RETIREMENT OPTIONS REPORT

RETIREMENT OPTIONS

Prepared For

Mr Example Client

Prepared By

Mr IFA Adviser

IFA Adviser Firm

Report Date

26 July 2018

This report provides an overview of the benefits that could be available from various retirement products.

INTRODUCTION

Retirement Options

Having saved for your pension during your working life, you have a number of alternative options on how to access these savings. The retirement options being compared in this report are:

- Lifetime Annuity
- Flexi-Access Drawdown
- UFPLS

Each retirement option could allow an infinite number of variables to shape the way that you access your pension savings. Having used this report as a high-level overview, a more detailed comparison of the favoured option or options will be required before any final decisions are taken.

Taking your pension savings

You are able to access and use your defined contribution pension savings in any way you wish after the age of 55. You are able to:

- Take up to a quarter (25%) of your pension savings tax free.
- Take all your remaining pension savings as one lump sum, subject to income tax at your highest rate in the tax year taken.
- Convert some or all of the rest of your pension savings into a form of annuity, and/or
- Withdraw your remaining savings in stages with no limits using a drawdown product.
- As an alternative you can use a drawdown product and take amounts out in phases with each amount being made up of a quarter (25%) being tax free with the remaining three quarters (75%) being taxed as if it were income.

Benefit Options

With a number of options available, it is important to focus on what is important for you during retirement. The key considerations include:

- The amount of cash you might receive as a lump sum.
- How much income you receive annually.
- Whether your annual income is likely to increase, decrease or stay the same.
- What guarantees you have.
- What investment risk you take.
- What happens to your income when you die.
- What lump sum is available to your dependents after your death.

INTRODUCTION

Personal Details

Gender	Male
Current Age	60 years, 4 months, 25 days
Estimated State Pension Age	66 years

Current Plan Details

The table below summarises your current pension plans and the value available. It should be noted that these details may have been provided at different dates. These values are not guaranteed and may increase or decrease in value.

