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.

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Stephen and Valerie would both like to be able to retire now. They need a net income of around £1,600 per month and are entitled to a State pension of £691 per month each, but this will not start for another six years, at which point their net income requirement drops significantly because their mortgage will have been repaid. Stephen has a pension fund with a current fund value of £150,000, Valerie has no pension entitlements other than the State pension and they are both in good health.

Stephen has explored using his pension to buy a lifetime annuity but discovered that the best income he can purchase on the open market, after taking 25% tax free cash and on a joint life basis, is £364 per month. Whilst he likes the idea that this income would be guaranteed for life, it is a long way short of his immediate income requirements.

Instead, Stephen transfers his £150,000 into a five year, Assured Retirement, Cash Retirement Account, takes £37,500 as a tax free cash lump sum and requests a regular income of £1135 per month. Allowing for his personal allowance of £11,500 (for the tax year 2017/18) his monthly income after tax is £1,100 and he can use £500 per month from his tax free cash lump sum to meet his monthly income requirement of £1,600 over the next five years.

Stephen and Valerie recognise that they will have used the majority of their pension fund over this period, nevertheless, their Protected Maturity Amount of £49,359 will be available to purchase another pension product at maturity, the remaining part of Stephen's tax free cash lump sum will be available and their combined State pension in six years' time will exceed their monthly income needs.

Stephen and Valerie will have used the Cash Retirement Account to provide an extra five years of retirement, starting from April 2016, something that would not have been possible prior to the introduction of the new pension legislation. They have been able to retire earlier than was previously possible and generate a higher retirement income in the early years whilst they have the good health to enjoy it.

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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