The Attractions of a Scheme Pension

Scheme Pensions, usually available for a Small Self Administered Pension Scheme (SSAS), remain a fundamental tool in personal financial planning for the high net worth (HNW) individual.

At age 75, Scheme Pensions allow a much higher level of income to be drawn down whilst keeping flexibility to reshape that income to changing circumstances such as the onset of illness where it could offer better returns than would be available from an unpaid life annuity.

As scheme pension is tailored to the individual's circumstances and not governed by the Government Actuary's Department (GAD), there is no upper limit for the income taken. This means that HNW clients who want to take income at a higher rate than allowed by Alternatively Secured Pensions (ASPs) can benefit.

As the rate of income allowed under ASPs reduces to 90% of that set by GAD at age 75, the benefit of a rate of income tailored to individual circumstances can be dramatic for those with bigger pension funds or reduced life expectancy.

If you have got a large amount of money in your fund after the age of 75, in an ASP you cannot get it out, no matter how hard you try.

In addition, because of higher rates of income allowed, anyone in danger of breaching the lifetime limit for pensions can use the higher rates of income to reduce the value of their pension below the lifetime limit.

The scheme pension permits trustees to provide a 10 year guarantee, unlike an ASP where no guarantee is available.

The 10 year predetermined payment term is another unique advantage of a scheme pension.

The 10 year predetermined term is similar to a guarantee but obviously the level of payment is determined by the level of the investment return. If a member dies part the way through, the income continues to be paid to a dependent or to another beneficiary as the members see fit.

The ability to vary the level of income to an individual's circumstances remains the most appealing reason for taking out a scheme pension. Despite the unwelcome level of tax and charges levied on any remaining assets, if scheme pension is used properly, and the level of income is adjusted every three years before age 75, as is permitted, then there should be very little left in a pension to incur the new higher charges.

If you get it right, then there will not be much, if anything, left to incur the tax and charges.

It should be noted that legislation regarding taxation could be subject to changes that cannot be foreseen.

This information is based on our interpretation of legislation and HMRC practice, which may be subject to change at any time. Every care has been taken to ensure accuracy but it must be appreciated that neither the Company nor its Representatives can accept responsibility for errors or omissions.

The above is provided for information purposes only and does not constitute a recommendation, implied or otherwise. You are strongly recommended to take professional advice.

For further information please contact John Hebblethwaite at:

jch investment management limited
1 Henley Way
Doddington Road
Lincoln
LN6 3QR
t. 01522 697310
f. 01522 697350
e. enquiries@jchim.co.uk

E&OE

jchinvestmentmanagement

jch investment management limited is an Appointed Representative of Financial Limited which is authorised and regulated by the Financial Services Authority