Plan Name	Value Available
Current Plan	£250,000.00
Total	£250,000.00

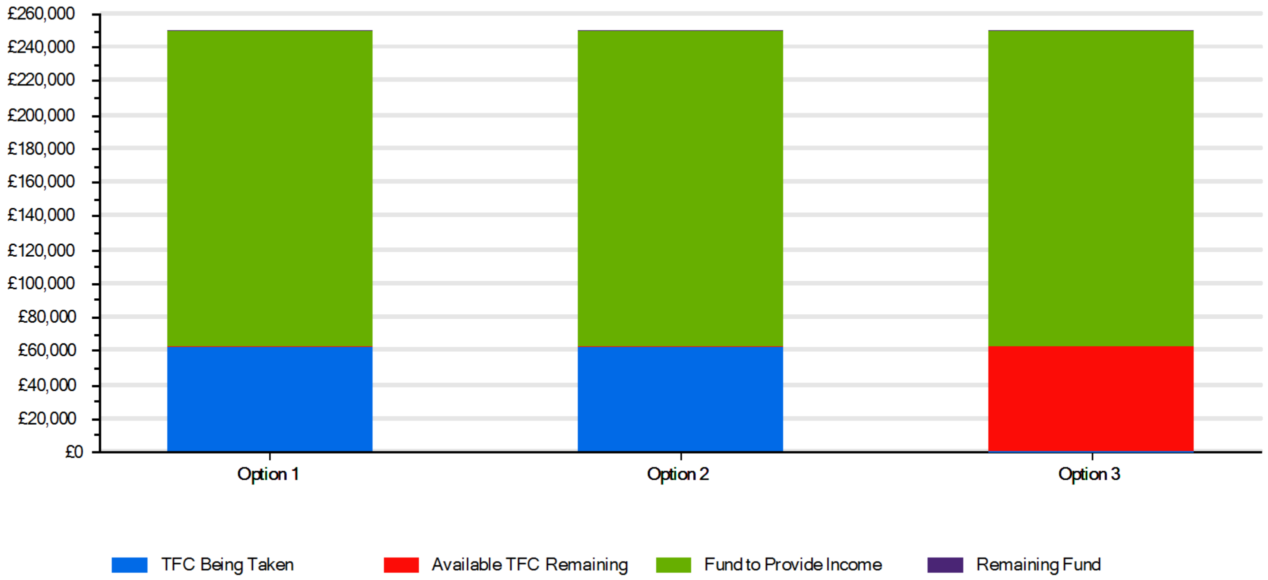
TAX FREE CASH LUMP SUM

Introduction

From age 55, it is normally possible to take up to a quarter (25%) of your fund tax free. Although this is commonly referred to as tax free cash (TFC), its official title is pension commencement lump sum (PCLS).

Benefit Options

	Lifetime Annuity	Flexi-Access Drawdown	UFPLS
Total TFC Being Taken*	£62,500.00	£62,500.00	£0.00
Available TFC Remaining	£0.00	£0.00	£62,500.00
Fund to provide Income	£187,500.00	£187,500.00	£187,500.00
Remaining Fund	£0.00	£0.00	£0.00



* Please note that for Uncrystallised Funds Pension Lump Sum (UFPLS) quotes no TFC is shown above. TFC is used to provide part of each withdrawal made from the plan instead of being taken separately at outset. See later in the report for details.

Day One Withdrawals

- For option 2 you will also make a lump sum withdrawal on day one of £0.00.
- For option 3 you will also make a lump sum withdrawal on day one of £0.00.

LIFETIME ANNUITIES OVERVIEW – OPTION 1

Introduction

The key features of lifetime annuities are:

- A lifetime annuity will pay you a known guaranteed income for the rest of your life.
- At the point the lifetime annuity is purchased, your funds are no longer invested.
- The amount of pension you receive will depend on a number of key considerations as follows:
  - Dependants Pension – Where an income will continue to be paid to your spouse or partner for their lifetime in the event of your earlier death.
  - Guarantee Period – Your pension income is guaranteed for your life. A guarantee period is the minimum period that your full pension will be paid for, even in the event of your death.
  - Escalation – The rate at which your pension income will increase each year. This is typically included to negate the effects of inflation, but can mean a significant reduction in your starting level of income.

Option chosen - Lifetime Annuity

Quote Source	Custom
Custom Product Name	New Annuity
Percentage of Income Payable To A Dependant After Death	Not Selected
Income Increase Rate Each Year	Nil
Income Guarantee Period regardless of when death occurs	10 Years
Custom Income Amount	£8,500.00

The following table compares some key advantages and disadvantages of lifetime annuity purchase.

Advantages	Disadvantages
• You have the option to shop around to find the best buy rates that could increase your income. • If you smoke, suffer from any ill health or currently take any prescribed medication you could enhance your annuity income significantly. • Once your annuity is set up, your income is secure, will be paid to you for at least the rest of your life no matter how long you live. • Your income is not affected in any way by investment market performance and it doesn't need to be reviewed. • If annuity rates fall after purchase, your income won't be affected.	• Once your annuity is set up, your income amount cannot be changed unless stated at outset. • You cannot cash in an annuity. • If you choose a level income its value could be eroded by inflation over time. • If you die in the early years, the total income you've received may be less than the pension fund used to buy the annuity. • Your income cannot be inherited by your dependants when you die unless payments are requested to continue to a dependant and/or for a certain timeframe. • On death after your annuity is purchased, you will not usually have any remaining fund to pass to your dependants, unless you choose an annuity that offers value protection.

FLEXI-ACCESS DRAWDOWN OVERVIEW – OPTION 2

Introduction

The key features of flexi-access drawdown are:

- You can start to take an income from age 55.
- When you enter drawdown, you are able to take a tax free lump sum usually up to a quarter (25%) of your pension savings.
- Once the tax free lump sum is taken, the balance of your fund remains invested.
- There are no limits on the income you can take but any income will be added to your taxable income in the tax year taken and taxed accordingly.
- Whilst drawing income, your remaining funds continue to be invested.
- You are able to purchase an annuity at any time in the future.
- On death at age 75 or over your beneficiaries can either
    - draw an income from the fund themselves which will be taxed at their marginal rate, or
    - take the fund as a lump sum which will be taxed at their marginal rate.

