**Financial Planning Report**

**{FirstName} {LastName} & {FirstNameClient2} {LastNameClient2}**

*{CurrentDate}*

**{FirstName} {LastName}, {ReferenceNumber}** {Email}

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**At Calton Wealth Management** our mission is to empower you to live the life you want to lead. We place our clients at the centre of everything we do, and we want you to share our excitement about the transformative potential of good financial planning. We want to help you to develop your vision with confidence and give you peace of mind along the way.

We aim to be a new kind of wealth manager. We take our experience of working in large financial services institutions and combine it with a fierce independence. Every recommendation we make is based on broad research, our knowledge of the technology landscape and consideration of a broad range of products.

**Your financial planning report**

The following report details your current situation, your aims and objectives as we understand them, and any actions we are recommending.

It seeks to do three things:

1. Provide a clear plan to help you reach your financial and life goals.
2. Highlight any merits or defects of the proposed actions.
3. Confirm the costs and charges you’ll be subject to.

We have highlighted the important features within your report, while you’ll find full terms and conditions within the appendices.

Once you’ve read the report, you’ll be able to either sign electronically to indicate you’re happy to proceed or send a message to your adviser to arrange a meeting if you’ve any further questions.

**We look forward to working with you as your financial planning partners.**

**{FirstName} {LastName}  
{ReferenceNumber}**

Logo

Description automatically generated

# Current Situation

|  |  |
| --- | --- |
| **{FirstName} {LastName}** | **{FirstNameClient2} {LastName Client2}** |
| {Age} years old | {AgeClient2} years old |
| {Occupation}, {Employer} | {OccupationClient2}, {EmployerClient2} |
| Earnings {TotalAnnualEarnings} | Earnings {TotalAnnualEarningsClient2} |
| In good health – {IsInGoodHealth} | In good health – {IsInGoodHealthClient2} |
| {MedicalConditions} | {MedicalConditionsClient2} |
| Dependents: {*DependantRelationship*} ({*DependantName}*) |  |

We have based our recommendations on the personal information captured during our meetings and recorded on the personal finance portal. You can view this information here: <https://caltonwm.gb.pfp.net/>

## Your Aims & Objectives

{ProfileNotes}

{GoalsObjectivesNotes} {GoalsObjectivesDetails}

Click or tap here to enter text.

## Cashflow Modelling

We have taken your current situation and modelled various scenarios to find what we feel is a reliable way to obtain your goals.

* {BudgetNotes} Click or tap here to enter text.

Referring to the attached cashflow modelling report, you’ll see that in XX% of the scenarios, our recommendations ensured that you reached your objectives and maintained a dignified retirement.

Referring to the attached cashflow modelling report, you’ll see that our recommendations saw you reach your objectives and maintained a dignified retirement in our model. We therefore have a high degree of confidence that the recommended actions will meet your needs.

## Affordability

You have an income of {MonthlyIncome}pm, with expenditure at {MonthlyExpenditure}pm.Click or tap here to enter text.

You are holding £XXX in cash for emergencies and are able to service ongoing liabilities and cover ad-hoc payments if the need arose.

You will not be contributing extra funds to your policy so therefore the recommendation/s made in this report continue to be affordable for you. OR Given the funds are being transferred from existing plans, your affordability has no impact on our ability to recommend the transactions.

# Attitude to Risk (ATR)

You completed our risk profiling questionnaire. This has provided a measure for your emotional tolerance to risk which formed the basis for further discussion regarding your capacity to bear losses, your knowledge and experience and how these elements ultimately tie in with your goals. After considering these factors I have determined your risk profile as follows:

|  |  |  |
| --- | --- | --- |
|  | **{FirstName}** | **{FirstNameClient2}** |
| **Risk Group** | {Title} | {TitleClient2} |
| **Do you agree?** | {Client1AgreesWithGeneratedRiskProfile} | {Client2AgreesWithGeneratedRiskProfile} |

{Client1Notes}

{Client2Notes}

**Generated Risk Score: {GeneratedRiskScoreTitle}**

{GeneratedRiskScoreDescription}

The more risk you are prepared to accept, the greater the long-term rewards will often be. It is important to maximise your return, but also ensure you are not exposed to a level of risk that is unacceptable to you. It is therefore imperative that your attitude to risk and maximum capacity for loss is clearly defined at outset.

# Existing Product Analysis and Recommendations

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Current Investment** | **Current Pension** | **Recommended Product** |
| **Provider** | |  |  |  |
| **Plan Type** | |  |  |  |
| **Policy Number** | |  |  | N/A |
| **Funds and Split** | |  |  |  |
| **Current Value** | |  |  |  |
| **Transfer Value** | |  |  |  |
| **Regular Contribution** | |  |  |  |
| **Does it match your risk level?** | | Yes / No | Yes / No | Yes / No |
| **Guarantees?** | |  |  |  |
| **Ongoing Charges** | Fund |  |  |  |
| DFM |  |  |  |
| Adviser |  |  |  |
| Platform |  |  |  |
|  | **Total Ongoing** |  |  |  |
| **Initial Charges** | |  |  |  |
| **Reduction in Yield** | |  |  |  |
| **Transfer?** | |  |  |  |
| **Reasons** | |  |  |  |

# Recommended Investment Strategy

* Cost is important – value more so.   
  We target annual charges of 1.75% or below, including all advice and platform fees.  
  The average annual charge in the UK market is 1.7-2.3% (Lang Cat, 2020).
* The UK is not the centre of the universe, as such we take a global view.
* We invest alongside you; all Calton Directors and team members hold their pensions and investments in our portfolios.

Delete and insert FE comparison graph here

|  |  |  |  |
| --- | --- | --- | --- |
| **Provider Product** | **1 Year** | **3 Year** | **5 Year** |
|  | XX% | XX% | XX% |
|  | XX% | XX% | XX% |

Please write a paragraph explaining the chart, table and any other commentary.

Click or tap here to enter text.

**Saltus Investment Managers (SIM)**Founded in 2004 Saltus provide the Discretionary Investment Management permissions and research to run our Model Portfolio Service.

This allows us to give our boutique level of service and care, backed by the research and resources of a company which manages in excess of £3 billion of client money.

**Prudential**

Founded in 1848, Prudential are our first choice when recommending smoothed funds. The funds are designed for retail clients that have a low tolerance of investment volatility.

**Ruffer**

When in retirement, we recommend that our clients hold around 20% of their portfolio in the Ruffer Total Return fund instead of cash. This is because their investment strategy is defined by 2 objectives:

* Not to lose money in any 12 month period
* Generate returns meaningfully ahead of the return on cash.

