

Taking benefits

The minimum age for taking benefits will rise from 50 to 55 in 2010.

Current low retirement ages for special occupations e.g. Sportspeople, entertainers will be abolished but those with existing plans may keep the lower age.

Anyone can take benefits without having to leave work.

Unsecured Income

Income drawdown is now called unsecured income. Income can be drawn up to a maximum of 120% of the best single life level annuity rate shown on FSA tables. There is no requirement to draw income so in any year the minimum is zero.

The maximum rate is reviewed every 5 years.

Scheme pension

Defined benefit/Final salary schemes give retiring members a fixed amount of pension based on salary and service. The tax-free lump sum is based on 25% of the notional fund i.e. 20 times the pension.

The finance act also allows moneypurchase schemes to use this method if the trustees buy the annuity on behalf of the members. On current annuity rates many retirees would be able to get more than 25% of their actual fund by taking the scheme pension and opting for a level income with no spouses pension. It has been questioned whether the Revenue had considered this and whether the government really wants to encourage people to opt for such pensions.

Alternatively secured pension

At age 75 as well as an annuity a new option is available. Essentially drawdown can continue post 75 although the maximum income is restricted to 70% of the best annuity rate for a 75 year old taken from FSA tables while the minimum continues to be zero.

On death if there is a dependent they can use the funds to buy an annuity or continue the ASP arrangement. If there is no dependent then the fund returns to the scheme or provider or it can be nominated to go to charity. The scheme or provider can pay the excess funds as a transfer value into another scheme members plan.

The revenue have confirmed they have no objections to such transfers being made to family members such as children if they are members of the same scheme or have plans with the same provider.

In our SIPP for example we will allow children to set up plans for a notional amount to take advantage of this option.