Option chosen - Flexi-Access Drawdown

Maturity Value Illustration Age	90
Day One Taxable Income Withdrawal	£0.00
Income Basis	Specific Amount
Amount	£9,000.00
Income Starting	Immediately
Frequency of Income Payments	Annually
Income Increase Rate Each Year	0%

The table compares some of the advantages and disadvantages of flexi-access drawdown.

Advantages	Disadvantages
• You can take your tax free cash lump sum without taking any income. • You can adjust your income according to your lifestyle at any time. • You can take the entire fund in one go subject to income tax at your highest rate in the year taken. • If you only take the tax free lump sum you can continue to pay pension contributions that qualify for tax relief up to £40,000 a year, known as the Annual Allowance (AA). • You choose where your pension is invested this can be in funds, shares, Exchange Traded Funds (ETFs), bonds, gilts, cash and more. • On death before age 75 your pension fund still invested will pass to your beneficiaries' tax free.	• High rates of tax may be payable if you take large sums of money out of your pension. • Taking high levels of income may not be sustainable. • The capital value of your fund may be eroded. • If you are taking an income the contribution annual allowance of £40,000 a year will be reduced to £4,000 a year, known as the Money Purchase Annual Allowance (MPAA). • Your fund will continue to be exposed to investment risk. • You will be responsible for your own investments. • There are charges for continuing to run your pension fund. • Annuity rates may be at a worse level in the future.

UNCRYSTALLISED FUNDS PENSION LUMP SUM (UFPLS) OVERVIEW – OPTION 3

Introduction

The key features of UFPLS are:

- It is a new way of being able to take your money out of a money purchase pension plan e.g. stakeholder, personal pension or self-invested personal pension, which was introduced on 6 April 2015.
- You can start to take money out of your pension in this way from age 55.
- A quarter (25%) of each amount you take is tax free.
- The other three quarters (75%) will be added to your taxable income in the tax year taken and taxed accordingly.
- You do not have to use this money to buy a retirement income product such as an annuity or drawdown.
- Any remaining funds continue to be invested.
- On death at age 75 or over your beneficiaries can either
    - draw an income from the fund themselves which will be taxed at their marginal rate, or
    - take the fund as a lump sum which will be taxed at their marginal rate.
- Not all pension plans or pension providers offer this option, so you may have to move your pension monies from your current pension plan or provider to take your money out in this way.

Option chosen - UFPLS

Maturity Value Illustration Age	90
Day One Taxable Income Withdrawal	£0.00
Income Amount	£9,000.00
Frequency of Income Payments	Annually
Income Increase Rate Each Year	0%

The table compares some of the advantages and disadvantages of UFPLS.

Advantages	Disadvantages
• You can take money out of your pension plan as a series of lump sums when you need it. • You can take ad-hoc payments from your pension to cover particular needs. • You can take the entire fund in one go. • You can continue to pay pension contributions that qualify for tax relief up to £4,000 a year, known as the Money Purchase Annual Allowance (MPAA). • You choose where the remaining money in your pension is invested this can be in funds, shares, Exchange Traded Funds (ETFs), bonds, gilts, cash and more. • On death before age 75 your pension fund still invested will pass to your beneficiaries tax free. • You are able to purchase an annuity with any remaining funds at any time in the future.	• High rates of tax may be payable if you take large sums of money out of your pension. • Taking high levels of income may not be sustainable. • The capital value of your fund may be eroded. • The contribution annual allowance of £40,000 a year will be reduced to £4,000. • You cannot take the whole 25% tax free lump sum from your pot in one go. • Your fund will continue to be exposed to investment risk. • You will be responsible for your own investments. • There are charges for running your pension fund. This may include an administration charge for withdrawing money. • Annuity rates may be at a worse level in the future.