With these central pillars of the Ruffer Total Return fund we can comfortably reduce our cash holdings, mitigate against inflationary risk, without overexposing our clients to volatility.

**Bespoke DFM**

Based on my research I have recommended…….

**Clever MPS**

**Managed Portfolio Service**

The service developed as an alternative to bespoke DFM, which typically dictates minimum investment amounts and commands higher ongoing fees (due to the level of management required).

The MPS evolved to provide a service where an individual can have access to a highly diversified and professionally managed investment portfolio but without the limitations and costs associated with a DFM. A MPS typically operates a range of portfolios, each with a risk rating and general investment objective.

The team running the portfolio manage the funds within the portfolio according to the remit and needs of the portfolio with client’s monies pooled together.  A portfolio manager uses the widest range of third-party funds to construct a portfolio of typically 15-25 funds aimed at achieving certain performance and risk-managed targets.

The pooling of investor monies allows the managers to achieve economies of scale and the overall costs therefore are marginally similar, if not the same, as that which would be applied selecting a range of funds, which would have to monitored and managed in a way not included as would be the case with an MPS.

The defining features of an MPS are therefore as follows:

* An individual’s investment into a portfolio is pooled with the investment of other individual’s monies into that portfolio.
* The management team purchase the underlying funds according to the remit of the portfolio and operate the strategy in this way, rather than by reference to a bespoke strategy.
* Access to a large number of third-party funds provides access in turn to thousands of global investments affording a high level of diversification and the ability to reach sectors potentially inaccessible without the effects of pooled investment.
* Management fees are typically much lower than bespoke DFMs reflecting the absence of a bespoke service.
* The funds are managed under a discretionary remit; however, in that the investment managers have discretion in switching holdings between the funds and making changes to the allocation as and when required.
* Using a dedicated investment management team will allow you to access the research and investment methodology used successfully and can provide you with a hands-off approach to investment management. The portfolio will continually adhere to a set level of risk and objectives and this will be followed without the need for your input.

**Clever Marlborough Core MPS**

The objective of the Clever Marlborough Core MPS is to deliver long-term capital growth in line with your attitude to risk, by investing in a diversified range of asset types.

The MPS is provided by Marlborough on an ‘Agent as Client’ basis. This means the service is provided via Calton Wealth Management Ltd. We assume responsibility for ensuring the MPS selected for you is suitable at the outset and continues to be suitable for you whilst under our agency. Complaints regarding the suitability of the selected portfolio and allocations to underlying funds can be referred to the Financial Ombudsman Service (FOS) and Calton Wealth Management is covered by the Financial Services Compensation Scheme (FSCS).

The MPSs we recommend are **independently risk-rated and monitored by Dynamic Planner** (which we have matched to your Finametrica ATR score) to ensure investment risk is consistent and appropriate for each portfolio. The investment mandate undertaken by Marlborough on behalf of Calton Wealth Management Ltd **restricts the use of any investment unsuitable for a retail investor**.

Custody of your invested assets and responsibility for execution of trades into the funds within which the MPS invests is covered by Quilter. Complaints about Quilter can be referred to the FOS.

The management of the portfolio in accordance with its investment mandate, including the use of funds appropriate for a retail investor is the responsibility of Marlborough and complaints in relation to the provision of this service relative to that mandate can be referred to the FOS.

**In all instances cited above – you should first address your complaint or concern to the relevant party responsible in the first instance, but have the right to complain to the FOS should you be dissatisfied with the outcome.**

Quilter and the selected funds held within your portfolio are covered by the FSCS. As access to the MPS is provided via Calton Wealth Management Ltd, should you decide to withdraw servicing rights, we will no longer be able to provide access to the MPS. In this event, the platform will assume responsibility for the investment and likely dis-invest. This will mean your investments are held on the platform in cash, which could result in significantly reduced investment growth until the funds are re-invested. **You may have to pay for financial advice in order to ensure funds are re-invested in a suitable way.**

**In order to access this portfolio, you are appointing Calton Wealth Management Ltd to act as your agent in relation to the provision of this service only.**

**You can withdraw this appointment and thus the servicing rights to your portfolio at any time – this must be noted in writing to me as your adviser. If you withdraw servicing rights, we will no longer be able to provide access to the MPS and the platform will assume responsibility for the assets and likely disinvest as detailed above.**

**Clever Adviser**

We also discussed the relative merits of both active investing and passive investing as well as the option of a combination of the two. From this, we agreed the approach for your investments would be active.

Specifically, we adopt what is known as the ‘Clever Adviser Service’. The full details of this proposition is in the terms of business provided to you, but to summarise:

* A multi-asset portfolio of funds, matched to your attitude to risk and investment timeframe, is selected based on a number of qualifying funds criteria including relative volatility, star rating, average relative 36-month performance and various performance indices (alpha, beta, Sharpe ratio).
* This list of funds is reviewed on a monthly basis and a score is attributed to each fund.
* Once a fund falls below an accepted range, we will advise you to sell and replace with a selected replacement fund.
* Providing you agree and submit the request, we will process the switch.

In this way, you will have access to a portfolio of funds, set against a defined level of risk, closely monitored (on a monthly basis) with instructions provided promptly to adjust if necessary.

**Please remember that past performance is no guarantee of future returns.**

## Product

Click or tap here to enter text.

**Advantages**

* ISAs are not subject to personal income or capital gains tax.
* Income and gains from ISAs do not need to be included in tax returns.
* Money can be withdrawn from an ISA at any time.
* Your ISAs will benefit from regular reviews and ongoing advice to ensure that they remain suitable for you.
* Unlike ISAs, there is no limit on how much you can invest in a GIA.
* A GIA allows you to invest in funds that attempt to mitigate against the risk of inflation and are historically more likely to reach your goals than the interest rate at a bank.
* You can utilise your Capital Gains allowance each year and offset against losses to make withdrawals without triggering a chargeable event.
* Gains in an Investment Bond are assessed under the chargeable gains regime rather than Capital Gains tax.
* You can withdraw 5% pa with tax deferred.
* Your pension falls outside of your estate for inheritance tax purposes.
* 25% of your pension can be taken free of tax, up to a total of £268,275.
* You can withdraw flexibly from your pension to best reflect your lifestyle and changes in circumstances.

**Disadvantages**

* There is no guarantee that the new investments will outperform your existing funds.
* There is a direct relationship between risk and reward. The more risk you take the higher potential you have for reward. By increasing risk exposure, you increase the amount of potential loss. Conversely, when you reduce the level of risk, you decrease the level of potential returns.
* Investment growth in GIAs may be liable to Capital Gains tax on growth and Dividend tax on income.
* Investment Bond gains are taxed at source and non-tax payers are unable to reclaim the 20%.
* The amount you can contribute to a pension is limited by the Annual Allowance (£60,000) or your relevant earnings, whichever is lower.

