

Private & Confidential

Mr

Dear Mr

Re: Pension Arrangements

As you may have read in the press in April 2006 (A day) there are going to be major changes to the pension system under the banner of Pension Simplification. Many of the current limits will be removed and a lifetime limit, initially £1.5 million, introduced. Many of these changes are positive and we will be discussing planning ideas with you in due course.

Some changes, however are not positive and you may need to take action to ensure you are not worse off.

Tax-free cash

One of the attractions of pensions is the ability to take a tax-free lump sum on retirement. Under the new rules the lump sum will be 25% of the fund value, the same as personal pension plans. Currently, however company schemes whether final salary, money purchase, executive pensions or Section 32 buy out policies calculate the cash sum based on salary and service and this can be up to 100% of the fund!

This higher tax-free cash will be lost unless the higher % is calculated and certified to the Revenue. Even then it will be lost if you subsequently transfer to another scheme. We are therefore recommending all our clients look at any records or old correspondence they may have and for any plans that may be company schemes obtain;

Current value

Tax-free cash amount and how calculated.

Confirmation that, if the cash sum exceeds 25% the scheme will certify this with the Inland Revenue.

If you forward this information to us we can review the calculation and suggest any changes that may be needed before A day. If required we can complete the whole process for you on a fee basis.

If you have any immediate queries please let me know.

Yours Sincerely

Mr Ian Smith APMI, FSFA, CFP
Director

