ASSURED RETIREMENT
HELPING SECURE YOUR FUTURE

The Cash Retirement Account is very flexible and can work for different people in different ways. The example below shows how the account could be used in practice. It is shown for illustrative purposes only and is not based on a real life case.

Jay is seven years away from receiving his State Pension and is considering taking his Personal Pension as a lump sum.

Jay will soon be 59 and has recently moved from full-time to part-time work, earning £6,000 per annum. He is entitled to start receiving his State Pension in seven years time and has saved £60,000 in a Personal Pension Plan with no other private or employer pension entitlements.

Under the pension flexibility introduced from 6th April 2015 he is entitled to access his entire pension fund as a lump sum and is considering doing so.

If Jay were to take his £60,000 pension fund as a lump sum, he would receive £15,000 as tax free cash and the remaining £45,000 would be taxable at his marginal rate of income tax. Allowing for his personal allowance of £11,000 (for the tax year 2016/17) and taking into account his earnings from part time work of £6,000, his remaining personal allowance would be £5,000. This £5,000 is deducted from the £45,000 that is taxable and he would pay income tax of 20% on £32,000 and 40% on £8,000. This tax amounts to £9,600 and he would therefore receive, after tax, a total of £50,400 from his £60,000 pension fund.

Instead, Jay transfers his £60,000 into a five year, Assured Retirement, Cash Retirement Account, takes £15,000 as a tax free cash lump sum and requests an income of £5000 per annum. Jay likes the idea of additional flexibility because he plans to make an extended trip to visit his son, daughter-in-law and grandchildren who live in Hong Kong but is unsure of the exact timing. He therefore specifies an additional taxable lump sum of £5,000 to be available within the account for withdrawal when required.

The combination of Jay's earnings from part time work and income from his Cash Retirement Account, enable him to stay within his personal allowance and therefore pay no income tax. He receives his £15,000 tax free cash lump sum at outset and £5000 per annum regular income for 5 years. He withdrew his £5,000 additional lump sum (plus interest) in year 4, having stopped part-time work that year so that his total income was below his personal allowance, and he made a memorable trip to Hong Kong to see his family.

At maturity, his account's Protected Maturity Amount of £16,133 is available to reinvest in another Cash Retirement Account, but for the two years remaining before his State Pension becomes payable. By limiting his income each year to his personal allowance he is able to draw the entire £16,133 (plus interest) without incurring tax. He therefore receives after tax, a total of more than £61,133- 21% more than would have been available if he had taken the entire fund as a single lump sum.

IMPORTANT NOTE

This case study is shown for illustration purpose only and is not based on any real life example. It is intended to highlight how the Cash Retirement Account could be used in practice to meet individual client's pension income needs. You should not take, or refrain from taking, any action based on this information. Tax treatment can change and depends upon your circumstances. Please remember that taking money out of a pension will impact your standard of living later in retirement. This information is not advice and if you are unsure about the suitability of an investment, you should seek Independent Financial Advice.

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