

# Talking points – Retirement ages

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## Change to normal retirement ages

With less than one year to go until the normal minimum pension age of all schemes must rise to 55, this year may be a busy time for advisers with clients considering vesting part or all of their accumulated pensions. Given the current financial conditions it may be a difficult decision. This is especially true for those members reaching age 50 this tax year who, if they don't take benefits before April 2010, may have to wait almost 5 years to do so.

For those who are uncertain if they will need an income in the next few years, unsecured income may be the answer. Since A-day it has been possible to take the pension commencement lump sum and nil income. This gives clients the flexibility to have income if required but remain invested until they need to do this and where the scheme has only been partially vested, also the option to contribute to take advantage of market conditions.

The current uncertainty in the job market is likely to mean an increase in those interested in this option. Previously clients would have been able to draw on their pension if made redundant from age 50 but in future they will face the prospect of having to wait until age 55 if they do not act this tax year.

### Protected pension ages – a reminder

There are a group of individuals who are still allowed to retire prior to the normal pension age; those in certain professions who had unqualified rights under that scheme at certain dates. However, those that choose to take this option will have their lifetime allowance reduced by 2.5% for every year they take their benefits before normal retirement age. This however is not an issue for those with enhanced protection. H Singh from Webb Holton has considerable experience in this area and comments "With care and planning the preservation of early retirement ages is possible but it is easy to fall foul of the rules.

In working with professional sportsmen, we have recently come across a situation where a scheme paid the PCLS to some members and then attempted to transfer the residual fund to a PPS.

Given that the scheme's governing documentation did not permit USP, the transfer, if it had gone ahead, would have been classed as an unauthorised payment. The Scheme rules do now permit USP, and USP to USP transfers can go ahead provided they are block transfers. In another instance two individuals were attempting a block transfer but one of the receiving schemes had been in existence for over 12 months and this would result in a loss of the right to early retirement."

### Ill health

It is possible for an individual to apply to take their pension early on the grounds of ill health. They must supply the scheme administrator with acceptable qualified medical advice that satisfies the ill-health condition that they are and will continue to be, medically incapable of continuing their current occupation. This may be as a result of injury, sickness, disease or disability. In addition, it is possible for a scheme to impose stricter rules on ill health pension. For instance the administrator may insist that the individual is incapable of any occupation to qualify, although this is unlikely in a personal pension or SIPP and not the case at Suffolk Life.

### Serious ill-health

A member may take benefits at any age where the scheme administrator accepts qualified medical advice to the effect that the member satisfies the ill-health condition, and so is and will continue to be, medically incapable (either physically or mentally) as a result of injury, sickness, disease, or disability of continuing their current occupation and as a result of the ill-health ceases to carry on the occupation.

Serious ill-health lump sums can be paid tax free provided the sum does not exceed their personal lifetime allowance.

### Our view

The area of pension ages is complicated, but this year could be an ideal opportunity to revisit clients who are aged in the region of 50 to 55 to establish their needs prior to the change.

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