First Place Financial Ltd

Pension Transfer Specialists

Independent Financial Advisers

YOUR RETIREMENT OPTIONS EXPLAINED

20016/2017 tax year

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LIFETIME ANNUITY Incl. FLEXIBLE & ENHANCED ANNUITY	SCHEME PENSION	PHASED RETIREMENT	FLEXIBLE ACCESS DRAWDOWN (FAD)	THINGS TO THINK ABOUT
Regular and secure income for life.	Regular and secure income for life.	For those who want to gradually move into retirement. Available to those with personal pensions rather than occupational schemes.	Gives you the greatest control over your retirement income. Tax free cash lump sum paid at outset and the balance of the pension fund placed in FAD. The pension fund remains invested.	Your existing pension may not have the flexibility of other contracts in the market.
Tax free cash provided at outset and fund used to purchase an annuity paid for life.	Tax free cash paid at outset and fund used to provide income for life.	Part of the fund is cashed in with 25% of the amount being tax-free. The balance of the fund remains invested to provide future benefits.	You choose exactly when and what income you want from the pension. Amount taken subject to income tax.	It may not allow you to access your tax free lump sum after age 75.
Your annuity income is paid at least annually and can increase (fixed percentage or CPI) or remain level in payment.	Your income is paid at least annually and can increase or remain level in payment depending on the type of pension scheme/options chosen	Further tranches are cashed in to increase your retirement income as and when needed. Tax efficient.	You can choose to take the withdrawal as income or buy an annuity with it.	It may require you to purchase an annuity at age 75 and thus prevent you from transferring to a scheme with more flexible options.
Additional options can be selected at outset such as spouse's benefits and guaranteed payment periods that may result in a lower initial income.	Benefits in retirement are in accordance with the pension scheme rules though there may be some scope to alter those benefits.	At any point you can decide to take the remainder of the pension benefits and drawdown the income needed or buy an annuity.	The advantage is that your pension fund will still benefit from investment growth. You control your income and as a result the tax you pay.	You may lose the ability to pass down your unused pension fund through the generations.
Once you have bought your annuity you cannot change the benefits chosen. On early death it is possible to have some of the annuity purchase price returned.	Once in payment you cannot change the benefits or options chosen.	Because you don't commit all your funds immediately you have greater control over your retirement income and options.	On death, the remaining fund is available to pay benefits to your family or dependants. This will be tax free if you die before age 75.	It is very important to review your existing arrangement and leave time before you reach 75 for a transfer to a more flexible scheme.

LIFETIME ANNUITY

Overview

An annuity is simply a series of payments made at selected intervals in return for a pension fund. The level of payment is dependent upon your age, the annuity rate, size of your pension fund and the options selected. Annuity rates tend to mirror interest rates since they are related to the returns earned on Fixed Interest Gilt Edge Securities. There are different types of annuities and these are covered later on in this section.

Tax Free Cash

Most types of pension plan have the option of taking a tax-free cash lump sum, known also as Pension Commencement Lump Sum (PCLS), before exchanging the residual fund for a series of payments. Once an annuity has been purchased there is no further entitlement to tax-free cash. Therefore the decision of whether to access the cash or not needs to be made at outset.

Income

Annuity payments are taxed at source under the PAYE system. Provided a P45 is presented the annuity will be paid net of your marginal rate of tax and there will be no further tax liability. Payments can be made monthly, quarterly, half yearly or yearly and can be in advance or arrears. Payments can remain level or can increase at a set rate or in line with an index e.g. Consumer Prices Index.

Death Benefits

The option of what type of death benefits to include must be made at outset. The options available are as follows:-

- A spouse's or dependents pension up to 100% of the pension you had received.
- A guaranteed period, which is only limited by what the annuity provider is prepared to offer. So if death occurs within the guarantee period the payments will continue until the guarantee period ends. This income can be paid to your spouse or dependents tax free if you die before your 75th birthday. After 75 the income would be subject to income tax at the recipients marginal rate of tax. There is normally an option to commute this remaining income for a lump sum; again it will be tax free if death occurs before age 75 but it is taxable at 45% if death occurs after age 75.

