Cash out Retirement Plan

Case Study

Managing the income tax paid when taking cash

Graham, 68, retired and Louise, 67, retired

Graham would like:

- To have a set income to pay for him and his partner Louise to travel around the world
- To find a solution which will allow him to stay in his curent tax band
- His income to be paid annually in January

Graham has been retired for four years, he met his partner Louise eight years ago and they live together in Devon. Graham owns his own home and also inherited his parents' home which he currently rents out, providing him with a monthly income of £1,400. Graham and Louise are both receiving a State Pension; Graham also has a pension pot of £75,000.

Graham and Louise both wanted to travel the world during their working life but they never found the time. The couple would like to make the most of their early years in retirement and over the next ten years they plan to go on at least one holiday per year and travel around Australia, Asia and South America.

Graham's rental income and State Pension are enough to cover their day to day living expenses. He would like to use his £75,000 pension pot to provide him with an additional income stream of £7,000 per year, over the next ten years to pay for pay for him and Louise's dream holidays. He would like his financial adviser to help him find a solution which will allow him to manage his income tax liability when taking the cash from his pension pot.

Suggested action

Graham could use his £75,000 pension pot to take out a **Cash-Out Retirement Plan** for **eight years** to fund their dream trips around the world and manage his income tax liability by paying less income tax than he would if he took out all of the money as a one-off cash lump sum.

Based on the couple's circumstances, Graham's financial adviser advises that by using his £75,000 pension pot, he could take 25% as tax-free cash and place the rest of the money in a Cash-Out Retirement Plan for eight years. The 25% tax-free cash will be enough to pay for more than two years of the couples planned trips, which means they have a holiday fund for the next ten years.

take 25% tax-free cash

£18,750

place

£56,250

in a Cash-Out Retirement Plan for eight years

receive an income of

£8,316

for eight years

Please note this example is not real, it is for illustration purposes only. Correct at the market condition of 12/10/2023.

Benefits for Graham

- Graham will pay less tax on his pension pot and their money for travelling around the world will go further.
- Alongside his other income, he will be reassured to know he has separate income to pay for their holidays.
- Graham has the flexibility to choose when he would like to be paid his income when he takesout the plan.

Risks

Graham's financial adviser also tells him about the risks involved with the product:

- If Graham wants to continue contributing to his pension savings, the maximum he can contribute each tax year is £4,000. This is known as the Money Purchase Annual Allowance.
- The income we pay Graham may have an impact on any means tested State benefits that he receives.
- Once the term of the plan comes to an end, Graham will receive no more income from us. There is no maturity value and there will be no other payments made. The plan does not pay an income for life.

Get a quote today

Just access one of the major adviser portals

legalandgeneral.com/adviser/annuities/quoting-and-portals

Or speak to our team of Broker Support Specialists for help with your Fixed Term Annuity or Pension Annuity quotes.

Call

0345 071 0040

Email

broker.annuityquotes@landg.com

Visit

legalandgeneral.com/adviser/annuities

Call charges will vary. Calls may be recorded and monitored. Lines open Monday to Friday, 9am to 5pm. If you're contacting us by email, please remember not to send any personal, financial or banking information, because email is not a secure method of communication.