

Improvements to e-Suitability - paragraph library version 1.3.14 7.4.2015

We are pleased to announce amendments to e-Suitability which take into account budget and other changes applicable to the new tax year.

The most significant changes are:

- **Budget changes 2015**
- New Flexi-Access Drawdown plans
- An end to Trivial Commutation of Personal Pensions
- Proposed future pension rules section removed
- Minor layout corrections

Budget changes 2014

Changes have been made to take account of the changes confirmed in the last budget:

- | | |
|--|---------------------------------------|
| • ISA allowance | now £15,240 |
| • Junior ISA allowance | now £4,080 |
| • Income tax savings band | now £5,000 |
| • Age allowance | now £27,700 |
| • Capital gains tax allowance | now £11,100 |
| • Trivial commutation for pensions | still £30,000 but only for DB schemes |
| • Small pots trivial commutation limit | now £10,000 per pot max 3 pots |
| • Personal Pension contribution limit | now £40,000 |

Unchanged allowances are:

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|---------------------|----------------|
| • Nil Rate IHT band | still £325,000 |
|---------------------|----------------|

New Flexi-Access Drawdown plans

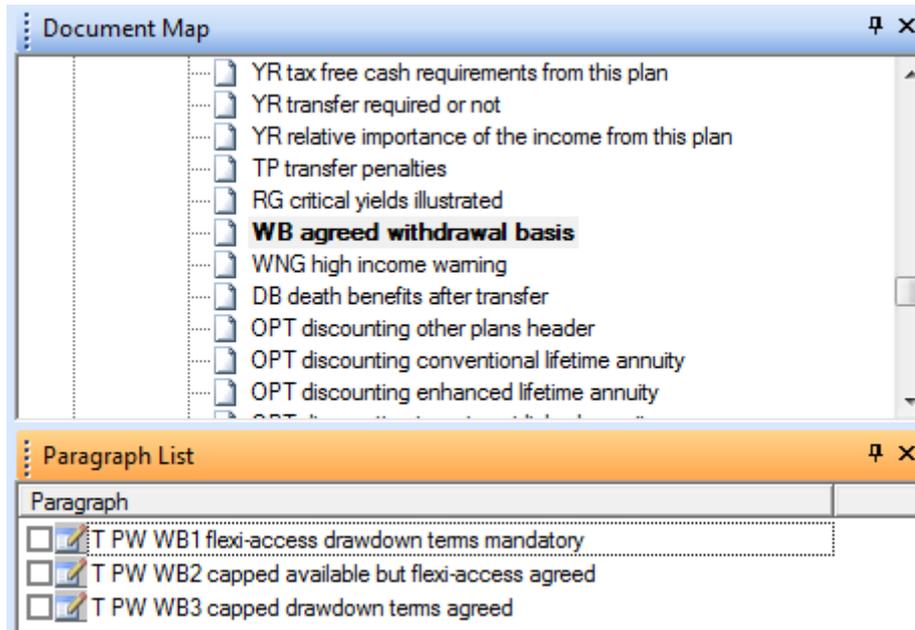
With effect from 6.4.2015, the new pension drawdown regulations come into effect. The new drawdown plan is called Flexi Access Drawdown under which withdrawals are now unlimited. Anyone previously holding a Capped Drawdown plan can continue with it, under the old drawdown limit, or convert it to Flexi-Access terms.

Also, subject to support from product providers, it will be possible to transfer a Capped Drawdown plan from one provider to another and still retain the Capped Drawdown privilege – no triggering of the Annual Allowance rules going forward. Hence, it is important to continue to support e-Suitability text for Capped Drawdown.

We have implemented these changes by providing selectable text to explain:

- Why a Capped Drawdown plan has been recommended – obviously this is now only possible under limited circumstances.
- Why a Flexi-Access Drawdown plan has been recommended where Capped Drawdown is an option – you may, under the new rules convert to Flexi-Access Drawdown at any time.
- Why Flexi-Access Drawdown has been recommended under conditions where no other drawdown option exists.

An example of the document map for these selections follows;



If you select, “flexi-access drawdown terms mandatory” the following text is inserted:

YOUR OPTIONS FOR WITHDRAWALS FROM THIS PLAN

Your plan will be set up on Flexi-Access Drawdown terms which allow you to make unlimited income withdrawals from the plan.

Having commenced the plan, any withdrawal in excess of the initial tax free cash lump sum will be taxed as pension income and will trigger the Money Purchase Annual Allowance rules. These rules limit the amount you may subsequently invest into a pension with income tax relief to only £10,000 per year.

