



Assessing affordability

Pensions not yet in payment

Pensions not yet in payment

How to calculate your client's annual income when pensions are not yet in payment and they have an existing investment portfolio



Final Salary/Defined Benefit Pensions if no longer an active member

- Evidence with the final pension statement provided by the pension trustees when the applicant left the scheme.
- This statement will confirm the annual pension that will be received at the normal/selected retirement age. The statement will also confirm at what percentage the annual income is revalued, to the scheme normal/selected retirement age.
- Care – don't use the annual income provided on the date of leaving statement only, as this will be significantly lower than the projected annual income following any revaluation.
- If a spouse's pension is included, this will be evidenced on the statement or in the terms and conditions.

State Pensions

- Evidence with a state pension forecast from the Department of Works and Pensions – "check your state pension forecast".

Final Salary/Defined Benefit Pensions if still an active member of the scheme

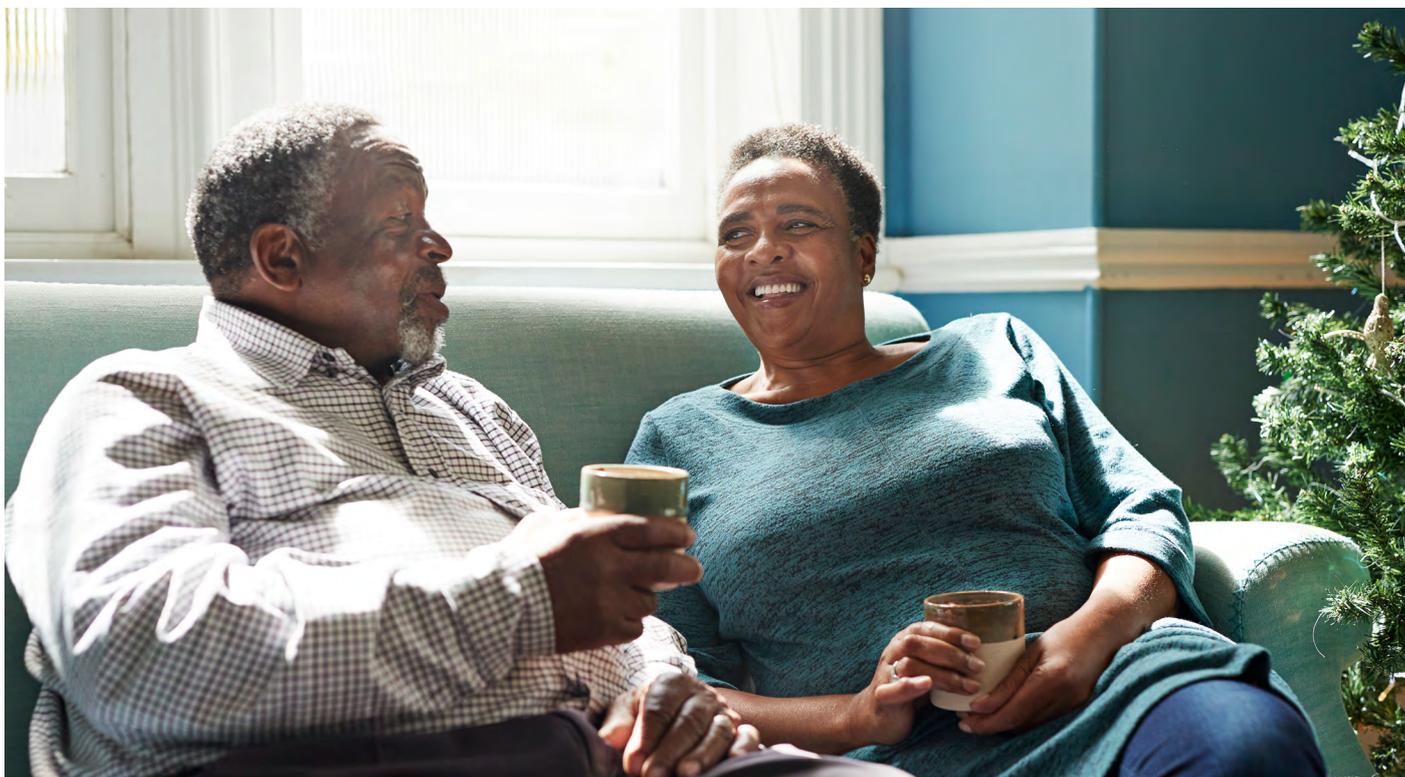
- Evidence with the latest pension statement, which should also include any spouse's pension entitlement.
- Care - the death benefit pre- and post-retirement could be different, ie should death occur while an active member prior to retirement, premiums could be returned or a death in service payment could be payable.
- Evidence of this will be in the scheme terms and conditions.
- Pension trustees or the last pension statement needs to confirm the nominated beneficiary to evidence a spouse's pension entitlement.

Money Purchase/Defined Contribution Pension if still an active member

- Evidence with the fund value on the latest pension statement; to calculate the annual income use 75% of the pension fund value and times it by 3.5%.
- Care - the death benefit pre- and post-retirement could also be different, ie should death occur while an active member prior to retirement, the death benefit could be just the return of premiums, the current fund value or a death in service payment. The pension trustees are also required to provide confirmation of the nominated beneficiary to evidence any spouse's pension entitlement.
- To calculate the potential spouse's pension, take 75% of the current fund value and times by 3.5% if the spouse would receive the fund value.

Money Purchase/Defined Contribution Pension if no longer an active member

- Evidenced as above. To calculate the annual income, use 3.5% of 75% of the fund value.



Group Personal Pension if still an active member

- Evidence using the latest statement.
- Use 3.5% of 75% of the fund value to calculate the annual income.
- If a spouse's pension is required to be evidenced, obtain evidence from the pension provider of the current nominated beneficiary.
- Care – again, understand the death benefit, but usually a nominated beneficiary would receive 100% of the fund value at date of death.
- If a spouse is nominated as the beneficiary and would receive 100% of the fund value on death, then calculate the potential annual income in the same way, ie 3.5% of 75% of the current fund value.

Group Personal Pension if no longer an active member

- Evidence using the latest statement.
- Use 3.5% of 75% of the fund value to calculate the annual income.
- If a spouse's pension is required to be evidenced, obtain evidence from the pension provider of the current nominated beneficiary.
- The spouse's income would be calculated in the same way, ie 3.5% of 75% of the current fund value.

Personal Pension

- Evidence using the latest statement.
- Use 3.5% of 75% of the fund value to calculate the annual income.
- If a spouse's pension is required to be evidenced, obtain evidence from the pension provider of the current nominated beneficiary.
- The spouse's income would be calculated in the same way, ie 3.5% of 75% of the current fund value.

Stocks and Shares ISA currently invested for growth

- Establish and confirm the funds will remain in place following the purchase or remortgage.
- Take the current fund value and times by 3.5% to provide the annual income figure.

Stocks and Shares ISA currently providing an income

- Provide the last two years' statements and take an average of the income provided over that two-year period.

Get in touch

To find out more, get in contact using the details below, or speak to your dedicated account manager.

Call:

0333 0048 444

Email:

**residentialmortgages@land
ghomefinance.com**

Call charges will vary. Calls may be recorded and monitored.

Lines open **Monday to Friday, 8.30am to 5.30pm**

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.

Legal & General Home Finance Limited is a wholly owned subsidiary of Legal & General Group plc. Registered in England and Wales number 04896447.

Registered office: One Coleman Street, London EC2R 5AA.
Legal & General Home Finance Limited is authorised and regulated by the Financial Conduct Authority.

DA734 / LG001790 / 02/21

