



Assessing affordability

Pensions in payment

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How to calculate your client's annual income when already retired, with all pensions in payment and holding an existing investment portfolio

State Pension in payment

- Evidence with the last three months' bank statements.
- Full annual income taken.
- No spouse's benefit to consider, as all applicants receive full state pensions based on their individual National Insurance contributions.

Final Salary/Defined Benefit Pensions in payment

- Evidence with the last three months' bank statements.
- Evidence is required of a spouse's pension and the percentage is usually confirmed in the original pension commencement statement; however, as most final salary pensions in payment will escalate each year, the original pension commencement statement could confirm different figures from the current income payments received on the bank statement, and confirm a different spouse's pension payment.
- Use both the original pension commencement statement and the bank statements to ensure the correct annual income and spouse's annual income is recorded correctly.

Drawdown facilities

- Evidence using the original drawdown statement, which would also confirm the amount of tax-free lump sum that was originally taken.
- If the maximum 25% tax-free lump sum has been taken, use the remaining drawdown fund value and times by 3.5% to use this figure as an equivalent annual income.
- If a spouse's pension is required to be evidenced, obtain evidence from the pension provider of the current nominated beneficiary, and calculate a spouse's pension in the same way, i.e. 3.5% of remaining drawdown fund value (providing the maximum 25% tax-free lump sum has already been taken).

Level Term Annuity in payment

- Evidence with the last three months' bank statements and P60 or annual annuity statement.
- Care - for a level term annuity, only 85% of the annual income will be considered. The system will automatically calculate 85%; you will need to enter 100% of the annuity payment that your client receives.
- If a spouse's pension is payable, this will have to be evidenced on the original annuity paperwork, or confirmation from the annuity provider will have to be provided.

Fixed Term Annuity in payment

- Evidence with the last three months' bank statements and P60 or annual annuity statement.
- Care - for a fixed term annuity, only 85% of the annual income will be considered, and the fixed term annuity period will be assessed on a case-by-case basis. The system will automatically calculate 85%; you will need to enter 100% of the annuity payment that your client receives.
- If there is just one year's worth of income remaining to be paid, this would not be included to evidence affordability for a RIO application.

Stocks and Shares ISA currently invested for growth

- Establish and confirm the funds will remain in place, following the purchase or remortgage.
- Use the current investment fund value and multiply by 3.5% to equate the fund to an annual income.

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.

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

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

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DA733 / LG001789 / 02/21

