

How we secured an extra income from pension funds of £1,526.72 every year for two smokers from funds worth £157,612.41

Background

Gordon (69) and his wife Sue (70) needed help to arrange the best pension for them when Gordon stopped work. They found Lowland in Yellow Pages, called and arranged a free initial meeting to see how we might help.



After over 40 years working in the building industry - Gordon was ready to retire

He had 6 pension funds worth a total of £157,612.41

Sue and Gordon both smoke and Gordon has high blood pressure.

Challenges

- Gordon and Sue had one objective – “to get as much income from these pensions as possible”
- Juggling the requirements for as much income as possible (*which would have meant little or no protection for Sue*) versus less income during Gordon’s lifetime (*but protecting Sue if he dies first*).
- They were keen to maximise Tax Free Cash for future holidays and spare “rainy day” money.
- See if we can get a better pension by shopping around on the “open market”
- Investigate options for enhanced annuities since they had the health issues and both smoked

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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

- a) Contacted each company for current fund values and quotes to see what they might offer
- b) Confirmed they wanted to take the maximum Tax Free Cash of £39,403.10 (25%)
- c) This left £118,209.13 to buy the pension
- d) Agreed the basis of the pension:
 - Level payments (because they preferred more income now than later)
 - Guaranteed for 10 years minimum *
 - 50% spouses paid (* if Gordon died before Sue any time after first 10 years)
 - No investment risk (income must be certain)
- e) Compared the existing annuity payments with the best alternatives available from shopping around:
 - Existing pension companies total **£6,553.28pa**
 - Best conventional annuity **£7,200.68pa** (*£608.40pa extra income even if they did not smoke*)
 - Best enhanced annuity **£8,120.00pa**

The Results

- Tax free cash of £39,403 paid out
- They selected level payments because they preferred to have more income now than later
- Monthly income for Gordon's Life of £676.67 (£338.33pm for Sue if he dies any time after 10 years)
- Gordon has **£127.26pm** more income for the rest of his life equal to £15,267.20 over the first 10 years
- Lowland fees paid out of the pension fund – and taken into account with these figures

**Suitable balance between
Income for Gordon and
protection for Sue**

**£1,526.72 pa
more pension for the
rest of Gordon's life**

**If Gordon dies first Sue
will receive £4,060pa for
the rest of her life**

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