

## Press release

### Drawdown investors may be hit by income double dip

15/02/2011

Investors looking to move into drawdown may see their potential income hit by a double dip with effect from 6 April this year.

The maximum income available from drawdown is calculated using tables prepared by the Government Actuary's Department (GAD). Since 6 April 2006 the figure has been uplifted by 20% as part of the calculation for those under age 75.

On 9 December the Government confirmed that the 20% GAD uplift would be removed for all income calculations from 6 April 2011. This reduction has been compounded by today's publication of new GAD tables, also taking effect from 6 April 2011 that further reduce the available maximum income.

Based on current gilt yields a male 60 year old investor going into drawdown before the new tax year with a fund worth £300k (after payment of tax free cash) will be allowed to draw a maximum income of £22,320.

Anyone going into drawdown from 6 April 2011 will have a maximum income, based on the new GAD tables and rates, of £18,300 (an 18% reduction).

A J Bell Marketing Director Billy Mackay said, "Those already in drawdown will not be affected by this until their next pension review. However, it will affect those moving into drawdown from 6 April 2011 and who wish to withdraw the maximum income from their pension fund."

Mackay confirmed that a small window to avoid the double dip would be open for some investors, "The wording of the rules as they stand also allows investors to lock themselves into the higher 120% GAD figure for five more years by moving a part of their pension into drawdown before 6 April 2011. By doing this, if at any point in the next five years they move the remainder of their fund into drawdown, the maximum pension will still be worked out using the 120% rate. In addition anyone already in drawdown with a review of maximum income due between 6 April 2011 and 5 June 2011 will be able to choose to have their income calculated using the old higher GAD tables. They will still be forced to use the non-uplifted GAD limits but they will be able to avoid the double impact for three more years."

**END**

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**Please note this document is intended for trade and national press individuals.**

#### Notes for Editors

Pictures available by contacting [kirsty.zollinger@ajbell.co.uk](mailto:kirsty.zollinger@ajbell.co.uk).

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A J Bell is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 37% and 10% respectively of the share capital, the remainder being owned by Andy Bell and the management team.

Established in 1995, A J Bell specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

A J Bell is now the largest privately owned provider of self administered pensions and institutional stockbroker services in the UK, with in excess of 48,300 individual SIPPs and assets under administration exceeding £13.7bn. It also provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and TD Waterhouse.

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