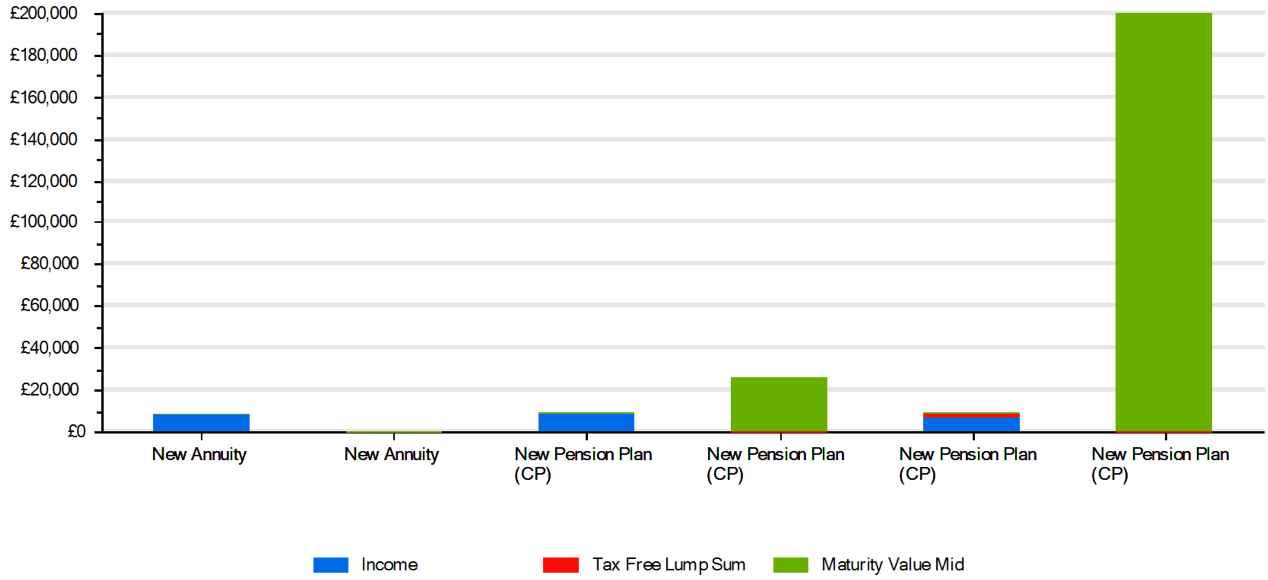
ANNUAL INCOME

Income Options

The following table provides an example income level for each option based on the options chosen as set out in the overview pages. It is important to understand that changing the assumptions could make a significant difference to the initial annual pension for any option.

	Lifetime Annuity	Flexi-Access Drawdown	UFPLS
Product Name	New Annuity New Annuity	New Pension Plan (CP)	New Pension Plan (CP)
Term To Age	N/A	90	90
Day One Withdrawal	N/A	£0.00	£0.00
Initial Annual Income	£8,500.00	£9,000	£9,000
Initial Annuity Rate	4.67%	N/A	N/A
Income Guarantee Period	10 Years	N/A	N/A
Maturity Value at Term To Age	N/A	£25,800	£200,000

The following chart compares the initial annual pension you may receive and the illustrated maturity value at the age shown.



