

# Focus on SIPP's

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### **Scheme Pension – The Third Way for Higher Income**

You are probably familiar with annuities in their various shapes and sizes and income drawdown through Unsecured Pension (USP) and Alternatively Secured Pension (ASP). However, Scheme Pension (SP) can provide a major advantage for some clients. SP offers the potential for taking a higher income in certain situations because it is not restricted by HMRC limits.

A client can take a SP from age 50 (55 from 2010). Our actuary will determine the maximum income that can be withdrawn based on the client's age, mortality, fund value, and investment growth – in some situations this will allow a larger income to be taken.

SP can be of particular benefit in the following scenarios:

- 1) When combined with an estate planning strategy, income can be gifted using HMRC rules for 'gifts out of Income', so the seven year rule does not apply. Income can be gifted to chosen beneficiaries, minimizing or even negating the amount of residual fund left (which will be subject to tax). This becomes a very powerful tool, especially post age 75, when the effective tax on the fund is a whopping 82%!
- 2) When a client has poor health and life expectancy is reduced, a higher income can be generated. Likewise, when higher investment growth can be justified by the underlying portfolio (e.g. a high yield on a property), a higher income can also be supported.

**From 6<sup>th</sup> April 2009, Talbot & Muir will provide the Scheme Pension facility to all our SSAS clients** in order to further enhance our product terms and meet the requirements of pensions advisers in the IFA community.

Please call us on **0115 841 5000** to discuss how this can benefit your clients.