## Platform

**Advantages**

* Reliable reporting.
* Able to access desired investment portfolio.
* Easy switching and simple charging structure.
* Ability to move between product wrappers: Bed & ISA, Bed & Pension.
* “Bulk discount” on funds – lower cost units often available.
* Tiering charges for larger amounts.

**Disadvantages**

* If transferring funds, there will be a time when your investments are “out of the market” as they are being transferred. If markets should rise during this time, your investments will not participate in the market upswing.
* A potential layer of cost above direct holding.

Click or tap here to enter text.

# Declaration

Before signing the declaration below, please take time to carefully read the documents referred to in it, as they will form a legally enforceable agreement with Saltus Investment Managers (‘SIM’).

If you do not understand anything, or if you are missing any of the documents, please contact your adviser.

I confirm that I have read the attached proposal and accept the recommendations contained within it.

I confirm that any personal information provided is complete and accurate.

I confirm that I have been provided with and accept the Terms and Conditions of the Agreement and Saltus’

Investment Managers Fees and Charges (IMFAC);

(i) I hereby provide my express consent to the Execution Policy of SIM;

(ii) I hereby provide my/our prior express consent to the execution of orders outside a regulated market or multi-lateral trading facility; the following clauses will all apply if you are using our discretionary fund management service as the result of a recommendation from your financial adviser;

(iii) I confirm that I have a separate agreement with my Financial Adviser in relation to their adviser charges;

(iv) I undertake to inform SIM of these charges and authorise SIM to pay the Financial Adviser;

(v) I acknowledge that the agreement will come into effect once it has been signed by all parties and will remain in force until terminated.

(vi) I agree to appoint SIM to manage investments covered by this agreement on a discretionary basis i.e. to effect transactions without our prior approval.

(vii) This agreement is governed and shall be interpreted in accordance with English law and both parties shall submit to the exclusive jurisdiction of the English Courts.

# Next steps

If you’re happy to proceed as described, please fill in your bank details and sign below, we’ll follow up with electronically send transfer forms. If you’d like to discuss this report or ask any questions, please do get in touch to arrange.

|  |  |
| --- | --- |
| **Account Holder/s** |  |
| **Bank Name** |  |
| **Sort Code** |  |
| **Account Number** |  |

…………………………. ………………………….  
Signature Signature

…………………………  
Date

# Next steps

If you’re happy to proceed as described, please let us know, and we’ll electronically send transfer forms. If you’d like to discuss this report or ask any questions, please do get in touch to arrange.

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Technical Factsheet: Individual Savings Account (ISA)

ISAs are tax efficient savings and investment vehicles which can be used to help you with savings for retirement, your first property, or any other expenditure. The key benefit of an ISA is that you are able to invest and save without attracting any UK tax.

For UK residents, anyone from the age of 16 can hold a Cash ISA, and anyone over the age of 18 can open a Stocks and Shares ISA.

Types of ISA

The two main types of ISA are Cash ISAs and a Stocks & Shares ISAs.

Cash ISA

Cash ISAs work like saving accounts. The funds are held in cash, which means that they are protected from market fluctuations; however, interest rates are often lower than inflation which, can mean that the real value of the cash held can be depleted.

Deposits of up to £85,000 per person per bank are covered by the Financial Services Compensation Scheme.

Stocks & Shares ISA

With this type of ISA, you’re investing money for growth over the longer term (usually 5+ years), with the aim of beating, or at least keeping pace with, inflation.

With investments, there is an inherent risk that the value could fall as well as rise. This means you can get back less than the amount you originally invested, so you need to make sure you’re comfortable with the risk before investing.

ISA Allowance

The ISA allowance is the amount of new money you can add to an ISA in each tax year; the allowance for the 2023/24 tax year is £20,000.

You can only pay in to one Cash ISA and one Stocks & Shares ISA in any given tax year, although there is no limit to the number of ISAs that can be held from previous years.

Other ISAs

Innovative Finance ISAs allow you to lend and invest via a regulated peer-to-peer platform. Peer-to-peer is a rapidly growing form of lending that serves three key sectors; personal loans, small business loans and property loans.

Lifetime ISAs are designed to help savers towards either their first home, or retirement. You must be between the ages of 18 and 40 to open a Lifetime ISA.

Help to buy ISAs are also available for your first home. New help to buy ISAs can no longer be opened, but if you have an existing help to buy ISA, you can continue to contribute to it until November 2029.

Technical Factsheet: General Investment Account (GIA)

A General Investment Account is the name given to a taxable investment vehicle which can hold a wide variety of investments. GIAs can be held in single or joint names and are subject to UK tax.

GIAs are often used for people who have used up their annual ISA allowance and for those who don’t want to lock their money away in a pension until the age of 55. GIAs are also often used as “feeder” accounts for ISAs.

**Taxation**

There are no tax benefits for investing in a GIA, unlike those available within an ISA or a pension.

You pay income tax and capital gains tax in line with your personal tax situation, and your personal tax allowances still apply.

Capital Gains Tax

Any capital gains made upon disposal of the investment will be subject to taxation at a flat rate of 10% for non-tax payers and basic rate tax payers, and 20% for higher rate tax payers.

Disposals include full and partial disinvestments, as well as fund switches.

Every individual has an annual capital gains tax allowance that can be offset against the gains (£6,000 for the 2023/24 tax year). Losses can also be offset against the gains.

Income Tax

Income from interest-paying funds, is paid gross. Any further tax liability depends on your personal rate of Income Tax and the type of income arising.

Dividend Allowance

There is a £1,000 dividend allowance available in the 2023/24 tax year, which means that no tax is due on the first £1,000 of personal dividend income, no matter what non-dividend income you have.

You’ll pay tax on any dividends you receive over £1,000 at the following rates:

* 8.75% (basic rate)
* 33.75% (higher rate)
* 39.35% (additional rate)

Types of investments

A variety of investments can be held in GIAs to suit different investor needs, commonly available are investment funds which have specific objectives such as income or growth.

Technical Factsheet: Personal Pension

Personal Pensions are designed to build up funds for your retirement in a tax-efficient manner. Under current legislation, funds can normally be drawn from a personal pension from age 55 (rising to 57 from 2028).

Tax efficiency is achieved by way of tax-relief applied to contributions made to your pension, and 25% of the pension usually being available tax-free at retirement with the remainder used to provide a taxable income. Pensions also benefit from tax free growth on the underlying investments.