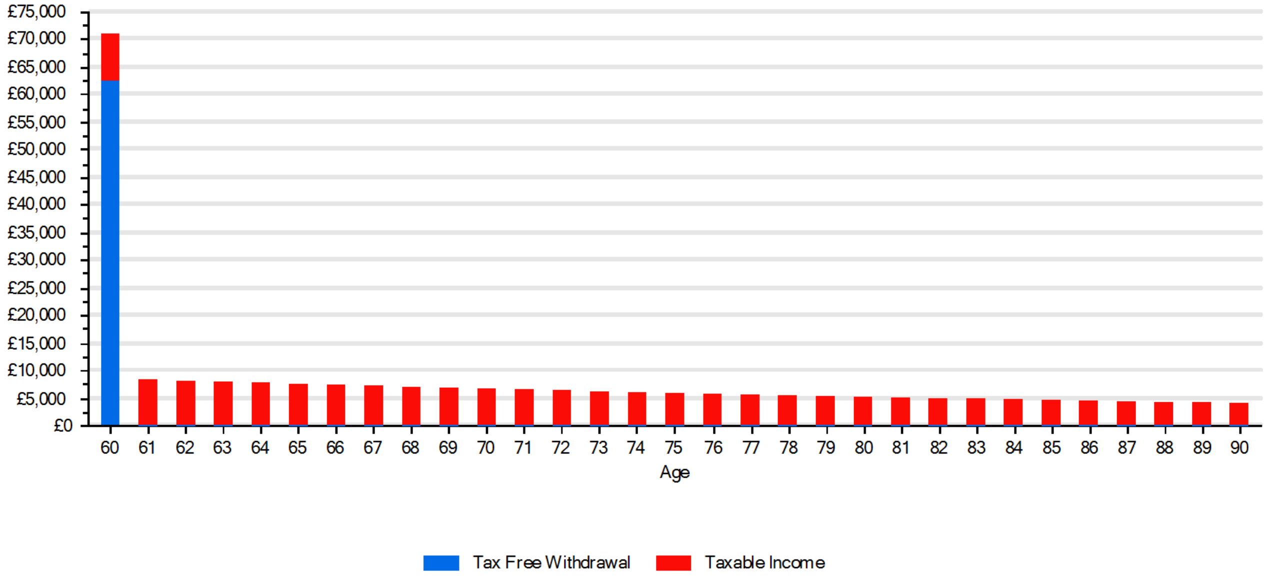
OPTION 1 – INCOME AND FUND VALUES

Option 1 - Lifetime Annuity

The following page looks in more detail at the pension benefits you could potentially receive based on the options chosen for Option 1. Price Inflation reduces the worth of all savings and investments over time. Therefore, the data shown in the following charts is adjusted to reflect the effects of inflation at a rate of 2.5% per year.

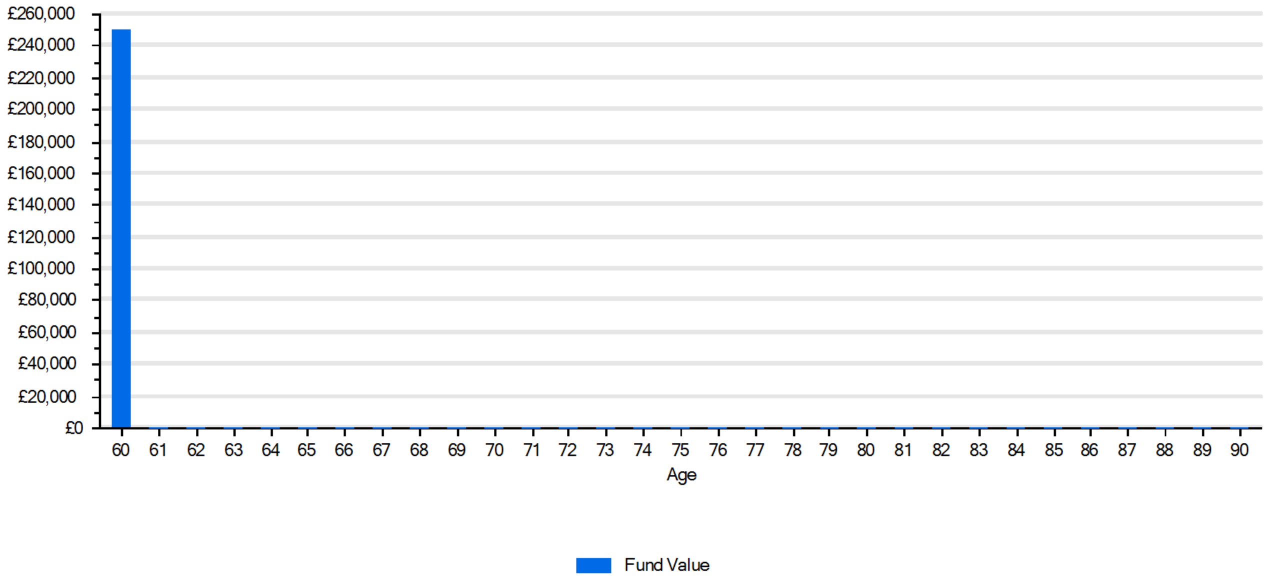
Annual Income

The following chart shows the projected yearly taxable income and tax free withdrawals you could receive from the new plan.



