

Keith and Vanessa Hickman Pension Scheme

Keith Hickman

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To: bradd@pensionpractitioner.com <bradd@pensionpractitioner.com>;

Hello Brad,

Thank you for ~~you~~ contacting me about our pension scheme.

I did not take in to account my income drawings that I have taken from the fund when calculating the figure of 31.53%.

I have taken four annual income withdrawals totaling £35,020 over a four year period which may affect the calculations for

Vanessa when she takes her tax free lump sum on 18th March 2017.

If you could give me an idea of her lump sum entitlement in percentage or monetary terms it will help me with my financial planning. The current value of the fund is around £560,000 which could be used for this exercise.

I assumed that the fund allocation between us would have altered once I had taken my lump sum.

The fund value before I took my lump sum was £672,844.97 of which 74.33% (£500,125.66) was allocated to me and the remaining 25.67% (£172,719.30) was allocated to Vanessa.

This meant that the overall fund value was reduced to £547,813.56 after I had taken my lump sum of £125,031.41.

The £172,719.30 amount allocated to Vanessa as a percentage of the new fund value (£547,813.46) now equates to 31.53%.

This is how I calculated the figure but after discussing it with you I can see it will be calculated in a more complex way.

I assume that the £172,719.30 may be used as a basis with any change in historic fund values will be used in the calculation.

The increase in the fund value from the point at which I took my lump sum has not increased that much.

In monetary terms I have calculated the increase to be around £47,207 since that time.

I understand what you meant about the allocation percentages do not alter so I have tried to estimate the lump sum entitlement for Vanessa using a different method.

Vanessa should be able to draw a sum of approximately £46,209 in March of next year.

To determine this amount I have used her fund value in 2009 which was £172,719.30 and calculated that 25% of this amount is £43,179.83.

Then I had to make an allowance for the increase in fund values which was £47,207.

I have calculated that £12118.04 of this increase is allocated to Vanessa which is her 25.67% allocation. The next part of the calculation is to take 25% of this amount (£3029.51) and add it to the £43,179.83 giving a total of £46,209.

I hope you can follow this and that my explanation is not too confusing.

Finally in regard to my tax planning do I need to inform you of what our wishes are if there ~~is~~ are unused funds once there are no surviving scheme members.

We do have wills in place which are currently under revision and