Advantages

- You will receive a guaranteed income for life and you can elect for your spouse or beneficiaries to receive a guaranteed income or a lump sum upon your death.
- Tax-free cash is available at outset.
- There are no additional charges applied to the contract once in force. All charges are taken at outset and are reflected in the annuity rate offered.
- The contract is simple to understand, there is no need to review the contract and there is minimal paperwork needed to start the payment of benefits.

Disadvantages

- The selected income level is fixed and cannot be varied in response to changing personal financial circumstances (excluding potential future increases).
- There is no opportunity of participating in future investment returns.
- Any options to provide benefits on death must be selected at outset and will result in a lower initial pension payment. These selected benefits cannot be altered in the future.
- The more benefits that you include in the Annuity the less you will receive at outset.

Suitability

Lifetime annuities are most likely to suit individuals who want an absolute guarantee on their pension payments and/or for their spouse/partner. They therefore suit individuals with low attitudes to risk and a requirement for security. They also suit individuals who have relatively small pension funds and who will be heavily reliant on their pension income and no other forms of income that are sustained through their retirement.

FLEXIBLE ANNUITY

Overview

A Flexible Annuity is similar to a lifetime annuity in that it is simply a series of payments made at selected intervals in return for a pension fund. The level of payment is also dependent upon age, annuity rate, size of fund and options selected. The main difference is that **the initial pension level and future income levels are also dependent on the performance of the underlying investment fund(s).**

Often the investor is allowed to assume a future rate of growth. The higher this assumed rate the greater the initial income. However if the actual growth does not match this rate then the amount of pension payable will decrease. With profits linked annuities will offer a minimum guaranteed level of pension.

Tax Free Cash

Tax free cash must be withdrawn at outset then the residual fund is exchanged for a series of payments. Once an annuity has been purchased there is no further entitlement to tax-free cash.

Income

Annuity payments are taxed in the same way as described under 'Lifetime Annuity'. Income will increase or decrease in payment depending on fund performance relative to the assumed growth rate.

Death Benefits

The option of what type of death benefits to include must be made at outset. The options available are the same as under the Lifetime Annuity.

Advantages

❖ You will receive an income for life, and you can elect for your spouse/partner to receive an income or lump sum upon your death.
❖ Tax-free cash is available at outset.
❖ Charges are taken at outset and are reflected in the annuity rate offered. The investment funds charges are paid within the fund so all investment returns are shown net of charges.
❖ The contract is simple to understand and there is minimal paperwork needed to start the payment of benefits.

Disadvantages

❖ The selected income level is not guaranteed and is subject to future investment returns.
❖ Any options to provide benefits on death must be selected at outset and will result in a lower initial pension payment. These selected benefits cannot be altered in the future.

Suitability

Flexible Annuities are most likely to suit individuals who want some guarantee on their pension payments but also want the potential to benefit from future investment return. They therefore suit individuals with low to medium attitudes to risk and security. They also suit individuals who have relatively small pension funds and who will be heavily reliant on their pension income.

ENHANCED or IMPAIRED LIFE ANNUITY

Overview

An Impaired Annuity is suited to individuals who are in poor health or who have a known medical condition, e.g. diabetes, may be eligible for higher annuity rates due to their shorter life expectancy. This may be subject to a medical examination but may be offered after the completion of a medical questionnaire.

Some individuals may be offered enhanced rates due to their lifestyle or physical condition, i.e. smokers or clinically obese, hence Enhanced Annuity.

In all other respects, these annuities are the same as a Lifetime Annuity.

Suitability

These annuities are most likely to suit individuals who want absolute guarantee on their pension payments and are eligible for the higher rates. They therefore suit individuals with low attitudes to risk and security, although they may also be suitable for individuals with a high attitude to risk but are in poor health.

SCHEME PENSION

Overview

This will be the only option for Individuals who have pension benefits in their employer's Defined Benefit (also known as Final Salary) Pension Scheme. A Final Salary Pension is usually calculated on your years of service, qualifying pensionable salary and scheme accrual rate usually at scheme retirement age commonly age 65.

These definitions can be found in the scheme booklet.

