

How Tom was able to stop the bank repossessing his home after his business got into difficulties in 2001 by withdrawing Tax Free Cash early from his pension

Background

After a career in retail Tom (51) started business selling luxury products in the Borders in 1998. By the end of 2000 the business was in financial difficulties. The bank was threatening to foreclose on his business loan which was secured on the family home in which he and his wife Christine lived. His accountant suggested Tom should speak to Lowland to see if we could help in any way.



Tom needed £30,000 to pay off the bank loan for his business

He had a personal pension fund worth £125,304

Tom had a final salary pension fund from a former employer

Challenges

- Tom was looking for a way to clear debts and wind up the business
- He had no income and no alternative means of repaying the debt.
- He and Christine were desperate to keep the house – which they might have had to sell to repay the bank loan

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What we did

- We explained that the benefits of his personal pension fund could be accessed any time from age 50 (it is now age 55).
- This would historically have meant taking 25% tax free cash and buying an annuity.
- We explained that there was no need to buy an annuity if he used an Income Drawdown meaning that his pension could remain invested.
- However if he needed income in the meantime he could withdraw income from the pension to help recover from his immediate problems and have time to get back into work
- We pointed out that as a result the remaining pension fund could no longer pay out any Tax Free Cash but could remain invested till he retired
- We arranged for his pension to be switched to a new Income Drawdown Plan

The Results

- A tax free lump sum of £31,326 was paid out to Tom
- This allowed him to pay off his £30,000 debt and keep the bank happy
- We arranged to pay income (approximately £640pm) from the pension whilst Tom looked for alternative work
- Pension income was stopped after 19 months as Tom had found employment
- The funds have remained invested and grown to £129,998.80
- All Lowland fees were deducted from the pension plan
- The pension will provide an income when he retires in 3-4 years time

Taking Tax Free Cash from the pension allowed Tom and Christine to keep their home

Tom's business was wound up and he found alternative employment

Tom now runs another business which is thriving

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