**Contributions & the Annual Allowance**

There are limits on the amount that can be contributed to a pension and still receive tax relief; this is known as the annual allowance. The limit applies to both employer and personal contributions. The annual allowance is currently £60,000 and runs from 6th April – 5th April each year.

You have to ensure that you have the relevant earnings to support your pension contribution; if you earned £25,000 in a year then this would be the limit that you could contribute including tax relief. If you do not have any earnings then you can still contribute £3,600 each year (including tax relief).

Tapered Annual Allowance

A tapered annual allowance could apply to higher earners with income over £260,000 meaning your annual allowance could be reduced. Other factors apply and calculations would be required to determine the reduction.

The tapering rules could reduce the annual allowance to £10,000.

Money Purchase Annual Allowance

When the MPAA is triggered (see next page), the amount you can contribute to a pension per annum reduces to £10,000.  
  
Carry Forward

You may be able to utilise up to 3 years’ worth of unused annual allowance to boost your contribution, provided that you have the required earnings to support this in the year that you are looking to make the contribution.

To qualify for this, you will need to have been a member of a pension for each year from which you are using carry forward. Note, you do not need to have been paying into a pension for each year you wish to use carry forward for.

**Lifetime Allowance**

In March 2023, the Chancellor announced that he was scrapping the LTA, and that there would not longer be a tax charge for those with more than £1,073,100 in a pension.

The rules are set to be finalised during the 2024-25 tax year, however, what has already been confirmed is that there will now be a lifetime limit on the amount of pension commencement lump sum (PCLS) – otherwise known as ‘tax free cash’ – this lifetime limit will now be 25% of the fund value, subject to a lifetime limit of £268,275.

**Retirement Benefits**

When it comes to drawing benefits, there are a range of options available.

Annuities

Purchasing an annuity with your accrued pension fund will provide you with a fixed income over a set period or over your lifetime.

Enhanced or impaired life annuities are available to those in poor health, and will usually offer a more generous annuity rate than a standard annuity.

Flexi-Access Drawdown

Under this option, once your PCLS has been withdrawn the remaining 75% is designated to drawdown and can be accessed as regular income or ad hoc withdrawals.

Sustainability can be an issue with this type of drawdown (i.e. the risk that you’ll draw out too much too soon and exhaust your pension fund).

Uncrystallised Funds Pension Lump Sum

This method enables you to access your pension via one or multiple lump sums.

Typically, 25% of the payment is tax-free, with the remainder taxed as pension income.

Flexible annuities, flexi-access drawdown income, and UFPLS are all triggers for the MPAA.

**Pension Commencement Lump Sum**

A Pension Commencement Lump Sum (PCLS) refers to the amount of pension you can draw tax-free.

The entitlement is usually 25% of the fund value, although some older contracts may have a higher entitlement.

Once PCLS has been withdrawn, the remaining 75% of the fund is referred to as a crystallised fund. Any fund from which PCLS has not been withdrawn is referred to as an uncrystallised fund.

**Death Benefits**

The tax treatment of death benefits will depend on the age of the member at the date of death.

Death benefits are usually paid to the beneficiary tax free in the event of death before age 75. Where death occurs after age 75, the fund will be subject to the income tax at the beneficiary’s marginal rate.

Death benefits can be paid as a lump sum, annuity, or as a drawdown pension, but this will depend on the pension options available.

Following the budget in March 2023, there may be an income tax charge on certain death benefits, if the member’s total benefits exceed the notional lifetime allowance.

**Legacy Planning**

An Expression of Wish form allows you to nominate person or persons to receive your pension benefits upon your death.

As pensions are usually exempt from your estate for Inheritance Tax (IHT) purposes, pensions can be a useful tool in IHT mitigation and tax efficient legacy planning.

Technical Factsheet: Income Drawdown

Income drawdown allows you to draw a retirement income from your pension while you remain invested. This means your pension income is not guaranteed to last and investment performance may have an impact on how long you are able to draw a retirement income.

This method is generally used by investors who wish to remain invested through retirement and don’t want a more restricted or secure income.

**Flexi-access Drawdown**

This is a more flexible way to draw your benefits. You can normally take up to 25% of your pension as a tax-free lump sum (PCLS). The remaining 75% is designated to drawdown and can be accessed as regular income or ad hoc withdrawals.

You can also choose to take your PCLS in ‘phases’ if the provider offers this, with each payment received part PCLS and part taxable income.

When you take any income from the plan (not PCLS) then the Money Purchase Annual Allowance applies. This will reduce the amount you can contribute to a pension (and still receive tax relief) to £10,000 per annum.

There are no income restrictions so it’s important to manage the level of income.

**Capped Drawdown**

A capped drawdown pension has an income limit (broadly based on 150% of the equivalent annuity that could be bought). There is no minimum amount that must be drawn. The maximum that can be drawn will be reviewed every three years up to age 75 and annually thereafter.

Should you draw over the income limit the drawdown plan will automatically convert to flexi-access drawdown.

**Taxation**

The income you take from the designated 75% portion of your fund is taxable under income tax rules. While the PCLS payment is normally tax free (assuming you have the available lifetime allowance).

Each income payment is taxed under Pay as you earn – PAYE. This means that the provider will require your tax code in order to ensure you are taxed correctly.

Unless the pension provider holds your up to date tax code, then withdrawals are taxed initially on an Emergency Tax Month 1 basis. In situations where a regular income is being taken then HMRC will update the provider and the tax code used will be adjusted, allowing the tax to be reclaimed through increased payments. With single income payments you may need to reclaim directly with HMRC.

New plans cannot be set-up under capped drawdown but you can still transfer an existing plan. Capped drawdown does not trigger the MPAA, meaning you can potentially still continue to contribute up to the annual allowance, currently at £60,000 in the 2023/24 tax year.

Technical Factsheet: Life and Income Protection Plans

Protection policies are a way to help support yourself or your loved ones financially if one of the events defined in the policy conditions occurs during the term of your policy. Depending on the type of plan, this could include death, serious illness, or an inability to work due to illness or injury.

The benefit could be used to replace lost income, repay a mortgage, sustain the family lifestyle, or provide an income for education and childcare costs.

**Underwriting**

In order to ascertain the level of premium that will apply to your plan you will need to undergo the providers underwriting process. The outcome will be based on your personal circumstances.

The main areas for consideration by an insurer are your age and the state of your health. The older you are, the higher the premium will be. Similarly if you have or have had a serious ailment, the insurer may seek to charge you more or in some cases be unwilling to cover you at all. Higher levels of cover, longer policy terms, and shorter deferred periods all increase cost, as will the fact that an individual smokes.