Those with other types of company scheme such as a Money Purchase Pension arrangement may also be able to choose other option if they do not wish to purchase a Lifetime Annuity.

These pensions are paid either directly from the original pension scheme or on its behalf by an insurance company.

Tax Free Cash

The scheme pension would allow the option of taking a tax-free cash lump sum before commencement of the regular pension income. Once income has started, there is no further entitlement to tax-free cash, therefore the decision of whether to access the cash or not needs to be made at outset. In some cases scheme tax free cash can exceed the current normal limit of 25% of the pension fund.

Income

Pension payments are taxed as earned income under the PAYE system as described under 'Lifetime Annuity'.

Death Benefits

The death benefits differ from those under a Lifetime Annuity in respect of death before age 75. Unlike the Lifetime Annuity, where the income payments become tax free when the member dies, the scheme pension remains subject to tax in the spouse's/dependants hands whatever age the member dies at. If the scheme pension was set up to include an annuity protection lump sum then this would be received tax free if death occurred before age 75 but a tax charge of 45% would be applied if the member died after age 75.

Advantages

- ❖ You will receive an income for life, and you can elect for your spouse/partner to receive an income or lump sum (which could be subject to tax) upon your death.
- ❖ Tax-free cash is available at outset and this may be higher than 25% of the fund.
- ❖ The contract is simple to understand and there is minimal paperwork needed to start the payment of benefits.
- ❖ If you are at scheme retirement age or receiving an Ill health pension or dependants pension and the employer fails and the scheme enters the Pension Protection Fund (PPF) your income is guaranteed because at that point you are entitled to it.

Disadvantages

- ❖ The selected income level is guaranteed and cannot benefit from future investment returns.
- ❖ Any options to provide benefits on death must be selected at outset and will result in a lower initial pension payment. These selected benefits cannot be altered in the future.
- ❖ If you wish to retire early and you are a member of a Final Salary Scheme then permission has to be granted by the Scheme Trustees and you expected Pension will be reduced by in some cases 4% per year for each year of early retirement before scheme retirement age. Therefore an early retirement at age 55 would be 10 years early at 4% per year = 40% less than you would have got at age 65.
- ❖ If you are a Final Salary Scheme Member or past member with benefits still in the scheme but not yet at scheme retirement age and the sponsoring employer fails. The scheme will then enter the PPF and your expected benefits will decrease by 10%.
- ❖ If you are entitled to more than £38,505.61 as a scheme pension and your employer fails and the scheme enters the PPF, your pension would be reduced to this gross amount (2017-2018 tax year) and then reduced by a further 10%. Any entitlement above this will be lost.

Suitability

This type of pension will most likely suit individuals who want absolute guarantee on their pension payments. They therefore suit individuals with low attitudes to risk and a requirement for security. Also individuals with little or no other retirement income other than the state pension.

PHASED RETIREMENT

Overview

Phased retirement allows you control over your retirement fund and to convert it gradually over a number of years into income. This is achieved by "cashing in" part of the fund; just enough to provide you with the income you need whilst the balance of the fund remains invested and benefits from future investment returns. The amount cashed in does not have to buy an annuity but it can if you so wish. An alternative to phased retirement is the Flexi Access Drawdown plan which is covered below.

Tax Free Cash

Immediate maximum tax-free cash is not available since it is used each year to provide part of your income. However if you do require your full entitlement to tax free cash but still wish to phase your retirement then you should consider a Flexi Access Drawdown plan.

Income

Withdrawals will be subject to income tax though 25% of the fund that is cashed in will be tax free. If an annuity is purchased payments are taxed in the same way as a 'Lifetime Annuity and the options are the same. If you take the lump sum and don't buy an annuity then 25% will be tax free and the balance taxed at your marginal rate of income tax.

Death Benefits

The option of what type of death benefits to include is made at outset for the annuity purchases. The residual pension fund can be paid, on death, as a lump sum to your nominated beneficiary.