Yearly Fund Values

The chart below shows how the projected value of your new plan changes through time. All of the pension fund not taken as tax free cash is used to purchase the annuity. You do not have access to your pension fund after this point.



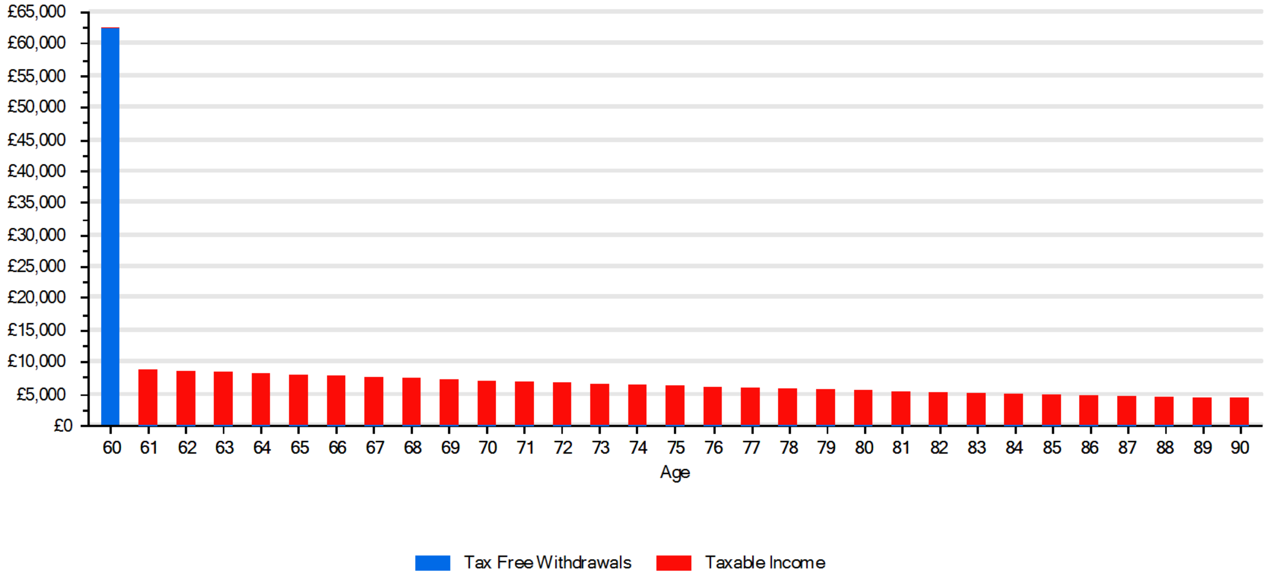
OPTION 2 – INCOME AND FUND VALUES

Option 2 - Flexi-Access Drawdown

The following page looks in more detail at the pension benefits you could potentially receive based on the options chosen for Option 2. Price Inflation reduces the worth of all savings and investments over time. Therefore, the data shown in the following charts is adjusted to reflect the effects of inflation at a rate of 2.5% per year.