**Key Features**

This document provides a high-level overview of personal protection products, and is for information purposes only. Plans can differ in various ways, so please ensure you read the applicable Key Features Document and understand the terms and conditions before establishing a new plan.

**Types of Protection**

Term Assurance

Provides a tax-free lump sum paid out on death during the term of the contract. Plans can be taken out on a level, decreasing, or increasing basis, depending on your specific needs, and be purchased with or without Critical Illness Cover.

Critical Illness Cover

Provides a tax-free lump sum if you are diagnosed with one of the providers specified illness definitions. Cover can be applied to a life contract or be taken out on a standalone basis.

Family Income Benefit

Provides a tax-free income paid out on death, usually on an annual basis, during the term of the contract. The income will continue until the end of the set term and can be purchased with or without Critical Illness Cover.

Income Protection

Pays a proportion of your normal gross income in the event that you are unable to work due to illness or injury.

There are two distinct types of Income protection. Short-term products, which will generally only pay-out for 12-24 months; these are often known as Accident, Sickness, and Unemployment plans. Long-term products will pay out until the end of the full term if you are unable to return to work.

Under current legislation the benefit is paid tax free and becomes payable after a set time agreed at the start of the contract, this in known as a deferred period. The benefit payable ceases upon return to work or upon the policy coming to the end of its term. The benefit can be level, or it can increase in line with inflation.

Technical Factsheet: Inheritance Tax (IHT)

Inheritance Tax may be charged on certain lifetime gifts, on wealth at death and on certain transfers into and out of trusts. In the Inheritance Tax legislation, gifts which serve to reduce the value of a person’s estate are known as “transfers.”

**Nil Rate Band**

Currently the first £325,000 of your estate is not chargeable to Inheritance Tax. This is known as the nil rate band.

A charge of 40% is made on the amount by which a deceased person’s estate exceeds the nil rate band.

Residence Nil Rate Band

In addition to an individual’s nil rate band, a further nil rate band is available for individuals who leave their main residence to a direct descendant, provided that the total estate is below £2,000,000.

The value of this band is currently £175,000 and was set to increase by CPI from 2021/22 onwards, however, the Chancellor announced that these were instead to be frozen until 2026.

Two clients with shared ownership of their home, who decide to leave this home to their children would therefore receive an additional £350,000 exemption from IHT in the 2023/24 tax year.

**Spousal Transfer**

Transfers between spouses are exempt from IHT in most circumstances. Upon death of a spouse, often either all, or some of the estate will pass to the surviving spouse without using the nil rate band.

It is possible to transfer any unused percentage of the nil rate band so that it can be used on the surviving spouse or civil partner’s death, meaning that in most cases the surviving spouse will have a total of two nil rate bands before tax will be due.

**Chargeable Lifetime Transfers**

Inheritance Tax can be due when you make transfers into certain types of trusts, when the total transfers over the past seven years add up to more than the nil rate band.

Chargeable lifetime gifts above the nil rate band attract Inheritance Tax at 20%.

**Potentially Exempt Transfers**

Outright gifts are normally considered to be potentially exempt transfers (PETs). This means that the value of the gift made would fall away from the settlor’s estate after seven years, assuming that the settlor lives that long. This can also apply to certain gifts to trust.

Until this point, taper relief can be applied to the tax due on death, based on the number of years between the gift and the date of death, as follows:

0-3 years – 40% (i.e. no relief)

3-4 years – 32%

4-5 years – 24%

5-4 years – 16%

6-7 years – 8%

7 or more – 0%

Taper relief may not apply in all circumstances and advice should be sought.

**Exempt Transfers**

Some transfers are removed immediately from your estate. We will explore a few of the more common instances here.

Small gifts

Gifts that total up to £250 to one person in any given tax year.

Gifts out of normal expenditure

To qualify for this, it must be clear that the gift:

* Formed part of the transferor’s normal expenditure
* Was made out of income
* Did not affect the transferor’s standard of living

Normal expenditure is most simply defined as income that is standard and regular for the transferor. This does not necessarily mean that the gifts need to be made monthly or annually, as long as a pattern is established.

In some cases where death occurs soon after the first gift, i.e. before a pattern can be established, HMRC would require strong evidence that the gift was to form a regular commitment before allowing the exemption.

Annual exemption

Each individual holds a £3,000 annual exemption, which means that the first £3,000 of any transfers made in a tax year would be exempt from the estate.

One year’s unused exemption can be carried forward, meaning that if you hadn’t made any transfers in the previous tax year, you would have an annual exemption for this tax year of £6,000.

Technical Factsheet: Investment Bond

An Investment Bond is a type of investment that is also a life insurance policy. They are normally lump sum investments that provide access to a variety of funds. These can be provided as onshore bonds (UK) or offshore bonds (international based).

Although they are technically a life insurance policy, upon death you would usually get back what the investment is worth, which could be more or less than what you paid in.

**Access**

Regular withdrawals are allowed, up to 5% of the amount invested can be withdrawn, per annum, without an immediate liability to tax.

The 5% is cumulative up to 20 years, e.g. after 3 policy years, 15% would be available. You can take more but it could be taxable.

**Taxation**

Onshore Bond: Corporation tax on the underlying investment is paid by the insurance company, this is deemed to be 20%.

Offshore bond: These grow virtually tax free, also known as ‘gross roll up’ (although some nominal tax can apply from the funds).

If you choose to surrender all or a part of your plan, or take withdrawals above the allowance, then a tax charge may apply.

The tax you pay will depend on how long you have held the bond for, your taxable income and the type of bond, i.e whether an Onshore or Offshore bond. A method to reduce the tax you pay may be available, called ‘top slicing’, this is based on how many years you have held the plan for.

**Investment options**

Insurance companies offer a range of investment funds to select from. You can also switch funds without a liability to tax. International bonds may offer additional investment options.

**Trusts**

Bonds are often used for Trusts as they provide a range of unique features suited to trustees and beneficiaries, offering flexibility in distributing capital and various trusts being made available.

**Other Features**

You can ‘assign’ all or part of the bond to someone else without the original plan holder paying a tax charge.

Guarantees are often available in terms of protecting your investment, these are normally provided through a counterparty and have higher charges.

Investment bonds should be considered as medium to long term investments.

Technical Factsheet: Gift Trust

**Features and benefits**

* **Inheritance Tax planning:** growth on gifted money is immediately outside of your estate. The gift is fully outside of your estate after 7 years.
* **Choice of trust:**the trust can be written on either an Absolute or Discretionary basis, to suit your requirements.
* **Investment options:** you have a choice of onshore and international bonds.
* **Probate:** trustees can access money immediately upon your death.
* **Suitability:** the Gift Trust is suitable if you do not require any access to the capital or any growth from the trust. Payments can be made to trust beneficiaries at any time, but you cannot benefit in any way.

