

## Private Client Enews

### **We are sad to announce that...**

After a long illness the death of the Pension Annuity has been announced. For so long a bugbear of pensioners, it is hard not to learn of its demise and not burst out laughing.

Post A Day rules do not require you to purchase an annuity at all at anytime with your pension fund. If you do, a new range of annuity types is available which addresses the long-standing objections to conventional annuities, namely that they tie up capital for life and give no return on death.

The new annuities can be for periods as short as five years, and can be arranged to provide a return of capital on death before age 75 equal to the purchase price less the payments already received.

The alternative to buying an annuity is to convert one's pension plan into an Unsecured Pension (previously known as Income Drawdown), which enables the plan holder to maintain the investments held in the plan and draw upon an income from them. Optionally, tax-free cash can be drawn but no income (which may be a good way of paying off the mortgage early) and meanwhile the plan holder can continue working and contributing.

Another major advantage of Unsecured Pension is that on death before age 75 the value of the fund will be returned, subject to a 35% tax charge, if it is not used to provide a pension income for surviving spouse or dependants.

At age 75, a choice must be made between applying the fund to buy lifetime annuities and continuing in income drawdown by converting the Unsecured Pension to an Alternatively Secured Pension. This is similar to Unsecured Pension, but with two major disadvantages: the income which can be drawn is lower; and on death the fund (which cannot be drawn as a lump sum) is subject to inheritance tax unless it is applied to provide pension benefits to surviving spouse or dependants or is gifted to charity.

If you have any queries you can phone or email Glenn Smyth or Rod Smith on [glennsmyth@boltburdon.co.uk](mailto:glennsmyth@boltburdon.co.uk) or [rodsmith@boltburdon.co.uk](mailto:rodsmith@boltburdon.co.uk) or phone 020 7288 4700.

Our full range of services includes Financial Planning, Trusts Wills & Probate, Property, Matrimonial and Family Law, Commercial Law, Commercial Dispute Resolution, Debt Collection, Compensation Claim Litigation. Visit our web site at [www.boltburdon.co.uk](http://www.boltburdon.co.uk). To stop receiving this bulletin, reply stating 'unsubscribe'.