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Drawdown rules window

By: Marc Shoffman

Advisers should act fast to take advantage of income drawdown changes, so that clients can benefit from greater flexibility before the April 2011 deadline, Standard Life has urged.

Andy Tully, senior pensions policy manager for Standard Life, warned there is a window of opportunity to give clients maximum flexibility.

Mr Tully said: "The complexity of the transitional arrangements around the new drawdown rules present both challenges and opportunities. Advisers will need to act quickly and see which clients fall into each category as there is a window of opportunity to give clients maximum flexibility, but only if they are with the right provider and take an appropriate course of action."

From April 2011, the maximum income a client can take from an unsecured pension will be 100 per cent of the basis amount from the GAD tables, down from 120 per cent.

The income limits will apply to clients over a five-year transitional period based on when they move and when the anniversary dates are if they already use income drawdown.

Carl Lamb, managing director of East Anglia-based Almary Green, said: "People should not be taking out 120 per cent in the first place.

"I have already seen cases of advisers trying to push their clients to take advantage of the 120 per cent, that does seem slightly disingenuous.

"Advisers should be concentrating on educating people and helping them to make their mind up.

"The amount of drawdown should be realistic to the expectations of the client and the fund size. If people do take out the maximum then they will have to appreciate and understand the risks."