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.

Paul is 56 and wishes to find a lower risk way to access income from a drawdown arrangement.

Paul is self-employed and was fortunate in being able to start saving into a pension from a young age and has accumulated a total of £400,000 in his Self Invested Personal Pension. He has historically been comfortable with stock market investment but is now considering taking a drawdown income from his fund and recognises that volatility can be an issue when regular income is required. Paul does not intend to retire fully, but would like to take an income of £20,000 per year from his pension fund to allow him to work fewer hours.

Paul has mixed views on how best to access his income. He could aim to take the ‘natural income’ from the underlying investments within his SIPP but he understands these dividend payments are irregular, not guaranteed, and in practice not high enough to meet his income needs. Alternatively, he could sell part of his investment holdings on a regular basis but is concerned that this could lead to selling investments at the wrong time when prices are low, especially as he has noticed how volatile stock markets have been recently.

Instead, Paul transfers £78,718 into a four year, Assured Retirement, Cash Retirement Account and requests payments in the form of Uncrystallised Funds Pension Lump Sums (UFPLS) at £1,666 per month over four years. 25% of each payment is tax free, helping Paul to keep his total income below the threshold for higher rate tax. Paul has the certainty that his income will be paid each month without impacting on the remaining £321,282 within his existing SIPP, which he keeps invested purely for growth.

At the end of four years, Paul’s monthly income will cease and the Cash Retirement Account will have been exhausted to zero but Paul has calculated that assuming a growth rate of 6% after charges, the £321,282 kept within his existing SIPP will have grown back above £400,000, an outcome Paul accepts is not guaranteed, but believes is more likely without having the constraint of needing to provide regular monthly income. At this point he could repeat the same exercise, explore whether a lifetime annuity is appropriate or combine a number of products to suit his needs.

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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