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.

Mike and Fiona are 65 and 55 respectively but want to keep their retirement options open.

Mike and Fiona have £30,000 each in pension savings. Mike is now in receipt of his State pension and Fiona intends to carry on working, at least for the next few years, as she is not due to receive a small employer's pension until she is 60 and her State pension until she is 67. They both have savings in ISAs and in addition, have rental income from a property inherited several years ago. They are both in good health and Mike would like an income from his pension fund now.

Mike is aware of the new pension flexibility and whilst he would like an income now, he also wants to ensure that his fund is available to him for later in retirement and is worried about spending it too early. Fiona does not yet require an income and is uncertain exactly when she will stop work. They have both considered lifetime annuities but see them as too inflexible and were surprised by how low even the best market rates were. Mike calculated that in his case, and with a 100% spouses pension, he would need to live beyond age 91 before a lifetime annuity returned his original purchase price.

They both decide to transfer their £30,000 pension funds into 3 year, Assured Retirement, Cash Retirement Accounts. Mike takes his £7,500 tax free cash to invest in an ISA and requests a sustainable monthly income. Fiona does not withdraw any benefits and decides to make additional contributions of £240 per month net. Tax relief of £60 per month is added to her contributions so that whilst Fiona pays £240 per month, £300 per month is invested.

Mike receives a monthly gross income of £85 for three years and at maturity, his Protected Maturity Amount of £20,129 is intended to be sufficient to buy the same level of income using a standard lifetime annuity. Fiona takes no benefits from her account but continues her pension investments for three years. At maturity, her Protected Maturity Amount will be £31,357 and her regular monthly contributions will be worth an additional £10,800 (plus interest) but will have cost her only £8,640 because she will have had 20% tax relief at source. She will be entitled to take 25% of the total fund as a tax free cash lump sum when she chooses. At maturity, they are both free to invest in another Cash Retirement Account or any other pension product.

By using a Cash Retirement Account in this way, either Mike, Fiona or both of them could benefit in the future if:

- interest and annuity rates increase
- their health deteriorates and they qualify for an enhanced lifetime annuity
- their situation changes and they wish to access their funds as a single or series of lump sums
- new pension products are launched which were not available when they took out their accounts

They will have both achieved their short term objectives, and just as importantly, kept their options open by not choosing products that preclude them from taking advantage of future changes.

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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