

**PORTFOLIO PLUS PENSIONS**

# **A GUIDE TO INCOME DRAWDOWN**

For use with:

**Portfolio Plus Pension**

**Portfolio Plus Self Invested Personal Pension**

This is an **important document** that you should read and keep in a safe place.



This guide is designed to provide you with a clear explanation of income drawdown and it also outlines the risks involved. It should be read together with your **Member's Booklet, Key Features, Terms Sheet** and **Portfolio Plus Funds Guide for Insured Funds** (if applicable). Please ask us if you'd like a copy of these. All our literature is available on request.

We recommend you speak to your financial adviser as there are a number of things to consider before you take income drawdown. If you don't have an adviser you can find one in your local area at **unbiased.co.uk** or by calling **0800 023 6868**.

## IMPORTANT INFORMATION

**Income drawdown is all about taking money from your pension pot and keeping the rest of it invested. You can take money either regularly or when you need it.**

### RISKS

The following are the main risks associated with taking income drawdown under the Legal & General Portfolio Plus Pension and the Legal & General Portfolio Plus Self Invested Personal Pension.

- If you take income drawdown your pension pot will remain invested. Its value is not guaranteed and can go down as well as up. For more details see **How your money is invested** on page 8.
- If you take Flexi-Access Drawdown income from your pension pot this could affect your tax position. For more details, please see the **Taxation** section on page 6.
- If you choose to take a high level of income directly from your pension pot, its value may go down and the level of income may not be sustainable, particularly if investment returns are poor.
- Your actual drawdown pension pot could be less than shown in the illustrations issued to you from time to time because:
  - investment growth could be lower than is assumed;
  - the deductions could be more than is assumed; and
  - the amounts you take through income drawdown may be more than is assumed.
- If you decide at a later date to buy a guaranteed income for life (a lifetime annuity), you may get a lower level of income than is available now. For more details, please see the **Buy an annuity** section on page 9.

# IS INCOME DRAWDOWN RIGHT FOR YOU?

IT MAY BE IF...	IT MAY NOT BE IF...
<ul style="list-style-type: none"> <li>✓ You appreciate there's no guarantee your pot will continue to provide you with an income and it might run out.</li> </ul>	<ul style="list-style-type: none"> <li>✗ You want a guaranteed income payable for life.</li> </ul>
<ul style="list-style-type: none"> <li>✓ You want the flexibility of when you take money out of your pot and how much.</li> </ul>	<ul style="list-style-type: none"> <li>✗ You would prefer the certainty of a known income payable regularly.</li> </ul>
<ul style="list-style-type: none"> <li>✓ You're willing to take some investment risk.</li> </ul>	<ul style="list-style-type: none"> <li>✗ You're not comfortable knowing the value of your pension pot could go down.</li> </ul>
<ul style="list-style-type: none"> <li>✓ You feel confident regularly reviewing the funds your pension pot is invested in.</li> </ul>	<ul style="list-style-type: none"> <li>✗ You'd prefer not to review your fund choices.</li> </ul>
<ul style="list-style-type: none"> <li>✓ You want your beneficiaries to have the choice of how to use the remainder of your pension pot after your death.</li> </ul>	<ul style="list-style-type: none"> <li>✗ You want the certainty of leaving your beneficiaries a guaranteed income after your death.</li> </ul>

# WHAT IS INCOME DRAWDOWN?

Income drawdown is where you use all or part of your pension pot to take:

- a tax-free cash lump sum, and/or
- a regular income, and/or
- ad hoc income payments.

## INCOME PAYMENTS AND TAX-FREE CASH

When you first use all or part of your pension pot for income drawdown, 25% of the value can normally be paid as a tax-free cash lump sum. It can only be taken at the time that you first use that part of your pension pot for income drawdown.

If you've already used the whole of your pot for income drawdown, you will not be able to take your tax-free cash at a later date. If you only use part of your pot, the rest can be used in whole or in part to provide further tax-free cash lump sums and/or an income at a later date.

