



Confusion surrounds drawdown changes and implications

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Suffolk Life, one of the UK's leading providers and administrators of SIPPs, has highlighted the confusion surrounding the changes to drawdown and the implications for advisers and their clients in the run up to the end of the tax year.

Greg Kingston, Head of Marketing, comments: "The draft legislation brings sweeping changes, and the enquiries we are receiving suggests that there is still widespread confusion over what is and what isn't possible, as advisers scramble to put their clients in the best position by 6 April."

The main points are:

- Unsecured income and Alternatively secured pension (age 75 and over) will cease to exist on the 6 April 2011 and will be replaced by Capped and Flexible Drawdown, both of which are available from age 55 onwards.
- Changes to the GAD tables are being made to take account of better mortality assumptions. Suffolk Life has verbal confirmation from HMRC that there is likely to be an interim period (of just a couple of months) where both sets of GAD tables are in use, so calculations may differ from provider to provider depending on whether or not they have updated their systems with the new rates.
- Immediate action is required if investors want to draw the maximum out of their SIPPs in the next 5 years. However, with crystallised lump sum death benefits attracting a 55% tax charge, investors may not wish to crystallise all their funds in one go.
- Transfers between pension schemes / providers before 5 April will not secure a new review and another 5 years calculated on the old income limits. The ceding scheme must provide the information to the new scheme so income limits are not breached.

Claire Brooks, Pensions Technical Manager commented: "Phased drawdown has been a concern for many advisers, as there have been discussions that further designations would force individuals into the new regime, or at least the new 100% limit. We have received verbal confirmation from HMRC that within the 5 year review period, the 120% limit will continue to apply on additional designations, annuity purchases and pension sharing recalculations for the remainder of that period. This is not explicitly mentioned in the legislation."

Greg Kingston, Head of Marketing, added: "Taking income from a SIPP will always require close attention to detail, and this period running up to the end of the tax year is no exception. If advisers ever needed a good reason to speak to their clients, now is the time,

and with evidence that some providers will stop taking instructions to crystallise well in advance of 5 April, there's no time to delay."

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About Suffolk Life

Suffolk Life is one of the UK's leading providers and administrators of specialist pension products, primarily Self Invested Personal Pensions (SIPPs). It has established over 16,000 self-invested plans and total assets exceed £3.5 billion. Suffolk Life has acquired 2,000 properties for over 3500 SIPP investors.

Suffolk Life is part of Legal & General plc

Established in 1971 and based in Ipswich, Suffolk Life employs around 200 people and has built an enviable reputation based on its expertise and knowledge of the SIPP market.

This has been recognised through numerous awards including:-

Technology, Admin and Service award, Income drawdown – Pensions Management 2010, 2009 & 2008

Technology, Admin and Service award, SIPPs – Pensions Management 2007 & 2006
Admin & Service awards, SIPPs – Pensions Management, wins in 2002, 2003 & 2004, commended in 2005

Defaqto 5 star SIPP award 2009 & 2010

Investor in Customers 2 star award 'outstanding' for 2006, 2008 & 2010