

PROFESSIONAL ADVISERS ONLY

7IM Tailored Drawdown

A guide to be used with the 7IM SIPP

Succeeding together

7IM

Please note

You can find out more about our retirement income options in:

- [7IM SIPP a guide to your retirement options](#)
- [7IM SIPP Key Features](#)

These documents should be read in conjunction with this one.

Important information

We will only be able to pay your client if there is sufficient cash available in the specified portfolio.

To ensure that there is sufficient cash, please ensure you set-up a regular withdrawal via the 7IM Platform and by ensuring you select the required payroll date (1st or 15th).

The regular withdrawal option can be selected via the transactions menu within the 7IM Platform.

Giving your client the flexibility

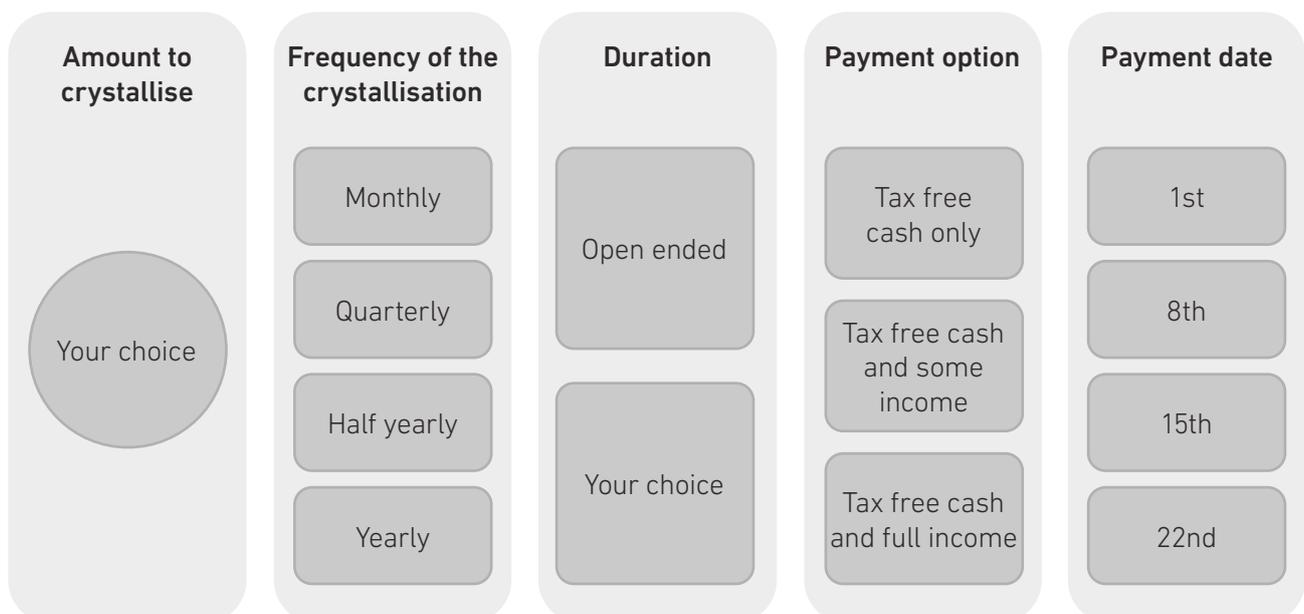
Pension freedoms have changed the way we all think about taking income in retirement and there are now more options than ever.

That's why we have developed a feature within our 7IM SIPP to help you build a tailored solution to better meet your client's retirement income needs.

Our Tailored Drawdown feature allows you the flexibility to instruct us with details of how much your client would like to drawdown and at what frequency. And more importantly, the set-up process is easy!

In order to use Tailored Drawdown, clients will need to have uncrystallised funds and have remaining Lump Sum Allowance.

How it works



Benefits of using this feature

This feature allows you to tailor your drawdown requirements to meet your client's needs and to help manage their tax liabilities.

Here are the key benefits of Tailored Drawdown and some things for you and your clients to consider.

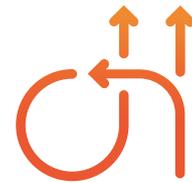
The benefits



Your client does not have to take all of their tax free lump sum (also known as Pension Commencement Lump Sum) at once, the remainder stays invested within the SIPP and outside of their estate for Inheritance Tax purposes (where appropriate).