Advantages

- You retain investment control of the remaining pension fund not yet cashed in.
- As you are not cashing in the whole fund it reduces the benefit Crystallisation event amount and so reduces any potential Lifetime Allowance Charge, especially if some of your retirement funds were to push you over into a Lifetime Allowance Charge scenario.
- As you get older there is the prospect of annuity rates rising and providing you with higher income. It is cheaper for insurance companies to purchase an annuity to provide a given level of income for someone age 70 than for someone age 60 (assuming the returns provided by medium to long-term gilt yields remain the same).
- You will be able to change the shape of your retirement income to reflect your personal circumstances in the future, although once you have purchased an annuity, this income payment will continue unchanged for the rest of your life. Each year an annuity is purchased you can chose whether to include death benefits and other options.
- The remaining pension fund can be returned to your beneficiaries free of Inheritance Tax on your death before age 75. After 75 the tax charge for lump sum payments is 55%.

Disadvantages

- There is no guarantee that your income will be as high as that offered under the lifetime annuity route referred to earlier.
- The value of the remaining invested pension fund may well go down if investment performance is poor and this will reflect on the income you are able to purchase with the fund.
- You may feel that the prospect of future higher income does not compensate you for not being able to enjoy a guaranteed and secure level of income today and for the rest of your life.
- You cannot draw the whole PCLS at the outset.

Suitability

Phased Retirement is most likely to suit individuals who want to gradually retire, i.e. self-employed, or those individuals who are likely to be higher rate taxpayers. They also suit individuals with a medium or higher attitude to risk and security because there is an element of risk involved due to the balance of the pension fund remaining invested.

FLEXIBLE ACCESS DRAWDOWN

Overview

This is very similar to a Capped Drawdown Pension which still exist but are no longer available for new investors. Under Capped Drawdown your income is limited to a percentage of a published government annuity rate. This “cap” on the maximum income you can take is removed under Flexi Access Drawdown (FAD). The only downside to FAD is that the annual limit for further pension contributions reduces from £40,000 each year to £10,000pa. This is further being reduced to £4,000 each year retrospective. This restriction only applies to defined contribution pension schemes so if you also have a final salary pension (defined benefit) then any ongoing accrual of benefits is not affected by this restriction.

With FAD you take your tax free cash from the fund (normally 25%) and the balance goes into FAD. Within FAD it can remain invested until you decide to take an income from it or purchase an annuity. As the name suggests there is no restriction on how much and when you can withdraw but bear in mind you will pay income tax on any withdrawals and a sizeable withdrawal could put you into a higher tax bracket. Therefore, with this product you will have access to the whole pension fund.

There is no requirement to ever buy an annuity and the fund could be passed down the generations free of inheritance tax.

Tax Free Cash

Most types of pension plan have the option of taking a tax-free cash lump sum before exchanging the residual fund for a series of payments. Ordinarily up to 25% of the fund may be taken as tax-free cash, however if the pension funds are or were part of an Occupational Pension Scheme or the individual had applied for transitional protection, then the available tax free cash may be greater than 25%. Tax Free Cash must be taken at outset and once drawn, there will be no further entitlement.

Income

A pension income does not have to be taken but if this is required it is only limited by what is available in the fund. This income is taxed as earned income under the PAYE system. This flexibility allows you to vary your income each year, which is useful if you want to maximise it but keep it below a tax threshold. As a precaution we give you clear guidance on the maximum sustainable income you can take from the fund and can review this regularly in the light of investment performance.

Under FAD you can access the whole of your fund and withdraw it. This action depending upon the fund size could put you into High Rate Tax as the withdrawals are Taxed as Income. Whilst it is beneficial to have this access and flexibility it is not wise to withdraw the whole sum.

Death Benefits

The balance of any monies in the FAD fund will be passed free of tax if the member dies before age 75 and the fund is paid to the beneficiaries within two years of death. If the money is not paid within two years or the member dies after their 75th birthday then a tax charge of 45% is applied to the fund.

Advantages

- You are able to take all of your tax-free cash lump sum entitlement at outset.
- You do not receive a set income but are able to vary it to suit your personal circumstances.
- You have the potential to benefit from good investment performance in a tax-efficient environment and to exercise control over your own investment portfolio.
- The FAD fund is free of Inheritance Tax and can be passed down to your children/ grandchildren. Any money they take form the fund is also taxed PAYE.