Further contributions and transfer payments can be paid into any part of your pension pot not being used for income drawdown. There's no limit on how much you can contribute, however, there is a limit on how much tax relief you can get. You can get tax relief on 100% of the gross earnings you contribute (or £3,600 if greater) up to the Annual Allowance.

The amount of income you can take will depend on the type of income drawdown you have: Flexi-Access Drawdown or Capped Income Drawdown.

## FLEXI-ACCESS DRAWDOWN

If you're using your pension pot for income drawdown for the first time, this will be the only type of drawdown available to you.

The maximum amount of income you can take is not restricted. However, your pension pot must be above our minimum if you want to take income or stop regular withdrawals. Please see **Income Payments** on page 5.

We're able to accept transfers of pension pots that are already fully used for Flexi-Access Drawdown.

## CAPPED INCOME DRAWDOWN

Since 6 April 2015, it is no longer possible to start Capped Income Drawdown. If you used part or all of your pension pot for Capped Income Drawdown before this date, you can continue.

If you've only used part of your pension pot for Capped Income Drawdown, each time you use more we will send you an illustration. It will be based on your chosen level of income and will also show the maximum income available both with and without a tax-free cash lump sum.

We can accept transfers of any pension pots already fully used for Capped Income Drawdown but we will apply them as Flexi-Access Drawdown when we receive them.

You can change your existing Capped Income Drawdown into Flexi-Access Drawdown at any time but once you have done this you can't go back to Capped Income Drawdown.

## LIMITS ON CAPPED INCOME DRAWDOWN

The amount you can take as income must be within limits set by HM Revenue & Customs (HMRC). Currently the maximum income you can take is 150% of what is called the basic amount (the minimum is nil). The basic amount is calculated using tables published by the Government Actuary's Department (GAD).

The tables reflect the amount of annuity that could, in the Government Actuary's opinion, be purchased under current investment conditions and they are reviewed regularly.

The maximum level of income available to you will depend on the rate applicable to someone of your age together with the value of your pension pot (after the deduction of any tax-free cash lump sum that you take).

The income limit applies to each arrangement separately if you have more than one. These limits are normally set for three years up to age 75 and then every year thereafter. Please see the **Reviews** section on page 7 for further details.

If you want to take more than these limits you will need to move your pension pot into Flexi-Access Drawdown.



Please see your Terms Sheet for more information on income drawdown conditions and charges.

## ILLUSTRATIONS

Before we set up income drawdown for you, we will send you an illustration(s) based on your instructions. The illustration(s) will show what your pension pot could be at age 99 (or any other age you select between your 55th and 99th birthday), taking into account charges over the period.

Once you start to take income drawdown from your existing pension plan, we'll send you a personal illustration based on your payments or chosen level of income. This will be based on the value of your existing plan together with any new payments made.

The value of your drawdown pension pot will depend on a number of things including investment returns, the level of your income payments and charges. Charges can change. Please see your **Terms Sheet** and **Portfolio Plus Funds Guide for Insured Funds** (if applicable) for details of charges.

## INCOME PAYMENTS

You can choose an income anywhere between nil and the maximum allowed if you wish to continue or alter the level of Capped Income Drawdown (see **Limits on Capped Income Drawdown** on page 4).

The maximum amount of income you can take from Flexi-Access Drawdown is not restricted. However, if you wish to stop or start income withdrawals, or take an ad hoc income payment, and the value of your pension pot is below £5,000, you will need to cash in the whole pot. If you're already taking a regular income, this can continue if the value of your pension pot drops below this amount.

To pay your income, we'll use your pension pot to provide the amount of income (before deduction of tax) that you have chosen. Please see the **How your money is invested** section on page 8 for further details.

We can only make payment by direct credit to your bank account.

## REGULAR INCOME PAYMENTS

You can choose to receive your income monthly, quarterly, half-yearly or yearly, at the start of the period (in advance) or at the end of the period (in arrear).

You may select your income payment date to be the 1st or the 15th of the month.

You can vary the amount of your regular income by contacting us at least one month before the due date of the next payment.

## AD HOC INCOME PAYMENTS

You can request up to two ad hoc income payments in an income year. The income year runs for a period of 12 months starting from the date you first take income drawdown, including when you only take your tax-free cash lump sum and nil income.

