

# 7IM Tailored Drawdown

A guide to be used with the 7IM SIPP

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.

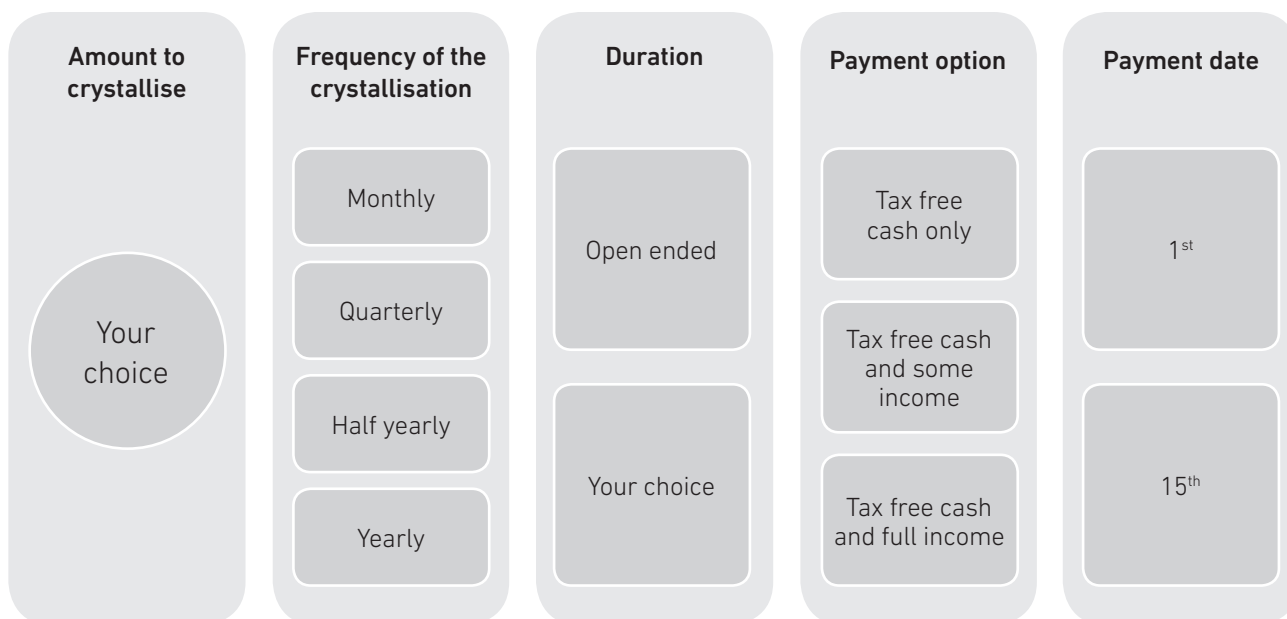
# Giving your client the flexibility

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!

## 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 key the 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).

**25%**

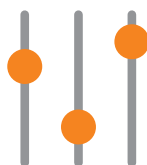
A proportion (usually at least 25%) of their specified payment is tax free.



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.

### **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).
- For members of the 7IM SIPP.

### **What are the charges?**

There is a one-off charge of £75(+vat), to set up or amend a tailored drawdown instruction.

- 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.



# Worked example

The worked examples 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:** £75 (+VAT)

**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**

Frequency of crystallisation:

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.

**Any payments will be made from your D portfolio. If you require payments to be made from a different portfolio number, please specify below.**

Portfolio Number:

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

1st of the month  15th of the month

If you do not select a payment date above, we will make payment on the next available 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 Lifetime Allowance available.**

## 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:** £75 (+VAT)

**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**

Frequency of crystallisation:

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.

**Any payments will be made from your D portfolio. If you require payments to be made from a different portfolio number, please specify below.**

Portfolio Number:

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

1st of the month  15th of the month

If you do not select a payment date above, we will make payment on the next available 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 Lifetime Allowance available.**

## Important

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 (1<sup>st</sup> or 15<sup>th</sup>).

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

## Contact us

For more information, please contact us on

 020 7760 8777

 [www.7im.co.uk](http://www.7im.co.uk)