

Case Study

Business owner needed pension
advice



1. The value of advice

Background

Dan had the following pension plans

- Self-employed Pension: fund value £45,000 – retirement age 65
- Executive Pension Plan: fund value £194,000 – retirement age 60
- Final Salary Scheme: 5 years membership – retirement age 65
- Free Standing AVC: fund value £32,000
- Contracted out Personal Pension – fund value £12,000
- Small army pension in payment

Challenges

- Dan wanted help to review his existing pension arrangements
- He wanted if possible to amalgamate the pension schemes for ease of understanding and administration
- He wanted, if possible to be able to use his pension fund to help finance his new company
- Dan wanted to understand the advantages of making pension contributions in the future.

What We Did

- Obtained information on each scheme
- Analysed the benefits, risks and charges of each scheme
- We recommended that the Final salary scheme should be left untouched and the benefits taken at normal retirement age
- Dan took benefits from the Executive Pension Scheme because more than 25% of the fund to be taken as tax free cash
- Having undertaken a full analysis of the charges and penalties, we moved the free standing AVC, contracted out Personal Pension and Self Employed Pension to a SIPP (Self invested Personal Pension) using the low charged SIPP
- We carried out all the administration, a risk analysis and made recommendations for the new portfolio to meet Dan's risk profile
- We recommended that the pension in payment should be recycled into the SIPP and discussed the tax advantages of making further contributions when the business was established
- We set up an annual review service for the total pension fund

The Results

- Dan received a tax free sum of £49,000 which he will use in his new business
- The pension of £2,500 per annum is being re-cycled into the new scheme, so he will pay no tax on this income
- Dan will have access to further tax free cash sums from his SIPP in the future.
- Dan has his pension fund under his control and it is being regularly reviewed

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