However, if you're in Capped Income Drawdown and the ad hoc income payment, combined with any regular income you've taken or are due to take this income year is above the maximum allowed, you will need to move to Flexi-Access Drawdown.

Unless you instruct us otherwise, we will take amounts from your pension pot on a day that ensures any ad hoc payments will be made on the next available payment date (either 1st or 15th). We require a minimum of 10 working days from receipt of all our requirements to set up an ad hoc income payment.

## MINIMUMS FOR FLEXI-ACCESS DRAWDOWN

The regular minimum withdrawals are:

- £100 monthly,
- £300 quarterly,
- £600 half-yearly, or
- £1,200 yearly.

Minimum ad hoc income payment is £1,200.

# TAXATION

## ANNUAL ALLOWANCE

The Annual Allowance for the 2019/2020 tax year is £40,000. If the total gross contributions paid by you, your employer or a third party, into any UK Registered Pension Scheme you've taken out are over the Annual Allowance, you'll be subject to a tax charge. If you're also in a final salary pension scheme (defined benefit), your gross contributions for that scheme will be based on the increase in the value of your benefits during the tax year.

In some circumstances a reduced Annual Allowance may apply:

- A Money Purchase Annual Allowance (MPAA) (£4,000 gross for the 2019/2020 tax year) will apply each tax year once you take money directly out of any money purchase (defined contribution) pension pot you have, unless you:
  - only take your tax-free cash lump sum, or
  - take all of it under the small pension pot rules, or
  - continue taking Capped Income Drawdown.

Not all of these options will be available from every pension pot.

**Taking a Flexi-Access Drawdown income payment will trigger the MPAA.**

- Your Annual Allowance may also be reduced if your income (including the value of any pension contributions) is over £150,000 and your income (excluding the value of any pension contributions) is over £110,000.

The Annual Allowance will not apply in the tax year in which you die or if you access your pension pot because of serious ill health.

You should contact your adviser if:

- You expect your total gross contributions into all pension schemes to exceed the Annual Allowance in any tax year as unused allowances may be available from previous tax years;
- You have any additional questions, including whether your Annual Allowance will be reduced.

## INCOME

Any income you take will be taxed under the Pay as You Earn (PAYE) system.

You should carefully consider how much tax you will pay. The amount you pay will depend on your personal circumstances and how you access your pension pot.

Your pension income may also impact any means tested benefits you or your partner receive now or could claim in the future.

## LIFETIME ALLOWANCE

There are no restrictions on the value of the total benefits payable from all of your Registered Pension Schemes. However, anything over a certain level, called the Lifetime Allowance, will be subject to a tax charge of up to 55% on the excess. Using your pension pot for income drawdown may give rise to a Lifetime Allowance tax charge.

For most people, their Lifetime Allowance will be the standard Lifetime Allowance. The standard Lifetime Allowance for the 2019/2020 tax year is £1.055 million. Certain circumstances may mean you have a different personal Lifetime Allowance – for example, if you've registered with HMRC for protection. Depending on the type of protection you have, any contribution to a plan may mean you lose your protection.

If your pension pot has been subject to a Lifetime Allowance tax charge, you will receive a notification from us providing details of the tax charge that has been deducted.



The information in this document is based on our understanding of current law relating to pensions. The law and tax rates may change in the future and the value of tax relief will depend on your individual circumstances. More information is also available at [gov.uk](http://gov.uk)

# REVIEWS

We'll send you a statement once a year, which will show you:

- the value of your pension pot,
- the fund(s) you're invested in,
- how much of your pension pot has been used for drawdown, and
- the amount of income (if any) you have taken in the last year.

## FLEXI-ACCESS DRAWDOWN

Your annual review will give you an idea of when your drawdown pension pot will run out based on your current level of regular income. We can't tell you the exact level of benefits your plan will provide you with in the future. This is because the amounts available will depend on any income you take, any contributions you may make and how your investments perform.

## CAPPED INCOME DRAWDOWN

You will continue to receive annual and statutory reviews on any part of your pension pot used for Capped Income Drawdown.