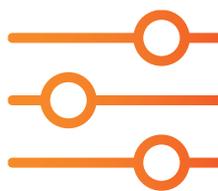
A proportion (usually at least 25%) of their specified payment is tax free.



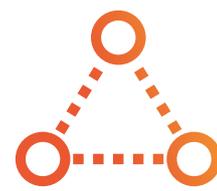
Any tax free allowance that is not taken could still grow, therefore increasing the level of tax free cash available when it is taken.



You can continue to control the investment options within your client's 7IM SIPP.

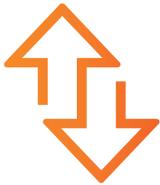


Can be set at a level to manage their income tax liability.



On death, residual funds pass to their nominated beneficiaries.

Things to consider



Funds remain invested and could fall or rise in value. The remaining tax free cash available could also fall or rise in line with fund performance.



If more than just the tax free cash element is taken, your client will become subject to the money purchase annual allowance for future contributions.



Taking a lump sum and/or income may affect their ability to receive certain means tested benefits.



The level of income selected may not be sustainable in the long term.

Final things to note

This service may be suitable for clients who:

- Require flexibility when it comes to drawing down their pension savings.
- Are happy to take a certain level of risk at retirement. Please see the drawdown risk detailed in the 7IM guide to your retirement options.
- Do not require a guaranteed income from their pension savings.
- Who have not fully crystallised their pension benefits.
- Who meet the minimum age criteria for taking benefits (normally 55).
- Are members of the 7IM SIPP.

What are the charges?

- If your client only takes the tax free cash and no taxable income then your client will not incur any additional charges;
- If your client chooses to take any taxable income from their crystallised funds then an income charge of £135(+vat) per annum will be applied. This charge will cease when your client stops taking taxable income.



How do you apply?

To begin the process, simply complete the 'Taking Benefits' form and select **option 4**.

7IM SIPP Taking Benefits Form

7IM

7IM SIPP TAKING BENEFITS FORM

Option 4: Tailored drawdown – regular crystallisation and payment of tax-free lump sum/income

Please refer to our **7IM Tailored Drawdown** document for guidance on how to complete this section.

Frequency of crystallisation:

Please note that tailored drawdown is only available if you have some of your Lump Sum Allowance remaining.

Amount to crystallise each time: £

Tax-free lump sum required: (max 25% of crystallised amount) £

Amount of income required: (max 75% of crystallised amount) £ gross*

*Where applicable, income tax will be deducted from all income payments.

End date for regular crystallisation:

If you do not specify an end date, we will continue to carry out your instructions above until there are no uncrystallised funds left or until we receive an instruction from you to amend or cease the regular crystallisation.

Income can be paid on either the 1st, 8th, 15th or the 22nd of the month. Please select which date you would prefer.

1st 8th 15th 22nd

If you do not select a payment date above, we will make payment on the next appropriate payroll run.

If you crystallise benefits in any other pension scheme whilst you are taking tailored drawdown, you will need to let us know, as this will affect the remaining allowances available.

Worked example

The worked example below shows how flexible the 7IM Tailored Drawdown is in meeting your clients' various needs.

Scenario 1: Take tax free cash only

Mr. A, aged 57, earns an employment income of £45,000. He requires an additional £1,000 per month (net of tax) as income from his pension and his current pension value is £300,000.

To achieve the required income he would have to crystallise £4,000 per month to then allow £1,000 to be paid out as a tax free cash only.

The following table shows how this would work over a 6 month period. Any remaining crystallised funds could be used for taking income at a later date.

| Date | Amount Crystallised | Tax Free Lump Sum Taken | Remaining Funds Uncrystallised | Remaining Funds Crystallised |
|---------|---------------------|-------------------------|--------------------------------|------------------------------|
| Month 1 | £4,000 | £1,000 | £296,000 | £3,000 |
| Month 2 | £4,000 | £1,000 | £292,000 | £6,000 |
| Month 3 | £4,000 | £1,000 | £288,000 | £9,000 |
| Month 4 | £4,000 | £1,000 | £284,000 | £12,000 |
| Month 5 | £4,000 | £1,000 | £280,000 | £15,000 |
| Month 6 | £4,000 | £1,000 | £276,000 | £18,000 |

This example is for illustrative purposes only and does not take into account market movement.

