

Fixed Term Income Plan (FTIP)

Case Study



John has recently reduced his hours at work and is looking for a secure income to supplement his earnings until his State Pension becomes payable at age 66.

Taking your tax-free cash and a fixed term income

“I just need a fixed income for a few years”. John

John:

- Is aged 61
- Is reducing his hours at work
- He has a pension pot of £100,000 (after tax-free cash)
- Wants a temporary guaranteed income
- Looking to fully retire at the State Pension age of 66

John has recently reduced his hours at work and is looking for a secure income to supplement his earnings until his State Pension becomes payable at age 66.

He doesn't want to purchase a lifetime annuity at the moment but would like to access his tax-free cash. He decides that he needs an income of £5,000 for each of the next five years and the option of a guaranteed maturity value (GMV) at the end of the term.

With the Fixed Term Income Plan (FTIP), John can access his tax-free cash and receive a guaranteed income. John can choose the level of income, in this case £5,000 a year for five years, with any balance from the plan providing a Guaranteed

Maturity Value (GMV), the value of which will be known from the start of the Plan.

The GMV will provide John with a lump sum that he can use to purchase a lifetime annuity, transfer into a flexi-access drawdown or take as a taxable cash lump sum.

How it works

- You invest an initial sum, let's say £100,000.
- You choose the term and level of income, in this example £5,000 for five years (or £25,000 in total over the five years).
- If a GMV option has been selected at outset, you will receive a guaranteed amount at the end of the term, for example £80,000.



The figures used in this example are for illustrative purposes only.

John can:

- Choose the term between 1-20 years
- Select income and/or guaranteed cash lump sum options
- Have a level or escalating income (0.1%-10%) each year
- Take up to 25% cash at outset
- Provide a death benefit for his beneficiary(ies)
- Reassess his options at the end of the term.

The Fixed Term Income Plan, may suit clients that:

- Are aged 55 or over
- Have a minimum of £10,000 to invest (after tax-free cash)
- Want guaranteed income and/or a guaranteed maturity value for a fixed term
- Are looking for a level or escalating income (0.1%-10%)
- Want to access their tax-free cash at outset
- Want a death benefit for their beneficiary(ies)

Risks

The FTIP does not pay a guaranteed income for life and where a Guaranteed Maturity Value (GMV) is paid at the end of the term this may not be enough to provide you with the same level of income had you bought a lifetime annuity at outset rather than investing in the FTIP.

Taking any income from the FTIP, in addition to your tax-free cash will trigger the Money Purchase Annual Allowance (MPAA), which will reduce the amount that can be paid into a defined contribution (money purchase) pension scheme to £4,000.

You should speak to a professional adviser to ensure that the FTIP is suitable for you.

