

This document is intended for use by financial advisers only.



SIPP for Income

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Comparison of Income Options

Standard Life Assurance Limited*, registered in Scotland (SC286833), Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH is the Provider and Scheme Administrator of the Standard Life Self Invested Personal Pension Scheme. Standard Life Trustee Company Limited, registered in Scotland (SC076046), also Standard Life House, is the Trustee. Telephone (0131) 225 2552. *Calls may be recorded/monitored.* www.standardlife.co.uk

*Authorised and regulated by the Financial Services Authority

Reasons why SIPP for Income – Standard Life SIPP – Income Recycling – Taking more tax free cash and tax efficiency

By using the income flexibility of our SIPP to recycle a client's earned income, you can offer clients tax efficiency, and allow them to take two tax free lump sums.

Quick Guide to how it works

1. Your customer moves into drawdown and takes 25% as a tax free lump sum with the remaining fund providing an income. Please note that the income is taxable.
2. Your customer continues to make payments to the SIPP from their earned income and replaces this amount with income from their pension.
3. Tax that is deducted from the pension income is offset by the tax relief on the pension payments. 20% basic rate tax relief is added immediately (we then reclaim this on your client's behalf from HM Revenue & Customs). Up to a further 20% tax relief is available for higher-rate tax payers via their self assessment. Special rules apply for people with income of £150,000 or more.
4. Your customer has the option of taking another tax free lump sum from the pension pot that has been accumulated via the payments from their earned income. The customer can also take a taxable income from the remaining funds.

Benefits for your customer

- As well as full drawdown, we offer phased drawdown. The customer could use income recycling but on a phased basis resulting in greater death benefits.
- Tax efficiency.
- Generates a new pension pot that another tax free lump sum can be drawn from.

Benefits for you

- Excellent example of the added value services that you can offer your customers.
- Confidence that the Standard Life SIPP will pay out the income as instructed.
- As we offer phased drawdown within the same contract you can again illustrate your expertise by using the income recycling technique while considering death benefits.
- This advice can be paid for through a fee or through fund based commission. As the client would initially be moving into drawdown you will have the option to increase your fund based commission or take initial or Funded Initial Commission on the move to drawdown.

Every client's circumstances will be different and require individual advice. No guarantees are given regarding the effectiveness of any arrangements entered into on the basis of these comments.

Tax and legislation are liable to change. The information here is based on Standard Life's current understanding of law and HM Revenue & Customs practice. The value of tax relief and other tax rules may also change and will depend on your client's financial circumstances.

Please note that there are rules regarding recycling of tax free lump sum payments and for more details please ask for our leaflet "Recycling of lump sums"(GEN449).