

# Exploring Pensions

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## CHANGES TO MINIMUM PENSION AGE

One of the fundamental changes to UK approved pension schemes formalised in the Finance Act 2004, that came into force in April 2006 (A-day), was the increase in minimum pension age (i.e. the age a member can draw benefits). Since April 2006, the minimum age a member could draw benefits from a registered pension scheme was age 50, but this increases to age 55 on 6 April 2010.

This will ultimately prove to be a very significant rule change, as it will affect members at different stages of their pension life cycle, such as:

- Members aged 49 or below at 6 April 2010
- Members aged between 50 and 54 can draw benefits immediately by 5 April 2010
- Members aged 50 to 54 who have partially taken benefits will not be able to take the remaining Pension Commencement Lump Sum (PCLS) until they reach age 55 if they wait until after 5 April 2010 to do so.

Also affected are those individuals with a protected pension age, although circumstances are complicated and the options here involve taking all of their benefits in one go, or forfeiting the right altogether.

### Opportunity

This is an area that needs careful planning, as clients' funds will be locked up potentially for a further five years and will not be available for the usual uses of the PCLS, such as house purchase, mortgage repayment, weddings and even the director's loan route, which has been utilised to great effect in recent times.

### What should be done?

Whilst it may be a straightforward question of how much money is required, the key issues extend to future fund growth and the death benefit position once funds have been extracted in the form of a PCLS. Due to the knock-on effect this would have on the member's overall long-term position, significant planning would need to be undertaken.

As there are less than six months remaining to utilise the available tax free element of their pension fund for those people between the ages of 50 and 54 next April, it is important to make clients aware. It is also worth taking into consideration funds that could ultimately be required by the client's business over the course of the next five years or so.

*Article by Amit Joshi – November 2009*