

FACT SHEET

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RETIREMENT OPTIONS

There are several retirement options open to you. These are designed to offer a high degree of flexibility as to how and when you can draw your benefits from age 55 (50 until 5 April 2010). This is a simple guide to the different options.

This fact sheet is for information only and does not in any way constitute advice or recommendation. You should consult your financial adviser prior to making any decisions.

The tax treatment and tax benefits are based on our understanding of tax legislation as at the date of this fact sheet.

Annuities

You can use all or part of your pension fund to buy an annuity from an insurance company. In the case of protected rights the whole fund must be used. An annuity provides you with an income for life but in most cases at the expense of your capital. You are free to exercise your open market option which is the facility, after taking advice, to purchase an annuity from your chosen provider.

The level of income you can expect to receive will depend on a combination of different factors, including but not limited to your age, health, size of pension fund and interest rates at the time of purchase. You can also choose to ensure that some income continues to be paid to your spouse or civil partner and/or dependant(s) in the event of your death.

The Suffolk Life MasterSIPP is divided into 1,000 units, all of which may be crystallised separately (protected rights must all be crystallised at once). This means that annuities can therefore be purchased in phases, allowing for phased retirement. The funds used to purchase an annuity cannot continue to be invested by you.

If using the 25% pension commencement lump sum (PCLS) cash facility, it must be elected prior to purchasing an annuity.

Phased annuity purchase is not available for protected rights benefits. Suffolk Life does not provide annuities.

Unsecured income

Unsecured income (UI), sometimes referred to as drawdown, is a flexible way of taking income and PCLS from your pension fund without having to buy an annuity.

Because of the unit structure of the Suffolk Life MasterSIPP, you can take unsecured income from individual units. This allows you to phase how you take your benefits whilst still giving you the choice of how your fund will continue to be invested. Although as with an annuity, electing whether or not to take the pension commencement lump sum must be decided before designating units to unsecured income, the income may be deferred until a later date if you wish. This allows a target annual income to be achieved with great tax efficiency.

You can choose what level of income to take under unsecured income – between nil and 120% of the GAD amount. GAD stands for the Government Actuary Department. '120% GAD' is broadly equivalent to the amount you could expect from an annuity, and this figure is also affected by your age, size of your fund and gilt yields.

Unsecured income allows additional options in the event of your death, including but not limited to allowing a spouse or civil partner and/or dependant(s) (for children this is generally up to the age of 23) to continue taking income, or allowing the remaining fund less a 35% tax charge to be paid out to the spouse or civil partner and/or dependant(s).

When in unsecured income, you can still choose to purchase an annuity at any time again this can be with all or part of your fund. Whilst protected rights may enter unsecured income, they must be fully crystallised and cannot be phased.

Alternatively secured pension

This is similar to unsecured income, and is one of two options, along with annuity purchase at age 75 as unsecured income must then cease.

Alternatively secured pension (ASP) still allows you to retain control over how your funds are invested. However the maximum income (90% GAD) you are able to take will reduce compared to unsecured income, and you must now take a minimum amount of income (55% GAD), even if you were not taking income before. If you have not taken your PCLS entitlement by age 75, you will lose this right under ASP.

Upon death as with unsecured income it is still possible for a financial dependant to continue taking an income. The fund, however, cannot be paid out to a financial dependant. If you have no surviving financial dependants then the fund can either be paid to a registered charity without tax charges or paid to other beneficiaries with significant tax charges.

Whilst in ASP, at any time you can still elect to purchase an annuity if you wish. Protected rights benefits can enter ASP.

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Number crunching

1,000	the number of units in a Suffolk Life MasterSIPP
50	the age from which you can commonly start to draw benefits from your pension until 5 April 2010
55	the minimum age you can commonly start to draw benefits from your pension after 6 April 2010
75	the age from which you must either purchase an annuity or enter alternatively secured pension
25%	the maximum amount of tax free cash you can normally take out of your pension
23	the maximum age your unsecured pension can pay to a dependent child in the event of your death
35%	the tax charge due when an unsecured income fund is paid out to your spouse, civil partner or any other beneficiary in the event of death
1	the minimum number of financial advisers you should consult before taking a decision!

Jargon busting

GAD	Government Actuary Department
PCLS	pension commencement lump sum, also known as tax free cash
UI	unsecured income
ASP	alternatively secured pension
BCE	benefit crystallisation event
LTA	lifetime allowance
SIPP	self invested personal pension
A-day	6 April 2006 – the date for ‘pension simplification’
FSA	Financial Services Authority – the government appointed regulator for UK financial services firms

	Annuity	Unsecured income	Alternatively secured pension
Minimum age to start	55 (50 until 5 April 2010)	55 (50 until 5 April 2010)	75
Maximum age	None	75	None
Retain investment control	✗	✓	✓
Available to protected rights	✓	✓	✓
Provided by Suffolk Life	✗	✓	✓
Fund paid out to spouse or civil partner	✗	Option (but 35% tax charge)	✗
Income paid to spouse or civil partner	Option	Option	✓
Pension commencement lump sum	✓	✓	✗

Please note that when you purchase an annuity, enter UI or your fund is converted to ASP these are benefit crystallisation events and a lifetime allowance test has to be carried out (please discuss this with your financial adviser/ see www.suffolklife.co.uk/pslta).

www.suffolklife.co.uk

SUFFOLKLIFE

Suffolk Life is the trading name of Suffolk Life Pensions Limited (registered in England and Wales number 1180742) and Suffolk Life Annuities Limited (registered in England and Wales number 1011674). Both companies are authorised and regulated by the Financial Services Authority. Suffolk Life operates and administers self-invested pensions and similar pensions products. The registered address of both companies is 153 Princes Street, Ipswich, Suffolk, IP1 1QJ
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