

How George took tax free cash from his pension 2 years early to pay off his mortgage and fund a trip to the World Cup in Rio

Background

George (58) is a company director working in a stressful services business. He has a family history of early mortality and wanted to cut back his work / stress and enjoy life more.



George still had a £15,000 mortgage on his home and needed money to carry out overdue improvements for around £7,500

George had held a lifelong ambition to go to the World Cup in Brazil. He was around £5,000 short for the trip

As the World Cup trip was boys only – George felt it only fair to arrange a simultaneous trip for his wife to visit their son in Hong Kong costing £2,500

Challenges

- The costs of 3 children at University had taken its toll on savings (and the Rio fund!)
- Where else could he raise funds to pay for the two trips of a lifetime?
- Work on the house (roof and windows) was becoming a high priority
- How to raise around £30,000 to pay for everything

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This case study is an example of how we have helped an actual client in the past and should not be seen as advice. Names and some details have been changed to protect identities. Our advice is always bespoke and dependent on your own specific circumstances and objectives.

What we did

- Over the years we had developed a plan using cash flow analysis to show how he could generate income and proved that they would be able to maintain the required income in a variety of different scenarios
- During one of our regular review meetings George jokingly said “I don’t suppose you can magic money from thin air” and explained this need for cash to reduce financial pressures and plan the dream trips
- We explained that there may be options for his pension
- It was a modern pension plan worth £131,254 with all current options for taking benefits available
- Both he and his employer were still paying into the plan We explained that if he wanted (*and we all agreed it was the right thing to do*) he could take some money from his pension fund now rather than waiting 2 or 3 years
- He could withdraw a tax free lump sum of up to 25% of the fund - £32,811.25
- There was no need to take any Income until he was ready to retire
- Existing pension contributions would continue until he retires
- He could withdraw the tax free cash early but leave the rest of his fund to grow
- We explained the potential drawbacks of this – the main ones being reduced death benefits for Mary and no more tax free cash when he retired
- However he felt that cash now would be put to better use now than waiting 2 or 3 years’ time
- In addition, the fund is still there for Mary to give her an income if he died first.

The Results

- We arranged to withdraw the maximum tax free lump sum of £32,811.25 from George’s pension
- This was used to pay off his Mortgage, carry out essential repairs and the rest added to the holiday fund
- All advice fees were paid out of the pension fund
- George can now plan for his retirement with a huge burden of financial worry taken off his shoulders
- George and Mary are now looking forward to their respective “trips of a lifetime”

The Mortgage is now repaid and they are getting quotes for the repairs to the house

The funding for both Rio and Hong Kong trips is now in place

George feels more confident and in control and ready to make plans for his future

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