Disadvantages

- Taking large withdrawals is likely to erode the capital value of the fund, especially if investment returns are poor. This could result in having to take a lower income later or even exhausting the fund which will affect the financial security of you and your spouse/partner.
- The investment returns may be less than those shown in the illustrations.
- A careful investment portfolio needs to be constructed which will involve some investment risk. This means the fund value could fall which could affect your future income levels.
- Increased flexibility brings increased costs and the need to review arrangements on an on-going basis.
- There is no guarantee that your future income will be as high as that offered by an annuity purchased today.
- Transferring your pension fund into FAD whilst you are in serious ill health may result in a charge to Inheritance Tax. We can advise depending on your exact circumstances.

Suitability

FAD suits those who want complete control over their retirement income and would be generally suited to the relatively sophisticated investor, who is capable of fully understanding the risks involved.
The contract can be used as a useful tax planning tool and a means of accessing pension fund tax free cash without having to take the full taxable income.
It may also suit someone who wants the flexibility to draw from the fund and also has other retirement income available.
It may also suit a high rate tax payer who just wants the Tax Free Cash and control of when to draw any income in a tax efficient way.

TRIVIALITY

Overview

If a members pension benefits are small enough they may be able to commute them in return for a lump sum payment. This only applies to final salary (defined benefit) pension schemes. The minimum age to take the trivial lump sum is normal minimum pension age (currently 55) and the value of the benefits must not exceed £30,000. The payment of this lump sum must extinguish all of the members entitlement to benefits under that pension scheme.

It is possible to get a payment before age 55 if you are in serious ill health or you have a protected pension age, e.g. professional sports players.

Tax Free Cash

Tax free cash can still be drawn and this will usually be a maximum of 25% of the fund value.

Taxation

The remaining fund after the tax free cash has been paid will be taxed as earned income dependent on the individual's current income tax status.

Death Benefits

If the scheme member dies then any entitlement a dependant has to any guaranteed pension payments under a lifetime annuity or scheme pension can be commuted for a lump sum so long as the capital value of that benefit does not exceed £30,000. There is no minimum or maximum age for the payment of this benefit. The payment must extinguish the individual's rights to receive those guaranteed pension payments.

Trivial lump sum death payments are tax free if the member dies before age 75. If they die on or after their 75th birthday the lump sum is taxed as the recipients pension income under PAYE.

If the member has died and the recipient has been receiving payments since before 6th April 2015 then the lump sum is taxed under PAYE regardless of the age the member died.

PENSION INVESTMENT STRATEGY

When investing for Income a spread of investment over the short, medium and longer term is required. Short-term monies are used to provide the withdrawals of capital needed in the first two years. The aim of the medium term investments are to provide a secure base to provide for future income, whilst keeping pace with inflation. Longer-term investments are required to build on the value of the fund in order to provide for the future and to ensure the critical yield is achievable. The types of funds suitable for the periods can be generally summarised as follows:

Short term (1-2 yrs)	Medium term (3-5 yrs)	Long term (5yrs+)
CAUTIOUS • Cash • Building society • Short term gilts • UK fixed interest • Index linked • Derivatives • Distribution • Mixed/managed	**BALANCED** • Mixed/managed • Global • UK Equity • With profits • International • Tracker funds • Medium / long term gilts	**ADVENTUROUS** • Individual sector funds (i.e.Japan, North America, Europe, Far East etc) • Ethical • Emerging markets • European small companies • Technology

The above list is not exhaustive and is loosely based on the type and range of funds offered by most insurance companies. A brief description of each fund type follows but you should refer to the product providers Key Features Document for further details.

Cash
Invests in short-term deposits managed actively in the UK money market, achieving higher potential returns than those available via normal deposits. This is a secure investment fund, which aims to achieve a higher rate of return from the money markets than that achievable by an individual investor.

Building Society
Invests in selected building society accounts. This is a secure investment fund the return of which is dependent upon underlying base rates. The size of building society funds can enable them to achieve a higher level of return than that likely for an individual investor.

Short, Medium and Long Term Gilts
Invests solely in gilt-edged securities issued by the Government, forming part of the short / medium / long Gilt index. This is a specialist fund which aims to help protect against changes in annuity purchasing power, annuity rates being calculated with reference to the Long Gilt index. The underlying stocks are tradable and are therefore influenced by market fluctuations.

