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Pension Scheme

1 message

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To: Rachel Goldman <Rachel@goldmanleadership.com>
Cc: Emily McAlister <emily@retirement.capital>

10 March 2024 at 20:07

Dear Rachel,

I hope this message finds you well. Following our conference meeting last month, I have now reviewed and considered the tax implications in connection with the payment out of pension benefits to you. We discussed one pension payment option, and that is known as flexi-access drawdown.

With a flexi-access drawdown, you have significant flexibility in how you choose to receive pension payments. There are several options available to you:

No Drawdown: You may elect not to take any pension payments in any given tax year.

Regular Payments: You have the option to set up a regular series of payments that suit your financial needs.

Irregular Payments: You can choose to take payments as and when you need them, without a set schedule.

Lump Sum: Subject to the pension scheme's rules, you could opt to withdraw the entire pension fund in a single payment.

It's important to note that these options can be tailored to your personal financial situation.

TAX

The tax treatment of your withdrawals is determined by the age at which Philip passed away and the timing of your designation of the funds:

- Since Philip had not reached the age of 75 at the time of his death, any income withdrawals you make as a dependant will not be subject to income tax, provided you designate the funds as dependant's flexi-access drawdown within the 'relevant two-year period'. This period begins from the date of Phil's passing.
- It's crucial to designate any unused uncrystallised funds within this two-year period to benefit from the tax-exempt status of the withdrawals. Your scheme rules do not need to be updated.

HMRC Reporting:

Upon your decision to utilise the flexi-access drawdown, a Benefit Crystallisation Event (BCE) will occur, particularly when funds are initially designated for drawdown. This event necessitates us reporting to HMRC as it marks the point at which the pension benefits are tested against the Lifetime Allowance, under an event report. Importantly, it's pertinent to acknowledge the changes following the budget announcement on 5 April 2023, which abolished the Lifetime Allowance assessment to tax. This significant amendment does simplify the process for beneficiaries like yourself.

This change means that, while BCE reporting may still be necessary for administrative purposes by us, the tax implications related to the Lifetime Allowance no longer apply, providing greater flexibility in managing your pension benefits. Retirement Capital, as the scheme administrator is responsible for reporting the BCE to HMRC and not you.

OTHER MATTERS

As we move forward, it's important for us to share a clear understanding of the scope of our services at Retirement Capital. Our primary role is the administration of the pension scheme, ensuring that all processes comply with HMRC

regulations and the specific rules of the scheme. While we are here to provide general information on what the scheme allows, our remit as you know, does not extend to offering personal financial planning.

We also understand the need for clarity regarding any guidance related to pension tax. It's important to note that such guidance is a specialised service, and as such, it is chargeable where we undertake associated work. This includes preparing scheme documentation, and undertaking associated pension specialist tax-related tasks. I assure you that we will always provide a quote in advance for these services, ensuring transparency and allowing you to make informed decisions.

In terms of communication, we take the confidentiality and security of your information very seriously, adhering strictly to data protection laws. To maintain the integrity of your data, I kindly request that all communications be channeled through email to Emily, please do not use WhatsApp for any communications.

For any requests or queries, please reach out to Emily initially. She will be your primary point of contact and can either assist you directly or ensure that your needs are addressed by the appropriate member of our team, given my often lack of availability.

Given the demands on time, recurring health issues, and my role heading the development of the firm's platform services, my direct involvement with scheme administration is managed and therefore Emily is and will need to be the main point of contact.

BANKING

Metro Bank at this time remain as the banking service provider for the pension scheme. Barclays cannot provide us with the level of service and account type we require. I have had a conference call and meeting with a new banking provider and subject to final terms, we should be in a position to offer an alternative banking solution in May.

NEXT STEPS

The next step will be that we require a letter from you by which you elect for designation of your pension fund to be paid as "flexi-access" in order to enjoy the associated tax benefits. I have attached a letter for you to sign, date and return to me if this is your preference.

If you are still seeking to purchase commercial property, and reside in an associated flat whilst receiving income from rents, I can connect you with Natasha Collins - <https://ncrealestate.co.uk/about/> who can provide you with specific information and advice.

I will be out of the office from tomorrow Monday until Thursday, and I can pick up any queries on my return. Please feel free to share and forward the contents of this email with Joseph and with your trusted advisory team.

Kind regards and my sincere apologies for the delay with my guidance note.

Gavin



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