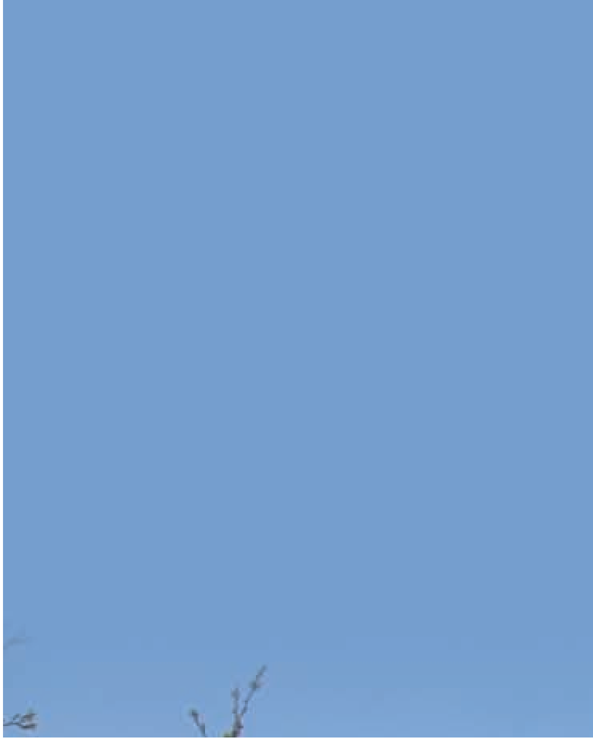
A Guide to

FLEXIBLE DRAWDOWN

Choosing the right strategy in order for you to enjoy your retirement years



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Removing the cap on the income you can take

After years of saving into your pension fund, you've now decided you want to retire and are overwhelmed by the retirement options available. We can work with you to choose the right strategy in order for you to enjoy your retirement years.

If appropriate to your particular situation, one option you may wish to consider is Flexible Drawdown. Perhaps the most radical aspect of the new income drawdown rules that were introduced from 6 April 2011 is that, under Flexible Drawdown, there is no limit on the amount of income that you can draw each year.

As the name suggests this option is much more flexible than income drawdown. Qualifying for this option removes the cap on the income you can take. There are no income limits at all and you can draw as much income as you like when you like. However, Flexible Drawdown will not be available to everyone and there is certain criteria that must be met before you can choose it.

TAX-FREE LUMP SUM

The usual tax-free lump sum is allowed but any other withdrawals taken by you are taxed as income in the tax year they are paid. If you become a non-UK resident while in Flexible Drawdown, any income drawn when non-resident will be subject to UK tax if you return to the UK within five tax years of taking it.

Flexible Drawdown can only be taken once you have finished saving into pensions. If pension contributions have been made to any pension in the same tax year or if you are still an active member of a final salary scheme, it isn't possible to start Flexible Drawdown. Once in Flexible Drawdown it isn't possible to make further pension contributions.

A SECURE PENSION INCOME

Those over the age of 55 must be able to show that they have a secure pension income of at least £20,000 a year in place. This can include your state pension, an annuity

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or a company pension. Investment income doesn't count.

Pension pots not needed to provide the £20,000 could be taken as Flexible Drawdown. Remember - pensions can be split, with part used to buy an annuity to secure the necessary income and the remainder taken as Flexible Drawdown.

The income included for satisfying the new Minimum Income Requirement (MIR) includes the basic state pension, additional state pension, level annuity income and scheme pensions. Please note income from purchased life annuities and drawdown arrangements do not count.

It isn't possible to take Flexible Drawdown from a protected rights pension (money from contracting out of the State Second Pension or SERPs). Protected rights are expected to be abolished in April 2012 which will effectively remove this restriction.

The lump sum required to purchase an annuity that will satisfy the MIR, assuming the full state pension is payable, will be about £200,000. This means that this option may be available only to a small number of individuals. ■

A DRAWDOWN PENSION, USING INCOME WITHDRAWAL OR SHORT-TERM ANNUITIES IS COMPLEX AND IS NOT SUITABLE FOR EVERYONE. IT IS RISKIER THAN AN ANNUITY AS THE INCOME RECEIVED IS NOT GUARANTEED AND WILL VARY DEPENDING ON THE VALUE AND PERFORMANCE OF UNDERLYING ASSETS. FOR INFORMATION ABOUT THIS AND THE OTHER SERVICES WE OFFER, PLEASE CONTACT US TO DISCUSS YOUR REQUIREMENTS.

Published by **Goldmine Media Limited**, Prudence Place, Luton, Bedfordshire, LU2 9PE