UK Fixed Interest
Invests mainly in gilt-edged securities issued by the Government, as well as other quality sterling-denominated fixed interest and convertible debt instruments issued by UK Corporations. The underlying stocks are tradable and are therefore influenced by market fluctuations.

Index-linked
Invests predominantly in gilt-edged securities issued by the Government. Interest payments and capital repayment values are linked to movements in the Retail Price Index (RPI) and this provides a 'hedge' against inflation. The interest distributions and redemption values of the

underlying securities are guaranteed by the Government to be calculated with reference to the RPI. However, it should be borne in mind that these stocks are traded in the market and prices may be liable to fluctuation.

Controlled Risk Funds (Derivatives)

There are a variety of controlled risk funds available. They invest in a combination of cash deposits and financial instruments linked to movements in the UK stock market, as measured for example by the FTSE-100 Index. Typically, they are quarterly rolling funds which have been structured with the aim of combining security with potential for growth. The bulk of funds are deposited with one or more major financial institutions for investment in the cash markets with the aim of protecting the capital value of the unit price from one quarterly date to the next. The balance is invested in FTSE-100 Index options with the quarterly unit rice benefiting from the addition of a predetermined percentage rise in the index over the period. Various levels of 'guarantees' may be offered.

Distribution

Invests in UK equities, gilt-edged securities issued by the Government (both conventional and index linked), as well as other quality sterling-denominated fixed interest and convertible debt instruments normally issued by UK corporations. No more than 60% of the fund may be invested in equities. This fund aims to provide a balanced return by investing in a combination of income and medium-term capital growth assets.

Mixed / Managed Funds

Invests in a variety of the provider's regional and specialist funds with little variation from market average asset allocations, usually the larger portion of the portfolio will always be invested in the UK. Managed funds operate on a similar basis except that the assets are direct held by the fund rather than 'holding' a selection of the provider's sector funds.

Property Funds

These funds are generally divided between those that invest directly in commercial property such as offices and retail units, or those that invest in the shares of property companies. The former tends to be less volatile (less risky) than the latter. Returns from property funds can be made up of a combination of rental income and increasing values in the underlying properties held within the fund. As it is sometimes difficult for fund managers to sell a property holding when investors wish to switch or encash their investment, individuals may experience a delay, although this is not common.

Global Fund

This fund is similar to the mixed fund but with wider investment ranges. It may therefore have a substantially higher proportion of assets invested overseas or in bonds and cash. Risk rating is average.

UK Equity

Invests in a broad spectrum of stocks mainly on the London Stock Exchange. The portfolio will provide exposure across all major industrial sectors and may include exposure to smaller companies. The mainstream UK equity funds aim to provide capital growth from a well diversified portfolio of holdings.

With Profits

With profits investments aim to provide a relatively steady rate of return over a period. Depending on the fund selected, a certain level of growth by way of an annual bonus may be added through unit price increases. On withdrawal from the funds a terminal bonus may be paid. This will reflect the extent to which the client's share of the performance of the fund's underlying assets over the period of investment (subject to an element of smoothing) exceeds the growth already added to the client's fund.

International

Invests internationally in equity markets specifically excluding the UK to provide exposure to both the assets and currency of the markets in which it invests.

Tracker Funds

Tracker funds are a relatively recent development which have proved to be very popular for large group schemes that wish to follow a 'passive' approach to fund selection and management. In simple terms the aim of the tracker funds is to track a selected index such as the FTSE-100. This is achieved by the fund manager buying shares in the top 100 companies in direct proportion to that share's position in the FTSE table. For example, if BP represented 5% of the FTSE-100 then the fund manager would have 5% of his investments in BP.

Individual Sector Funds (e.g. Europe, Japan, North America)
Invests in a broad spectrum of stocks quoted on their respective market(s). The portfolio will normally provide exposure across all major industry sectors. Such funds aim to provide capital growth from a well diversified portfolio of holdings.

