

Case Study

Divorcee needs income
without retiring



1. The value of advice

Background

- Harriet is a highly successful journalist, aged 63, is reducing her workload but not fully retiring – she is divorced with two children – she needs pension advice.
- Harriet has the following pensions:
- Final salary scheme – 20 years' service – normal retirement age 65
- Personal Pension – fund value £250,000
- Personal Pension – fund value £85,000

Challenges

- Harriet wants access to £25,000 a year for two years until the benefits of the final salary scheme and the state pension are received.
- She does not believe in annuities
- She wants to preserve her pension fund for her children
- If her work situation changed she needed to have access to income

What We Did

- We discussed with Harriet her options which included buying an annuity or a short term annuity or an unsecured income plan
- We established whether the existing personal pension plans could be moved without penalty
- We moved the plans to an unsecured income plan, took a tax free amount of £50,000 but deferred taking income until Harriet's income needs increased

The Results

- Harriet received a tax free capital sum of £50,000
- She used this to provide her with income for the next 2 years thus saving 40% or even higher rates of tax
- The pension fund was available to her children less tax for the next 12 years
- She could start to draw down an income should her circumstances change
- She did not have to buy an annuity to satisfy her needs

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