Please remember that the value of your investment is not guaranteed and can go down as well as up. The beneficiaries may get less than you put in.

**About the Gift Trust**

The Gift Trust provides an Inheritance Tax planning solution where you want to make an outright gift in a tax-efficient way.

Any potential growth on the investment will be outside your estate from the start and, depending on circumstances, there may be no Inheritance Tax due on the trust fund.

It is essential to note that, once the trust has been set up, you cannot benefit from it at all. The Gift Trust is therefore only suitable where you do not want or need any future access to the capital or any growth it may produce.

**How does the Gift Trust work?**

* The bond is put into trust during your lifetime.
* Payments can be made to the beneficiaries at any time, providing that you do not benefit.
* The trust will continue to the end of the trust period or until all assets have been distributed.
* After your death, the trust can continue or be wound up with the proceeds paid out.
* The proceeds from the trust may be wholly or largely free of Inheritance Tax.
* The trust can be set up by a single or joint donor.

**Choice of trusts**

The Gift Trust can be written as either an Absolute or Discretionary Trust, depending on your needs.

* **Absolute Trust -** You must select the beneficiaries and their share of the trust fund when setting up the trust.
* **Discretionary Trust -** Trustees can alter the beneficiaries of the trust or their share of it.

Technical Factsheet: Loan Trust

**Features and benefits**

* **Access original capital:** you can access the original capital sum at any time, either as a full lump sum, occasional sum or regular repayments of the loan, addressing any concerns about unforeseen circumstances.
* **Capital growth:** any growth on the investment is part of the trust and therefore will not further increase the size of your estate.
* **Probate**: you can choose for the loan to be waived on death, meaning that the trustees can access the money immediately.

**About the Loan Trust**

The Loan Trust offers you an alternative to giving away capital for good – it allows access to capital but any growth won’t further increase the estate.

You sets up the trust by appointing trustees, of which you are one, and making an interest-free loan to them of the capital they wish to invest. This loan is interest free and repayable on demand.

The Loan Trust won't normally create any immediate Inheritance Tax charge although any outstanding loan remains part of you estate for Inheritance Tax purposes.

The trustees invest the loan in one or more single premium investment bonds. Any growth on the capital is held outside of your estate.

You can demand the balance of the outstanding loan at any time you need it – either as a lump sum, occasional sum or regular payments.  Repayments are funded by the trustees taking withdrawals from the bond. Each withdrawal is a partial repayment of the original loan.

Withdrawals can continue until the loan has been repaid to you in full. You can receive up to 5% each year of the amount invested into the bond without creating an immediate Income Tax liability.

The loan can be waived in part or full at any time, which will create a Potentially Exempt Transfer (PET) or Chargeable Lifetime Transfer (CLT) for any amounts not exempt.

**Choice of trust**

The Loan Trust offers a choice of trust - Absolute or Discretionary.

* **Absolute Trust -** You must select the beneficiaries and their share of the trust fund when setting up the trust.
* **Discretionary Trust -** Trustees can alter the beneficiaries of the trust or their share of it.

Technical Factsheet: Discounted Gift Trust

**Features and benefits**

* Trust allowing you to place a lump sum into trust whilst retaining the right to receive **regular payments.**
* Option to potentially provide **modest amounts of capital**to beneficiaries during your life as well as the remaining fund following your death.
* The initial gift may be discounted offering the potential to **immediately reduce your Inheritance Tax liability.**
* Can be written as an **absolute or discretionary trust**, depending on your needs.
* Single or joint settlor arrangements.

**About the Discounted Gift Trust**

The Discounted Gift Trust allows you to put a lump sum into trust whilst retaining the right to receive regular payments. The value of your initial gift may be discounted for Inheritance Tax (IHT) purposes, potentially offering an immediate reduction in your IHT liability. Following your death, the trust can continue or be wound up. The beneficiaries of the trust may potentially receive modest amounts of capital during your life and the remaining fund after your death.

**Who is the Discounted Gift Trust suitable for?**

It may be suitable if you;

* need the potential for immediate and future IHT reduction
* are likely to survive seven years
* need fixed regular payments for expenditure purposes
* are in reasonable health.

It may not be suitable if you;

* are older than 90 next birthday
* are unlikely to have an IHT liability
* do not need regular payments
* are not in good health
* might change their minds about the amounts they want back from the trust and when.

**How the trust works**

The Discounted Gift Trust can be written as either an Absolute trust or a Discretionary trust, so you can decide which better suits your circumstances.

* **Absolute Trust -** You must select the beneficiaries and their share of the trust fund when setting up the trust.
* **Discretionary Trust -** Trustees can alter the beneficiaries of the trust or their share of it.

**The discount**

Because you are entitled to regular payments, the value of your initial gift may be discounted for Inheritance Tax purposes. This means that the potential Inheritance Tax liability on your estate may be immediately reduced when you set up the trust.

The actual amount of the discount may need to be agreed with HMRC, but the provider will offer an indication of the value when the trust is set up, based on medical evidence provided. This indication may help your representatives in negotiating with HMRC if necessary.

The discount will take into account the following factors:

* The level of payments you could expect to receive during your lifetime – the more you choose to receive, the smaller the amount you are giving away, therefore the discount is likely to be larger.
* Age and state of health - the longer your life expectancy, the more payments you could expect to receive, therefore the discount is likely to be larger. If you are in poor health at the start, the discount may be small and there could even be no discount at all.

Your gift for inheritance tax purposes, is then reduced by the amount of any applicable discount. If you set up the trust with a spouse or civil partner, the total discount will be apportioned between you both, according to your age, state of health and so on.

The discount is important because it is used to determine the value of a gift for certain Inheritance Tax charges that may arise.

{WholeMarketProviderName}

### Who are Prudential

Prudential are a leading savings and investments business, caring for customers for over 170 years. Ever since they were founded as a loans and life assurance company in 1848, they’ve sought to democratise wealth by helping as many people as possible gain access to our products.

Prudential are now part of M&G plc, a family of brands all aligned behind the same ambition: to manage our customers’ savings and investments so that they can live the life they want, while aiming to make the world a little better.

* A+ rating for financial strength from Standard & Poors, August 2020

### Financial Security

Prudential are authorised and regulated by the Financial Conduct Authority (FCA). In line with the FCA’s rules, they hold your assets in separate accounts and investments. This means they’re completely independent from Prudential and therefore protected from anything that might happen to Prudential as a company. Your online account is also completely secure. They will never send you emails asking for confidential information such as your password.