Ethical Fund
Usually invests in a wide range of predominantly smaller companies whose activities comply with a strict set of ethical criteria. These specialist funds aim to generate growth from a broad-based portfolio and are for those who wish to impose ethical criteria in relation to their investments.

Emerging Markets Fund
Invests in companies generating in, or whose shares are listed in, the emerging markets of usually Asia, Europe, Latin America and Africa. The fund will typically be invested across all major emerging markets. This provides opportunities for capitalising on the above average returns which may be available from countries which are at an early stage of economic development. A diversified portfolio of holdings spreads the risks which, by their inherent nature, are associated with investment in these markets. These specialist funds aim to produce growth over the medium to longer term, subject to short-term volatility.

European Smaller Companies
This fund invests in smaller companies listed on European stock exchanges. Typically, the fund will be invested across all major and most secondary markets within the region, although it may invest in developing markets when conditions appear to be appropriate. Risk rating is above average.

Technology
Invests in companies involved in technology-intensive industries on a worldwide basis. Its risk rating is 'higher'.

Other Investment Options
In addition to the above investment funds, those clients who take their income from plans with a self investment facility, such as a SIPP, would also have access to a much wider investment choice. This range could include OEICs, Unit Trusts and shares along with the facility to invest in commercial property.

Where commercial property or direct share purchase is considered, clients should bear in mind that larger fund sizes would generally be required so that the overall fund has a mixture of different assets (known as diversification). This helps to reduce the investment risk as you are not then relying on the performance of one asset in isolation.

Other Considerations

BENEFIT CRYSTALLISATION EVENTS

Every year the government announces a new pensions Lifetime Allowance figure. In the tax year 20016/2017 this is set at £1.0 million. If you have a pension fund that is valued greater than this there is likely to be a tax charge when you come to take your benefits unless you have applied for pension protections in the past that cover the excess.

Any pension benefits that you have taken since 5th April 2006 will have been tested against your available Lifetime Allowance at the time. This is called a BCE (benefit crystallisation event) and each time you take some benefits from your pension or move the fund into FAD (even if no income is taken) it will have an impact on your Lifetime Allowance.

Calculations surrounding the revaluation of BCE's against Lifetime Allowance are complex. We can do these calculations for you and take into account any existing pension protections you may have as well as advise on applying for any protections that may still be available. This is very important as the tax charge for exceeding the Lifetime Allowance is 25% of the excess if income is taken or 55% of the excess if a lump sum is taken.

TAPERED ANNUAL ALLOWANCE

The tax year 2016/17 sees the introduction of the tapered annual allowance. Normally you would have an annual allowance that allows you to pay into your pension and receive the full tax benefits of doing so. In 2016/17 this limit is £40,000. However if you earn high levels of income you start to lose this allowance by £1 for every £2 of income over a pre set income limit until the maximum you can pay into your pension is £10,000. Again there are quite a few calculations surrounding this and we can advise what the maximum pension contribution you can make in any one tax year is taking into account any unused allowance that you can carry forward from previous years.

KEY CONSIDERATIONS

Pensions are a notoriously complex area of tax and law and the pitfalls are many for the unwary. It is our aim at First Place Financial Ltd to guide you through the complexity to ensure that you maximise your retirement income without exposing your capital to unacceptable risks and at the same time keeping any tax charges to a minimum. We also recognise that pensions cannot be viewed in isolation so we will also highlight other factors that may impact on your financial security and plans for the future.

You may also find the following Government websites helpful:

The Money Advice Service
https://www.moneyadviceservice.org.uk/en

The Pensions Advisory Service
http://www.pensionsadvisoryservice.org.uk

Please note:

** Unit prices can fall as well as rise*
** Past performance is not necessarily a guide to future performance and past performance may not necessarily be repeated*
** This guidance is based on present legislation which may be subject to change*

YOUR RETIREMENT OPTIONS EXPLAINED

Contents as above

Client Signature

I confirm that I have been fully made aware of the associated advantages and potential disadvantages of these products.

Client Name:	Client Signature:	Date:

Spouses / Civil Partners Signature

I confirm that I have been fully made aware of the associated advantages and potential disadvantages of these products.

Name:	Signature:	Date:

For more information concerning the details contained in this guide, please speak to your independent financial adviser.