

Cash-Out Retirement Plan Simplicity

Simple solutions for your retirement

This is not a consumer advertisement. It is intended for professional financial advisers and should not be relied upon by private customers or any other persons.



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Sometimes the best solutions are the simplest ones. Our Cash-Out Retirement Plan offers a straight forward, easy-to-understand way for your clients to withdraw their pension pot over a period of their choice.

Section 1 Looking for a solution?

- Is your client looking to withdraw the funds from a pension pot but doesn't want to pay a higher rate of tax than they normally would by taking it all at once?
 - Does your client need a source of income for a set period to bridge the gap until their main retirement income is payable?
 - Does your client want a fixed return and to be safe in the knowledge that their pension income is not exposed to investment risks?
 - Do you have a client looking for an alternative to income drawdown?
 - Is your client looking to defer their State Pension to increase the amount of income it will pay them, and so is looking for an income for a fixed period only?
- Our Cash-Out Retirement Plan is a fixed term plan within a Legal & General registered pension scheme, and may provide the solution you are looking for.**
- It's a fixed term product that pays a set income over a chosen term.
 - It allows your client to **completely withdraw** a pension pot over the plan term.
 - Your client has the option to choose if the income continues to be paid if they die during the term of the plan.
 - Supports adviser charging, giving you and your client payment options for advice and related services.

Important information

The details are based on Legal & General's understanding of tax law and HM Revenue & Customs' practice, which may change.

Once the term of your client's plan comes to an end, your client will receive no more income from us. The plan doesn't pay an income for life.

Section 2

What is the Cash-Out Retirement Plan?

It's a fixed term plan that pays a set amount of income over a term of your client's choice.

The income payments are set at the outset, so your client knows exactly how much they will get and when.

Your client can choose how much they want to use to buy the plan and the term that they would like their income to last for and we'll work out how much income they will receive. Alternatively your client can choose the level of income required together with the term and we can work out how much they would need to invest.

We've also included death benefit options to allow your client to choose if they want the income to continue to be paid if they die before the end of the plan term.

Starting a plan

The following sections explain the Cash-Out Retirement Plan in more detail and the options available. Please note that the options are different depending on whether or not a personal recommendation to take out the product has been given. These differences are highlighted in each section.

- All clients must be aged 55 or over.
- Your clients can start a plan with a minimum amount of £10,000 **transferred from one or more pensions plans** after any tax-free cash and/or adviser charge are deducted.
- We can accept both crystallised funds, non-crystallised funds or a combination of both.
- If the client's funds are crystallised, they can only be accepted if the current pension plan is in drawdown or has been designated for drawdown.

If the client is starting a plan without taking financial advice then:

- We will not accept a transfer value from a defined benefit pension scheme
- They must be aged between 55 and 85.

Income

The income your client will receive is set when they start their plan. The amount will depend on the options chosen and the returns we can offer at that time.

The options available are as follows:

- Payment frequency of monthly, quarterly, half yearly or yearly.
- Payment in advance or in arrears.
- Fixed or escalating annually – if escalation is chosen this can be at set amounts up to 10% a year or linked to RPI or LPI.

If the client is starting a plan without taking financial advice then we don't offer escalation of income. This means the client will know exactly how much they will get both now and in the future and help to simplify their decisions.

Term

The plan term can be from 3 to 40 years and can be set to a number of years and months.

If a client is starting a plan without taking financial advice, we offer a maximum term of 25 years. If a term longer than this is required we will only accept the application if financial advice has been given.

Death benefits

We offer the choice of whether or not your client wants the income to continue to be paid in the event of their death before the end of the term of the plan.

Choosing no death benefits will mean the amount of income set at outset is higher than it would have otherwise been, but nothing would be paid following their death before the end of the plan term. This may be suitable where your client has no spouse or financial dependants, or where the higher income is of more importance to their circumstances.

We offer two different types of death benefits:

→ **Dependant's benefit.**

This is where a chosen percentage (between 1% and 100%) of the income is paid to a spouse, registered civil partner or financial dependant if the member dies before the end of the plan term. If the dependant's benefit is payable and the dependant dies before the end of the plan term then the income will stop immediately.

→ **Guaranteed minimum payment period.**

This is where the income due from the plan is guaranteed to be paid for a selected period even if the member dies. The period can be any period up to the full term of the plan. If the period chosen is the full term of the plan then it also gives the member and beneficiary the option to cash in the plan or transfer the value of the plan to another pension scheme at any time during the plan term. Please see the 'Cashing in or transferring the value of the plan' section for more details.

The beneficiary will have the option to take any remaining income due, as a lump sum. We'll calculate the amount in the same way that we calculate a cash in or transfer value. This will mean the lump sum may be significantly less than the remaining income due. For more information please see the Terms and Conditions.

If a client is starting a plan without taking financial advice a full term guaranteed minimum payment period will always apply and can't be removed. This is to simplify the decisions the client needs to make and also to ensure that their full benefits are retained even if they die during the term of the plan.

Cashing in or transferring the value of the plan

If the client chooses a guaranteed minimum payment period to apply for the full term of the plan (as described in the 'Death benefits' section), they will have the option to cash in or transfer the value of their plan at any time throughout the term.

We'll calculate this by giving a value to the future income payments due and deducting our administration and dealing costs. This will be affected by the underlying assets and interest rates at the time, which will go up and down.

It's important to note that the cash in or transfer value will always be less than the remaining income payments due over the term of the plan.

Adviser charge

Where you have provided a personal recommendation to your client to take out a Cash-Out Retirement Plan, we are able to arrange payment of a one-off adviser charge from the amount we receive before it is made into the plan.