### Who are Fundment

Fundment is where discretionary fund management meets digital investment technology. The firm has developed an integrated solution for financial advisers and enterprise clients in the UK which enables them serve wider range of customers than previously.

Fundment's technology are being used by advisers in the UK today to deliver a suitable,goal-based asset allocation and advice, integrated discretionary investment management and automated account management which reduce regulatory headache for advisers.

### Financial Security

Fundment are authorised and regulated by the Financial Conduct Authority (FCA). In line with the FCA’s rules, they hold your assets in separate accounts and investments. This means they’re completely independent from Fundment and therefore protected from anything that might happen to Fundment as a company. Your online account is also completely secure. They will never send you emails asking for confidential information such as your password.

### Who are Saltus

Saltus are blah blah

### Financial Security

Saltus are authorised and regulated by the Financial Conduct Authority (FCA). In line with the FCA’s rules, they hold your assets in separate accounts and investments. This means they’re completely independent from Saltus and therefore protected from anything that might happen to Saltus as a company. Your online account is also completely secure. They will never send you emails asking for confidential information such as your password.

### Who are Quilter

The platform was originally the Old Mutual Wealth platform; Old Mutual Wealth was part of Quilter PLC, a leading provider of advice, investments and wealth management, managing £64.63 billion of investments on behalf of over 466,000 customers (as at end Q3 2022). Quilter plc is the group holding company and is listed on the London and Johannesburg stock exchanges. The platform has recently been rebranded as the Quilter platform. The platform combines the expertise and heritage of both Skandia and Old Mutual. They have a reputation for outstanding service and are dedicated to helping you achieve your financial goals. It is their focused approach to customer service that has earned them an unsurpassed reputation within the UK investment industry. It’s why they have won more Financial Adviser magazine Five-Star Service Awards than any other investment provider. In addition, they have won the following awards:

* **AdviserAsset 2022 Platform Rating**
  + Platinum (2016 to present)
* **Defaqto 2022 Rating**
  + Platform – 5-star Service
* **FTAdviser Service Awards 2021**
  + Platform – 5-star

The platform has also been assessed by third-party ratings agency AKG in terms of its financial strength. AKG awarded the platform a B+ (very Strong) rating.

### Financial Security

Quilter are authorised and regulated by the Financial Conduct Authority (FCA). In line with the FCA’s rules, they hold your assets in separate accounts and investments. This means they’re completely independent from Saltus and therefore protected from anything that might happen to Saltus as a company. Your online account is also completely secure. They will never send you emails asking for confidential information such as your password.

### Charging Structure

Quilter has a product charge that considers all your holdings on the platform:

|  |  |
| --- | --- |
| Total amount invested on the platform | Percentage charge each year |
| First £25,000 | 0.45% |
| From £25,000 to £250,000 | 0.25% |
| From £250,000 to £750,000 | 0.20% |
| More than £750,000 | 0.15% |

Your existing and new plans will therefore have a platform charge of XX% per annum. In addition, there are adviser and fund charges; these are detailed in full within this report.

Risk Warnings - Investments

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

* Investments should be retained for at least 5 years, otherwise the costs and taxation liabilities on cashing in existing investments, as well as the initial charges for new investments may be disproportionate
* A surrender penalty may apply if you encash this investment in the early years and this is detailed within your report and illustration Check if applicable
* If withdrawals are made at a rate which exceeds the net growth of the fund, capital will be eroded
* The value of the investment is determined by the value of the units, the price of which can fall as well as rise
* The value of your investment may be eroded by the effect of inflation over time
* There is no guarantee that the recommended actions within the report will deliver a better performance than the existing arrangements \*\*\*Only applicable for replacement business\*\*\*
* For a full explanation of the charges and how they affect your plan, please refer to your personalised illustration and Key Features Documents
* The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change
* Investing solely in a particular sector or otherwise having an investment plan with a narrow focus may be more risky than investing across a broad range \*\*\*Only applicable where diversified investment advice not given\*\*\*
* Where a property fund has been recommended the value of the fund is based on the valuer’s opinion rather than fact. You should be aware property and land can be difficult to sell – so you may not be able to cash in this investment when you want to. To this end, in extreme market conditions, the fund manager may have to delay acting on instructions to sell investments
* Where a fund invests in overseas markets, changes in currency exchange rates may mean that the value of the investment goes up or down

**Additional Risk Warnings - General Investment Account**

* Please note the later encashment of a General Investment Account could give rise to a capital gains tax charge

Risk Warnings – Individual Savings Account

* When undertaking an ISA transfer between two different investment companies, there may be a period of a few days where your funds are not invested. To this end, your fund could materially suffer as a result of movements in the market
* If you decide to cancel your ISA transfer within the cancellation period you will be responsible for passing the monies back to the previous manager. Please note that no guarantee can be made that the previous manager will take the monies back. This could also mean that you may lose the tax free status previously applied
* The favourable tax treatment of ISAs and your personal circumstances may change over the period of investment and could affect the benefits you derive from them

Risk Warnings - Pensions

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

* The value of the investment is determined by the value of the units, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life. The value of your investment may be eroded by the effect of inflation over time
* The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change
* Past performance is not a reliable indicator of future returns
* When you retire, your pension may be lower than illustrated if:
  + You stop or reduce any regular contributions
  + Investment performance is lower than illustrated
  + The cost of converting your pension fund into an income for life is more than illustrated
  + You start taking your pension earlier than your chosen pension age
  + Tax rules change
  + Charges increase above those illustrated
* It is important to periodically review the value of your investments against expectations - particularly as you approach retirement
* Where a property fund has been recommended the value of the fund is based on the valuer’s opinion rather than fact. You should be aware property and land can be difficult to sell – so you may not be able to cash-in this investment when you want to. In extreme market conditions the fund manager may have to delay acting on your instructions to sell your investment
* An investment in corporate bonds is generally less secure than an investment in Government bonds due to the greater possibility of default as per investment
* Where a fund invests in overseas markets, changes in currency exchange rates mean that the value of the investment can go up or down
* The Government introduced stakeholder pensions in 2001 to provide a low cost pension plan - the total charges for the year cannot exceed 1.5% of the fund value in the first ten years and 1% thereafter. The recommended plan does not comply with the stakeholder standards as the pension offers a portfolio of funds and an investment management style where the overall charges are greater than this
* Anyone who dies below aged 75 will be able to pass on their remaining defined contribution pension fund tax free, whether it is in a drawdown account or untouched, as long as it is paid out in lump sums or as pension within two years of the provider being notified. This does not apply to defined benefit pensions. Those aged 75 or over will be able to pass the fund to their beneficiary to draw down as income or lump sum, subject to their marginal rate of income tax.

