



# Talking Points – ASP

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## A turbulent time to retire

Alternatively Secured Pension (ASP) is nothing new but its use in the current economic climate may increase. Recent market turmoil is likely to have hit fund values, and those looking to start taking benefits or those nearing 75 will need to take advice and consider carefully if this is the right time to buy an annuity, especially as those rates have also fallen. For some, ASP may be a suitable option.

### A reminder

Even since A-day all benefits must be secured by the age of 75. This may be via a scheme pension, the purchase of a lifetime annuity or ASP. As we know, ASP offers the investor the ability to keep their fund invested whilst taking an income from the fund. The income must be between set limits based on the Government Actuaries Department tables, based on the age 75 and the 15 year gilt yield.

Given that many investment values have fallen recently, the value of pension funds has reduced. By purchasing an annuity now, at what are close to historic low rates, an investor could potentially be locked into a lower income for the rest of their lives. If, in the coming years, investment values recover and volatility subsides, remaining in the market could be beneficial.

### The good

ASP has many positive aspects:

- » the flexibility of varying the income to meet the investors' requirements (although legislation demands a minimum amount be paid);
- » the potential to benefit from a higher annuity rate when and if a lifetime annuity is eventually purchased; and
- » the potential to benefit from investment growth of the underlying fund.

### The bad

There are downsides to consider:

- » continued investment risk and annuity rate risks;
- » the need to monitor investment choices and/or pay for advice on an ongoing basis;
- » paying pension provider fees;
- » annual reviews of income limits and plan valuations; and
- » having to take a minimum level of income when fund values are low may accelerate a reduction in the value of the fund.

### The ugly

When taking into account the good and the bad, the ugly truth is that on death if there is no spouse, registered civil partner or other dependant, tax charges can reach 82% on the residual fund. A comparison must be drawn with the options on an annuity, which are limited especially if there is no surviving spouse, registered civil partner or other named dependant. However, if an investor in ASP wishes to leave their fund to charity or has a significantly younger spouse or registered civil partner who can take advantage of Unsecured Income on the investor's death then this is less of an issue.

### Our view

It is clear that ASP will not be suitable for every investor at age 75. However the current depressed and volatile market may influence the recommendation, making ASP a suitable option for some. The case for ongoing trusted, capable financial advice has never been greater.

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