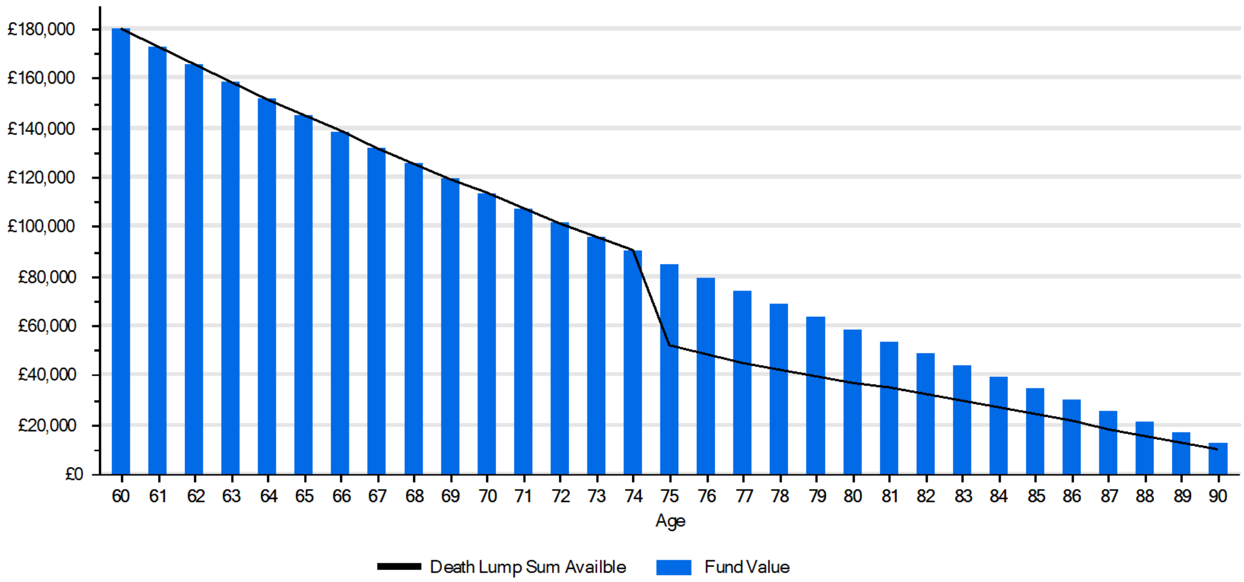
Annual Income

The following chart shows the projected yearly taxable income and tax free withdrawals you could receive from the new plan.



Yearly Fund Values

The chart below shows how the projected value of your new plan changes through time. A line is also included showing the potential lump sum that could be paid if you were to die at the age shown.



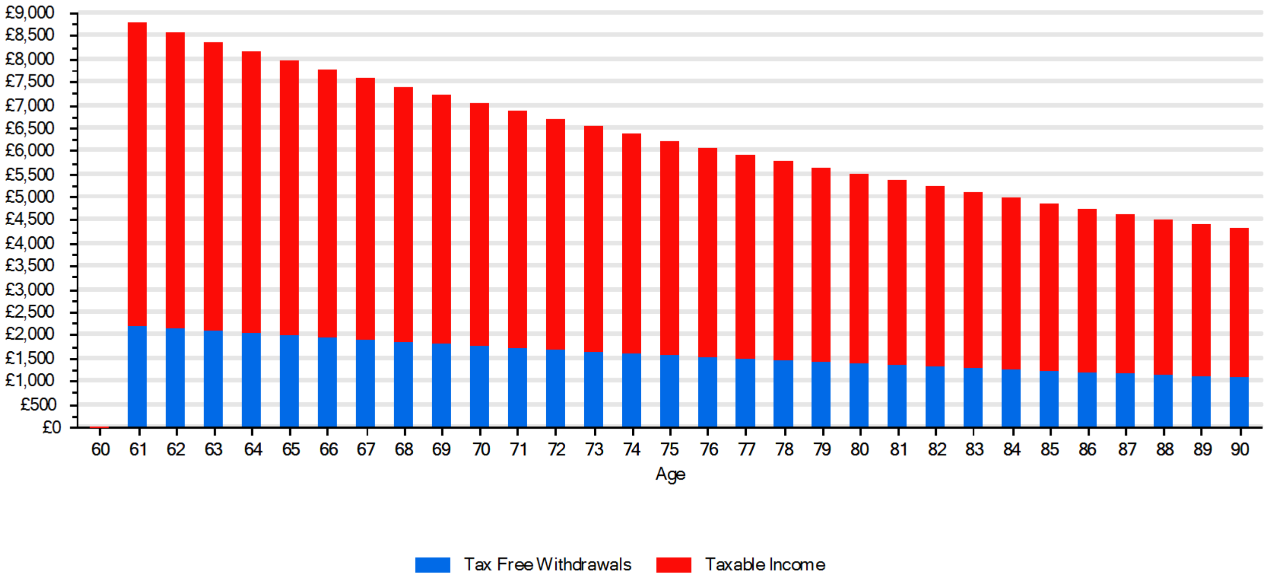
OPTION 3 – INCOME AND FUND VALUES

Option 3 - UFPLS

The following page looks in more detail at the pension benefits you could potentially receive based on the options chosen for Option 3. Price Inflation reduces the worth of all savings and investments over time. Therefore, the data shown in the following charts is adjusted to reflect the effects of inflation at a rate of 2.5% per year.