The review will detail the maximum income amounts you can take for the next year. You may request that your income levels be changed within the limits prescribed by HMRC. If you need further details on how this is calculated, please contact us.

## STATUTORY REVIEWS (CAPPED INCOME DRAWDOWN ONLY)

The maximum amount of income allowed must, by law, be recalculated at every statutory review (every three years up to age 75 and every year thereafter). This period is called the 'reference period'.

On every statutory review, the statement will provide details of the new maximum income amounts. You will be invited to respond with your new chosen income level. If you don't respond, the income level will be left unaltered, unless it is above the allowable maximum, in which case it will be reduced to the new maximum.

## OTHER CIRCUMSTANCES (CAPPED INCOME DRAWDOWN ONLY)

The following events will trigger a recalculation of your maximum income amount:

- a) you use part of your drawdown pension pot to buy an annuity;
- b) you get divorced and your drawdown pension pot is reduced due to a pension sharing order; or
- c) you have used only part of your pension pot for income drawdown and you later use more.

These events will only trigger a recalculation of your maximum income amount. They cannot change the dates of your reference period.

Your maximum income amount will normally change from your next anniversary and may go down or up.

The reasons for this would be:

- the GAD rates have changed; and/or
- the GAD basis has changed; and/or
- the value of your pension pot has changed.

The exception to this rule is where you then use more of your pension pot for drawdown. If this produces a higher maximum drawdown pension, this will apply immediately. However, if it produces a lower maximum, it will only apply from your next anniversary.

If you are under age 75, you may request that a review is carried out on the anniversary of the last review, before the end of the three-year period. The revised maximum will apply from that date. If Legal & General agrees to this, a new three-year period will begin.

From age 75, your maximum income will be recalculated on each anniversary.



You should consider how much you take out alongside any other sources of income you have available. The more you take, the quicker your pot could run out. Inflation will also affect what you can buy in the future with the money you take out.

# HOW YOUR MONEY IS INVESTED

## INVESTMENT FUNDS

You have to manage where your pension pot is invested and how you take money out of it whilst considering how long you need it to last.

Your pension pot will remain invested, so its value can go down as well as up.

To start Flexi-Access Drawdown you'll need to switch all of your investment in a lifestyle profile to one or more of the other available funds.

The facility to switch investment funds continues to be available whilst you're taking income drawdown. With the exception of lifestyle profiles, the full range of investment funds remains available to you.

The normal terms for switches will continue to apply. For more information on switching, please see your **Member's Booklet** or contact us.

The investments you choose will have specific risks:

- For insured funds, the risks are described in the **Portfolio Plus Funds Guide for Insured Funds**, which is available on request.
- For self-invested assets, associated risks may vary depending on the self-invested assets chosen. Please ask your adviser for details of the risks associated with self-invested assets.
- You should also read the Key Features document, Simplified Prospectus, Key Investor Information Document (KIID) or similar other documents that may have been issued by the provider of any self-invested assets.

The investments you choose will have charges. Please refer to your **Terms Sheet** and **Portfolio Plus Funds Guide for Insured Funds** for more information.

## REVIEWING YOUR CHOICES

Your circumstances might change after you start income drawdown, so you should regularly review your attitude to risk, taking account of your personal circumstances. This will help you decide if the fund(s) you're invested in remain right for you.

You should review your fund choices as their performance will affect how your pension pot might grow and how much income you can take from it before it runs out. The return on some funds may not be enough to cover the charges you pay. For example, cash can be useful as part of a balanced portfolio of funds, but it's not designed as a long-term investment.

## TAKING INCOME

To take income, you need to give us instructions to tell us which funds and/or assets are to be used. You can change your instructions regarding the funds and/or assets used for payments, subject to one month's notice.

Income payments will continue to be paid from the funds and/or assets from your last instruction.

If any of the funds and/or assets you have selected to pay your income are exhausted, you'll be required to provide a new instruction. If it is not possible to obtain a new instruction within 30 days, we reserve the right to sell sufficient investments to raise the outstanding amount. Assets will be sold in accordance with our liquidity policy. An explanation of our liquidity policy is available on request.