**Additional Risk Warnings for Pension Transfers**

* When undertaking a pension transfer between two companies, there may be a period of a few days where your funds are not invested. Your fund could materially suffer as a result of any movements in the market during this time
* There may be a possible change of fund value whilst the transfer remains pending
* The Cancellation Rights include the provision that the company from which the funds have been transferred are not obliged to take them back
* Should you pass away within two years of a pension transfer being processed there is a chance that HMRC may levy Inheritance Tax on the pension as a ‘failed transfer’. This is usually only levied in the event of ill health, but the rules are complex and many areas within this subject are yet to be tested in court, as such it’s important to be aware of the possibility

Risk Warnings - Capped Drawdown Plans

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

* The value of the investment is determined by the value of the units, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life. The value of your investment may be eroded by the effect of inflation over time
* It is important to remember your income is not guaranteed. Income is never guaranteed until the point your fund is used to purchase a conventional annuity (if indeed you decide to take this option at a future date)
* The income from capped drawdown pension is dependent on the current Government Actuary Department rates and the rates will vary with interest rates and age
* The maximum withdrawal under capped drawdown must be reviewed at least every three years, until the end of the drawdown pension year in which the individual reaches age 75, and every year thereafter. This could result in the level of income you receive being reduced in the future
* If you withdraw over the maximum Government Actuary Department income limit then your plan will automatically be changed to flexi-access drawdown, this change can affect other areas of retirement planning such as reducing your Annual Allowance to £4,000. As such should you become aware that you have breached the income limit, you should seek professional advice immediately
* High income withdrawals are likely to erode the capital value of your pension fund and may not be sustainable. This could result in a lower income if an annuity is eventually purchased
* You should weigh up the flexibility of withdrawing income against the certainty of buying an annuity which pays you a guaranteed amount for the rest of your life. Also consider that annuity rates may be higher or lower in the future
* If you purchase an annuity you may benefit from a cross subsidy from those annuitants that die relatively early. This cross subsidy is not present with drawdown pension. Therefore a higher investment return will be required to provide a comparable income
* The combined effect of mortality drag and the on-going charges on drawdown pension means that in order to produce the same income as a conventional annuity, the underlying assets must grow faster
* Taking an income or capital from your Pensions may affect means tested benefits
* Upon your death and before age 75, funds need to be paid out or designated to a flexi-access drawdown plan within 2 years of the scheme administrator being notified of the date of death. If this does not happen a tax charge will apply
* When undertaking a pension transfer between two companies, there may be a period of a few days where your funds are not invested. Your fund could materially suffer as a result of any movements in the market during this time
* There may be a possible change of fund value whilst the transfer remains pending
* The Cancellation Rights include the provision that the company from which the funds have been transferred are not obliged to take them back

Risk Warnings - Flexi-access Drawdown Plans

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

* The value of the investment is determined by the value of the units, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life. The value of your investment may be eroded by the effect of inflation over time
* It is important to remember your income is not guaranteed. Income is never guaranteed until the point your fund is used to purchase a conventional annuity (if indeed you decide to take this option at a future date)
* There is no maximum withdrawal limit under flexi-access drawdown, however any income taken that is not part of your tax-free cash entitlement will be subject to income tax at your marginal rate
* If an income is taken via flexi-access drawdown then the Money Purchase Annual Allowance of £4,000 is triggered, contributions over this allowance will be subject to the annual allowance excess tax charge
* High income withdrawals or lump sum withdrawals are likely to erode the capital value of your pension fund and may not be sustainable. This could result in a lower income if an annuity is eventually purchased
* You should weigh up the flexibility of withdrawing income against the certainty of buying an annuity which pays you a guaranteed amount for the rest of your life. Also consider that annuity rates may be higher or lower in the future
* If you purchase an annuity you may benefit from a cross subsidy from those annuitants that die relatively early. This cross subsidy is not present with flexi-access drawdown pension. Therefore a higher investment return will be required to provide a comparable income
* The combined effect of mortality drag and the on-going charges on flexi-access drawdown pension means that in order to produce the same income as a conventional annuity, the underlying assets must grow faster
* If you start to take benefits earlier than you originally intended you may not meet your income needs throughout your whole retirement
* Taking an income or capital from your pensions may affect means tested benefits
* Upon your death and before age 75, funds need to be paid out or designated to a flexi-access drawdown plan within 2 years of the scheme administrator being notified of the date of death. If this does not happen a tax charge will apply
* When undertaking a pension transfer between two companies, there may be a period of a few days where your funds are not invested. Your fund could materially suffer as a result of any movements in the market during this time
* There may be a possible change of fund value whilst the transfer remains pending
* The Cancellation Rights include the provision that the company from which the funds have been transferred are not obliged to take them back
* Emergency taxation will be applied unless the provider holds your up to date tax code, which is provided to them by HMRC. Emergency tax can either be reclaimed early by way of a P55, or is automatically rebated at the end of the tax year.

Risk Warnings - Annuities

In recommending this contract to you, I would like to point out that there are a number of associated risks of which you should be aware, as detailed below:

* The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change
* Changes in annuity rates between your quotation expiry date and the annuity company actually receiving the funds could alter the amount of income you receive. The illustration is only guaranteed for XXX days
* Your annuity income can vary up and down if you agree to this when the annuity is bought and it offers this option
* The Cancellation Rights include the provision that the company from which the funds have been transferred are not obliged to take them back
* Although your circumstances may change after your pension income starts being paid to you, once accepted, the terms and conditions of the annuity cannot be altered
* The contract (and therefore payments) will cease upon your death unless you have selected a dependants pension and/or the guarantee option, and death occurs within this period
* The total return from the annuity will depend on how long you and (if applicable) your dependant live
* Where no escalation has been selected, you should be aware the effects of inflation may erode the value of the pension over time
* Where no pension commencement lump sum payment has been instructed, the opportunity has been relinquished and cannot be instructed at a later date
* Annuity or scheme pension rates may improve in the future
* Some annuity contracts allow for a lump sum death benefit to be paid to a beneficiary via an annuity protection option. If the individual dies before 75 the beneficiary may receive the lump sum tax free, however if the individual is 75 or over at the date of death the lump sum will be subject to income tax at the marginal rate of the beneficiary

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**I have understood the contents of the report and wish to progress with the recommendations within it**

hello@caltonwm.com

www.caltonwm.com

30 Melville Street, Edinburgh, EH3 7HA

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Registered office: 30 Melville Street, Edinburgh, EH3 7HA.