What charge(s) would apply in this scenario?

One off: £0.00

Ongoing: £0.00

How should the form be completed?

To cater for the option above, the following fields will need to be completed.

7IM SIPP TAKING BENEFITS FORM



Option 4: Tailored drawdown – regular crystallisation and payment of tax-free lump sum/income

Please refer to our **7IM Tailored Drawdown** document for guidance on how to complete this section.

Frequency of crystallisation:

Please note that tailored drawdown is only available if you have some of your Lump Sum Allowance remaining.

Amount to crystallise each time:

Tax-free lump sum required: (max 25% of crystallised amount)

Amount of income required: (max 75% of crystallised amount) gross*

*Where applicable, income tax will be deducted from all income payments.

End date for regular crystallisation:

If you do not specify an end date, we will continue to carry out your instructions above until there are no uncrystallised funds left or until we receive an instruction from you to amend or cease the regular crystallisation.

Income can be paid on either the 1st, 8th, 15th or the 22nd of the month. Please select which date you would prefer.

1st 8th 15th 22nd

If you do not select a payment date above, we will make payment on the next appropriate payroll run.

If you crystallise benefits in any other pension scheme whilst you are taking tailored drawdown, you will need to let us know, as this will affect the remaining allowances available.

Worked example

Continued

The worked example below shows how flexible the 7IM Tailored Drawdown is in meeting your clients' various needs.

Scenario 2: Take tax free cash and some income to meet the needs

Mrs. B has taxable employment income of £53,000 a year, has a pension portfolio worth £150,000 and would like to withdraw £1,000 a month (net of tax). She can follow the same approach as Mr. A as outlined above or can adopt the approach detailed below.

This example is for illustrative purposes only and does not take into account market movement.

| Date | Amount Crystallised | Tax Free Lump Sum Taken | Gross Taxable Income | Tax paid on income | Net income paid | Total amount paid |
|---------|---------------------|-------------------------|----------------------|--------------------|-----------------|-------------------|
| Month 1 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |
| Month 2 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |
| Month 3 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |
| Month 4 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |
| Month 5 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |
| Month 6 | £1,428.57 | £357.14 | £1,071.43 | £428.57 | £642.86 | £1,000 |

This example is for illustrative purposes only and does not take into account market movement.

What charge(s) would apply in this scenario?

One off: £0.00

Ongoing: £135 (+VAT) per annum

How should the form be completed?

To cater for the option above, the following fields will need to be completed.

7IM SIPP TAKING BENEFITS FORM



Option 4: Tailored drawdown – regular crystallisation and payment of tax-free lump sum/income

Please refer to our **7IM Tailored Drawdown** document for guidance on how to complete this section.

Frequency of crystallisation:

Please note that tailored drawdown is only available if you have some of your Lump Sum Allowance remaining.

Amount to crystallise each time:

Tax-free lump sum required: (max 25% of crystallised amount)

Amount of income required: (max 75% of crystallised amount) gross*

*Where applicable, income tax will be deducted from all income payments.

End date for regular crystallisation:

If you do not specify an end date, we will continue to carry out your instructions above until there are no uncrystallised funds left or until we receive an instruction from you to amend or cease the regular crystallisation.

Income can be paid on either the 1st, 8th, 15th or the 22nd of the month. Please select which date you would prefer.

1st 8th 15th 22nd

If you do not select a payment date above, we will make payment on the next appropriate payroll run.

If you crystallise benefits in any other pension scheme whilst you are taking tailored drawdown, you will need to let us know, as this will affect the remaining allowances available.



If you would like further
information regarding any
of our services:



020 7760 8777



www.7im.co.uk

For Professional Advisers only, not to be distributed to Retail Clients.

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority.
Member of the London Stock Exchange. Registered office: 1 Angel Court, London EC2R 7HJ.
Registered in England and Wales number OC378740.

04.24

