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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

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Reasons Why SIPP for Drawdown – Explanation of Drawdown and Risks

Features

- Complete control and flexibility over the level and timing of payment of tax free lump sum and income.
- The clients can choose to increase, decrease, stop or restart their income within an income year provided that their income does not exceed the maximum income. Maximum and minimum limits for drawdown are set by HM Revenue & Customs.
- The clients can choose to receive their income on a monthly, quarterly, termly (4 monthly), half yearly or yearly basis. The same frequency must apply to all regular income paid from all the post pension date accounts.
- Clients can opt to take any level of income between £0 and GAD maximum.
- £50,000 minimum fund is required to move into drawdown. Unlike competitors such as AEGON Scottish Equitable there is no minimum insured fund requirement. There is no minimum fund for any subsequent move to drawdown.
- Clients can continue to make regular, single or transfer payments when in drawdown up until age 75.
- 3 different types of drawdown to choose from – full drawdown, phased or drip-feed.
- Full drawdown means the client takes their full tax free lump sum and then chooses the level of income they want to take from the remaining fund (within the limits mentioned above).
- Phased drawdown means the client can choose to take part of their tax free lump sum and a level of income from the remaining post pension date accounts. Further tax free lump sums can be taken at a time to suit the client provided it is before age 75.

- Drip-feed drawdown allows the client to set a level of income required and receive this as a combination of tax free cash and income.
- Drip-feed drawdown can maximise a client's death benefits compared to phased and full drawdown.
- At age 75 the client does not have to transfer out to an annuity. They can instead move into the Alternatively Secured Pension (ASP) stage, although at this point the death benefits basis and income limits change.
- Drawdown calculator available online enables you to assist your client in deciding the level of income to take.
- The client continues to have control over investment choice. Same investment choice when you move into drawdown, although some investments may not be suitable to draw an income from. From a funds only perspective the client has access to over 150 Standard Life Investment Policy (SLIP) funds and more than 1,200 FundZone funds. In the unlikely event the required fund is not available in this range the client can buy the fund via the whole of market route.

Risks

- If the market value of the plan drops and a GAD review is undertaken the client's income may reduce.
- If the GAD limit reduces from the previous income year the client's income may reduce.
- If drip-feed drawdown has been taken and tax free lump sums run out during the income year the client's income may reduce or in extreme circumstances stop for the remainder of the income year.

Reasons Why SIPP for Drawdown – Explanation of Drawdown and Risks

- From 6 April 2010 a client must be 55 or older in order to move into drawdown. This rule applies to each movement into drawdown therefore a client who is between 50-54 and using phased drawdown will not be able to move subsequent monies into drawdown after 6 April 2010 until they are 55.
- After age 75, when in the ASP stage, the client can no longer take their tax free lump sum entitlement and cannot make any new payments to their plan.
- As the client's fund remains invested, its value may fall which means the client would receive a lower income.
- If the income taken plus charges is higher than the growth on the fund the fund value will decrease.
- Usually only suitable if the pension fund is more than £100,000 or the client has other assets or income to live on.
- If the plan is not reviewed regularly the client risks running out of funds completely.
- The plan will require frequent monitoring to ensure the level of income is appropriate to the performance of the fund.

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.