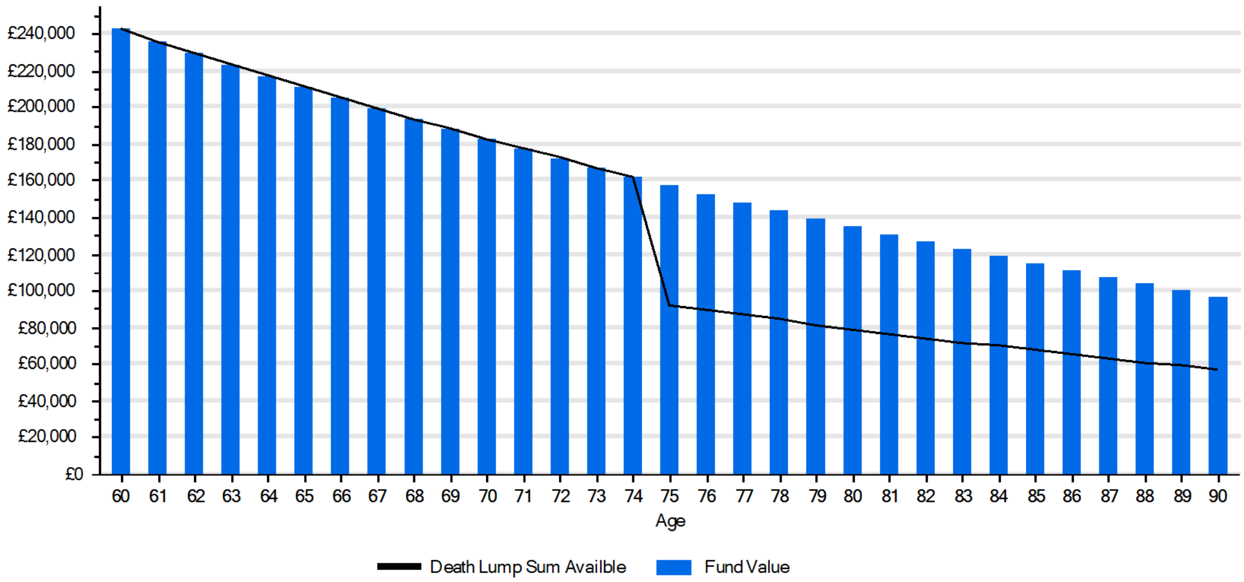
Annual Income

The following chart shows the projected yearly taxable income and tax free withdrawals you could receive from the new plan.



Yearly Fund Values

The chart below shows how the projected value of your new plan changes through time. A line is also included showing the potential lump sum that could be paid if you were to die at the age shown.



NOTES & ASSUMPTIONS

Annual Income – Maturity Value Mid

The maturity values, annual income and yearly fund values shown in this report assumes that the fund grows per year at a specific rate. This rate is shown below:

Option 2 – Flexi-Access Drawdown
The Maturity value Mid. is 5.00%

Option 3 – UFPLS
The Maturity value Mid. is 5.00%

Death Lump Sum Assumptions

If the client age is less than 75 then it is assumed that no tax is charged on the death benefit. If the member is aged 75 or over then it is assumed that the death lump sum is taxed at the beneficiary's marginal rate of income assuming the following:

Beneficiary's Gross Annual Income £17,100.00

Assumed Income Tax Rates

Band	Start of Band	End of Band	Tax Rate
Personal Allowance	£0	£11,850	0%
Basic Rate	£11,850	£46,350	20%
Higher Rate	£46,350	£150,000	40%
Additional Rate	£150,000		45%

Your Personal Allowance goes down by £1 for every £2 that your income is above the personal allowance limit.

Assumed Personal Allowance Limit: £100,000