Renew your membership for increased benefits!

Many of you will be due to renew your membership at the end of this month, congratulations! However, your BIGGA membership doesn’t have to retire with you, why not apply for retirement membership of BIGGA and keep in touch with your friends and the industry? Contact Tracey or Kirstie in the membership department for further details.

Once you have returned your completed renewal form, together with payment, we will send you a new 2000 Membership Renewal Pack, containing useful information and telephone numbers regarding the many benefits and services available to you as a valued member of BIGGA. Read it and keep it for future reference - one day you may be glad you did!

If you have any queries or any general enquiries regarding membership services or benefits, please contact Tracey or Kirstie on 01347 833800.

Trevor Downing, of J. Rothschild Assurance, examines the various options available when purchasing an annuity

How to stay flexible in your retirement

These are strange times! Inflation seems dead, or at least comatose. But every silver lining has a cloud and in this particular case, some people are becoming concerned that persistently low interest rates will seriously damage the income they can purchase in retirement.

History shows that when an economic problem or opportunity presents itself, a solution is not far behind. This focus on retirement benefits has therefore inevitably led to the development of a new facility called ‘income drawdown’.

The idea of drawing down income is not a new concept and, for example, is used as a means of financing business school futures. However, it is relatively new in providing retirement benefits.

How does it work?

Conventionally, when benefits are taken from a personal pension and some types of company scheme, the accumulated fund buys a guaranteed ‘annuity’ or annual income from an insurance company. The cost of this income (the rate) is determined at the time of purchase, so the pension will not benefit from the future rate increases or suffer from later reductions.

The cost of an annuity is calculated by reference to many factors including expenses and investment returns. However, a very important element is the ‘profit’ to the fund (for the benefit of surviving pensioners) from those who die earlier than expected.

Income drawdown allows you to postpone the purchase of the annuity to a maximum age of 75 and in the meantime draw income from the accumulated fund. The amounts you can take are limited in each year by the Government.

What is key, however, is that within Government determined limits, the amount and timing can be varied from year to year. So your whole future is not subject to interest rates on one particular day.

What are the advantages?

There are many advantages of income drawdown but also a few dangers. As one of the more complicated decisions in financial services, it requires clear financial advice. The main advantages are:

- Tax-free capital can be maximised when benefits are taken but income can initially be minimised
- The purchase of the annuity can be deferred until the annuity rate or cost improves
- On death, you can leave a capital sum to a wide range of beneficiaries (unlike a conventional annuity)
- Payments need only be taken when required (subject to Inland Revenue rules)
- Amounts can be varied from year to year (subject to Inland Revenue rules)
- Amounts can be varied from year to year (subject to Inland Revenue rules)

There are dangers, however. The fund can go up or down in value and will not enjoy the boost from funds of those who die earlier than expected.

Who should benefit?

Income drawdown is ideally suited to many larger retirement funds (typically those in excess of £200,000). It requires a fairly tolerant attitude to investment risk and ideally, you should have another source of income to avoid the risk of having all your eggs in one basket.

But income drawdown is an imaginative solution to an old problem. It is now an established part of many of our futures.

If you require any further assistance please contact Trevor Downing on 01959 500427 if you would like to find out more about income drawdown.