility charges

Tenants pay for all utilities (electricity, gas, water services etc). If the property is vacant, utility charges will be deducted from your policy's cash account.

Solicitor's fee

The solicitor's fee is made up of

- conveyancing fee (see table for indicative standard fee agreed by our solicitor)

Conveyancing (Irish properties)		
Property value	Acquisition fee	Disposal fee
<€250,000	€1,700	€1,700
€250,000 - €499,999	€2,200	€2,200
€500,000 - €999,999	€3,200	€3,200
€1,000,000 - €2,499,999	€4,200	€4,200
€2,500,000 - €4,999,999	€5,200	€5,200
€5,000,000+	Negotiable	Negotiable

These fees may change.

Where an acquisition requires a first registration of deed, there will be an additional cost of €150.

For details of our solicitor's conveyancing fees on English and Welsh properties, please contact us.

- stamp duty (typically 1% of value for Irish properties)
- search and registration fees
- incidentals (phone calls, photocopying etc)

and, where existing tenants are in place, a review of the lease.

They will provide a quote in each case when we formally instruct them to proceed with a property transaction. For a property acquisition the quote will set out the costs based on the information you provide in the Property Information Questionnaire (SYPIQ). If you (or we) do not wish to proceed with the transaction at any stage, solicitor's fees for their input to this point will be deducted from your policy's cash account.

Estate agent fees

Estate agent selling fees including advertising etc will also be charged on disposal of a property.

Commissioner for Oaths fee

Where an Irish property is to be sold and there is a tenant, a Statutory Declaration is required, the fee for which is €10.

Core property management fee

The fees quoted below are for the core property management services performed by our property manager.

Irish properties	
Letting fee for each new let:	6% of annual rent (5% for the Dublin area: from Greystones to Maynooth to Balbriggan) and Residential Tenancies Board registration fee of €90
Lease renewal fee:	€120 for each 12 month lease For rolling month by month lease renewal, €70
Tenant management fee:	5% of each month's rent

For serviced properties (for example, apart-hotels) where property management is limited to rent collection: 2% of annual rent.

If a dispute arises, an extra cost of €250 per case brought to the Residential Tenancies Board will be incurred.

English and Welsh properties
12% of annual rent (includes sourcing tenants)
Serviced apartments – 2% of annual rental income
Extra costs – overseeing major works – 10% of value subject to max €500

The core property management services are

- marketing of a property
- vetting and selections of tenants
- deposit collection
- agree tenancy agreements
- carrying out inspections
- rent collection
- recording data
- ensuring health and safety requirements are met
- tenant liaison

Other services such as arranging for property to be cleaned between lets are available and the fee for these services can be negotiated with the property management company. If a property is vacant, additional charges may apply, for example, additional inspections.



This document is not an advertisement. A decision to invest should not be based on the information in it. Please talk to your financial adviser for more information, or if you need an explanation of the terms used.

Find out more

Talk to your financial adviser. They'll give you the information you need.
Also, you can call us or visit our website

(01) 639 7140

Mon-Fri, 9am to 5pm. Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

www.standardlife.ie