This amount can be taken from a tax-free cash amount or it can be taken from the remaining pot before the plan is started.

Section 3

Uses of the Cash-Out Retirement Plan

We have listed here some example situations where you may wish to consider using a Cash-Out Retirement Plan as a solution.

Taking a pension pot as cash

Situation

- Your client would like to **fully withdraw** their pension pot as cash.
- Withdrawing the full amount at once will mean that they pay a higher rate of income tax than they normally would.
- Your client doesn't want to take part of the pension pot and leave the remaining amount subject to investment risks.

Solution

Using the Cash-Out Retirement Plan means:

- ✓ Your client can **fully withdraw** their pension pot through set regular income payments over a period of their choice.
- ✓ Taking the income payments over several years rather than all at once can reduce the amount of income tax your client might otherwise have had to pay.
- ✓ The part of the pension pot not yet received is not subject to investment risk; the income amounts are set at outset and can't change.

Considerations

- ! At the end of the plan the pension pot will be exhausted, so the client will need another income source to live on.
- ! Tax rates and personal allowances are subject to change.

Bridging the gap to another source of income

Situation

- Your client has a pension that is due to commence paying an income at a date in the future, which will provide their main source of income in retirement (for example a defined benefit plan). They also have a further defined contribution pension.
- Your client would like to stop working or reduce their working hours before the date at which their main source of income in retirement starts and will require additional income to bridge the gap.

Solution

Using the Cash-Out Retirement Plan means:

- ✓ Your client can use all or part of their defined contribution pension to provide a set regular income for the period leading up to the start of their main source of income in retirement.
- ✓ Any income tax due will automatically be deducted before the income is paid, in the same way as other sources of retirement income.

Considerations

- ! As the level of income is fixed, the effect of inflation could leave your client less well off than expected.
- ! Nothing will be paid out at the end of the term. If your client's circumstances change, they need to be aware the money would have been spent.

To increase retirement income during the early years

Situation

- ➔ Your client is due to retire and is looking to spend the early years travelling and enjoying life.
- ➔ Your client would like a higher income during these earlier years to fund this lifestyle.

Solution

Using the Cash-Out Retirement Plan means:

- ✔ Your client can use part of their pension pot to buy an income through a lifetime annuity and a further part to buy an additional income in the earlier years through a Cash-Out Retirement Plan.
- ✔ This allows a higher income stream in the earlier years until the end of their chosen term, and then it will decrease to the amount provided through the lifetime annuity in the later years.

Considerations

- ❗ The income provided from a Cash-Out Retirement Plan is for a fixed period only; it doesn't provide an income for life.
- ❗ Using a pension pot in this way will mean a higher income is received in the earlier years. However, it will also mean a lower income in the later years compared to the amount of income received if a fixed amount had been chosen throughout.

Deferring the State Pension

Situation

- ➔ Your client's main source of income in retirement will be the State Pension.
- ➔ Your client also has a pension pot to supplement this but is interested in deferring their State Pension for a number of years in order to increase the income it pays in the longer term.

Solution

Using the Cash-Out Retirement Plan means:

- ✔ Your client can use their pension pot to provide an income for a short term, rather than for a lifetime income.
- ✔ Your client can defer their State Pension until the end of the chosen fixed term of their Cash-Out Retirement Plan.
- ✔ The amount of State Pension received for each whole year it is deferred is currently increased for the rest of the individual's life.

Considerations

- ❗ The rules around deferral of the State Pension can change at any time and the rate of increase may be reduced.
- ❗ The Cash-Out Retirement Plan doesn't have a maturity value, so once the plan comes to an end and the money has gone, the State Pension will provide the main source of income.

Section 4

Unsuitable Customers

Here we have listed some of the situations where a Cash-Out Retirement Plan would not be suitable for your client.

- **Your client wants to withdraw cash amounts from the plan as and when they choose.**
Ad hoc withdrawals are not possible with this plan.
- **Your client wants to change the amount of income they receive during the term of the plan.**
Once the plan has started, the term and income amount cannot be changed.
- **Your client wants higher returns through exposure to investment risks.**
The plan doesn't offer any investment choices and will provide fixed income only.
- **Your client is looking to build up a pension pot through single or regular contributions in the future.**
Once your client receives their first income payment, they will have flexibly accessed their pension pot and will be subject to the lower money purchase annual allowance of £4,000.
- **Your client wants an income that lasts for their lifetime and doesn't end at a set date in the future.**
The plan has a fixed end date.
- **Your client has certain lifestyle or medical conditions that mean they could obtain a higher amount of income through a product that assesses these.**
The plan doesn't offer enhanced rates.
- **Your client is only looking to add an amount close to the minimum (£10,000) for a term close to the minimum (three years) and their individual tax circumstances mean that they will not obtain any tax advantage by delaying withdrawal from their pension plan.**
Your client may wish to consider alternative cash deposits instead.



Section 5

We've been around for a long time

When looking for a company with the strength and security to pay your clients' retirement benefits both now and in the long term, you need not look further than us.

- ✓ We are proud to be listed on the Financial Times Stock Exchange (FTSE) and ranked among the top 100 UK companies (FTSE 100).
- ✓ As at August 2018 we had more than 815,000 pension annuity customers. In the 12 months to this date we paid our customers over £1.7 billion in pension annuity income.
- ✓ The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 30 June 2018, we had over 9.5 million customers in the UK for our life assurance, pensions, investments and general insurance plans.

Find out more

For more information, please contact your usual Legal & General representative.



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