At your request, I have established the plan with withdrawals of £0.00 per annum before deduction of income tax. There is no upper annual withdrawal limit applicable to your plan and the minimum limit is nil. You are free to alter the withdrawals you receive at any time.

If you select, “capped available but flexi-access agreed” the following text is inserted:

YOUR OPTIONS FOR WITHDRAWALS FROM THIS PLAN

I have agreed to set up your plan on Flexi-Access Drawdown terms because the amount of income you need to draw from the plan is greater than the maximum permitted under a Capped Drawdown plan.

Having commenced the plan, any withdrawal in excess of the initial tax free cash lump sum will be taxed as pension income and will trigger the Money Purchase Annual Allowance rules. These rules limit the amount you may subsequently invest into a pension with income tax relief to only £10,000 per year.

At your request, I have established the plan with withdrawals of £0.00 per annum before deduction of income tax. There is no upper annual withdrawal limit applicable to your plan and the minimum limit is nil. You are free to alter the withdrawals you receive at any time.

If you select, “capped drawdown terms agreed” the following text is inserted:

YOUR OPTIONS FOR WITHDRAWALS FROM THIS PLAN

I have agreed to set up your plan on Capped Drawdown terms because it appears that your need to draw income from the plan falls within the limits mentioned below. Having commenced the plan, any withdrawal in excess of the initial tax free cash lump sum will be taxed as pension income.

An advantage of a Capped Drawdown plan is that, providing you make income withdrawals within these limits, you will not be subject to the Money Purchase Annual Allowance rules. These rules limit the amount you may subsequently invest into a pension with income tax relief to only £10,000 per year.

If, at a later date, you need more income than the maximum allowable under Capped Drawdown terms, it will be possible to convert the plan to Flexi-Access Drawdown terms which permit unlimited annual withdrawals. However, the Money Purchase Annual Allowance will then apply to any future pension investments you make.

At your request, I have established the plan with withdrawals of **premium** per annum before deduction of income tax. The upper withdrawal limit applicable to your plan will be **insert amount** and the minimum limit is nil. You are free to alter the withdrawals you receive within these limits.

The upper withdrawal limit depends upon long term interest rates and a formula determined by the Government Actuary, both of which may vary over time. The maximum permitted withdrawal will be 150% of the ‘relevant annuity rate’. Every third anniversary from the date you start the plan, the plan provider will recalculate the upper withdrawal permitted in either an upward or downward direction.

An end to Trivial Commutation of Personal Pensions

Trivial Commutation of small pension pots comes to an end on 6.4.2015. It will continue only for commutation of Defined Benefit scheme entitlements which in the vast majority of cases will be handled by the scheme administrator.

The trivial commutation of personal pensions has in effect been superseded by the Uncrystallised Funds Pension Lump Sum provisions which make it possible to commute pension plans without any limits as to fund size. The quid pro quo will be a triggering of the new Annual Allowance Rules which limit subsequent pension contributions to £10,000 per annum.

The advantage of commutations by use of the Small Pots Exemption is that the Annual Allowance Rules are not triggered.

To reflect these changes, new Small Pots Exemption text has been created in replacement of the former Trivial Commutation text.

Proposed future pension rules section removed

This section has been removed because the new rules are now in place.

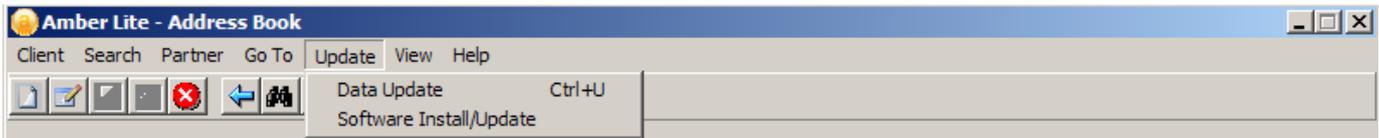
Minor layout corrections

The paragraph library has been reviewed and a number of small layout corrections have been made. In this connection, we are grateful for continued user feedback on any flaws found in the content, the correction of which will take precedence over all other development work.

New paragraph library

Amber Lite

If you have not already updated the software, select the “Data Update” option from the drop down menu which is accessible immediately after launching Report Writer.



Then follow the onscreen instructions.

Adviser Office

If you have not already updated the software, select the “e-Suitability data update” option from the drop down menu which is accessible immediately after launching Report Writer.