# AFTER STARTING INCOME DRAWDOWN

You can, at any time, choose one or a combination of the following:

## **BUY AN ANNUITY**

You can buy an annuity with us, or use your pension pot to buy an annuity from another provider. Buying your annuity from another provider is known as the Open Market Option.

Your chosen annuity provider will give you detailed information about the options available.

Annuity rates can change significantly over short periods of time, both up and down. The amount of income that you can buy will depend on the size of your pension pot and the annuity rates available at the time. If the value of your pension pot falls or annuity rates worsen in the future this could result in your pension pot providing you with a lower level of income than you expected.

Once you have bought an annuity, you cannot change your mind and you will be paid an income for the rest of your life.

## **TAKE A LUMP SUM**

You can take all or part of your pension pot as a cash lump sum.

If you've only used part of your pension pot for income drawdown, a further tax-free cash lump sum may be available.

If you're in Capped Income Drawdown, you'll need to move to Flexi-Access Drawdown if you're taking income above the maximum allowed.

## **TRANSFER YOUR PENSION POT**

You may transfer the rest of your pension pot to another provider. You must continue to take income drawdown with the new provider. If you are in Capped Income Drawdown, the existing maximum income level and statutory review dates will normally remain in place.

**i**

**By age 99, you must either buy an annuity, take your whole pension pot as a cash lump sum, or to continue income drawdown, you will need to transfer to another provider.**

# PAYMENTS ON DEATH

We will pay any death benefits at our discretion taking into account the range of potential beneficiaries outlined in the **Member's Booklet**. If you make a nomination, we will not be bound by it but will take it into account when deciding who to pay the benefit to.

If your nominated beneficiary dies before you, you should provide us with a new nominated beneficiary to allow your death benefits to be payable as shown below.

If your pension pot is payable to your nominated beneficiary, they will have the following options:

- To buy an annuity.
- To take the pension pot as a lump sum.
- For the part of your pension pot being used for income drawdown, to continue with this. It isn't possible to continue income drawdown with Legal & General if the beneficiary is under age 23.

If income drawdown is continued by the beneficiary:

- We will apply the pot as Flexi-Access Drawdown, even if it was previously used for Capped Income Drawdown. This will not affect the beneficiary's Annual or Lifetime Allowances.
- The beneficiary may transfer the value of the pension pot to another pension provider and continue income drawdown.
- If the beneficiary dies whilst taking income drawdown, the remaining pension pot will be paid as a lump sum to the beneficiary's estate or to a nominated beneficiary of their choice.

## IF YOU'RE AGE 75 OR OVER WHEN YOU DIE

Any death benefits paid from your pension pot to a beneficiary will be taxed in the same way as earned income. In some circumstances there could be an additional inheritance tax liability.

## IF YOU'RE UNDER AGE 75 WHEN YOU DIE

Payment to a beneficiary will normally be tax free as long as it's made within two years of Legal & General being notified of your death. For income drawdown, this will be the date Flexi-Access Drawdown is set up for the beneficiary, even if no income is taken at that time. If the payment is made or income drawdown set up after the two year period, payments will be taxed in the same way as earned income. In some circumstances there could be an additional inheritance tax liability.

**Any part of your pension pot that was not used for income drawdown will need to be tested against your Lifetime Allowance. Any excess will be subject to a tax charge of up to 55%.**

# CONTACT US

There are several ways to contact us.



Call us on **0345 0260003**

Call charges will vary. We may record and monitor calls.



Email us at **sipp.servicecentre@landg.com**

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.



You can write to us at:

SIPP Service Centre

Legal & General

PO Box 5457

Hove

BN52 9GG



If you would like a copy of this or any other item of our literature in larger print, Braille or in audio format, please contact our customer services team using the details above.



[legalandgeneral.com](https://legalandgeneral.com)

**Legal & General (Portfolio Management Services) Limited**  
Registered in England and Wales No. 02457525  
**Registered office:** One Coleman Street, London EC2R 5AA

Authorised and regulated by the Financial Conduct Authority.

W13697 03/19 194339