Fixed Term Retirement Plan

Case Study

Planning for the unforeseeable future

Oliver, 67, retired and Wendy, 61, currently employed

They would like:

- Wendy to retire early so they can enjoy more quality time together and with their family
- A reliable income for a set time to help bridge the gap between now and when Wendy's State Pension begins at age 66
- A solution with low exposure to risk
- The option to withdraw additional money if something unexpected happens

Oliver and Wendy have been married for 38 years. Oliver has been retired for two years and is receiving a full State Pension; he has a £120,000 pension pot and has an income of £12,000 per year from a DB pension scheme. The couple own a three bedroom home in Hampshire, they enjoy spending time together and with their family.

They would like to be in a position where Wendy can retire early but still maintain their current standard of living. Wendy will receive her State Pension when she's 66, and this along with their other pensions will be enough to fund their retirement.

Suggested action

Oliver and Wendy could use Oliver's £120,000 pension pot to take out a **Fixed Term Retirement Plan** for **five years**, to **bridge the income gap** until Wendy can draw her State Pension and provide a set **maturity value** at the end of the plan.

Based on their circumstances, Oliver and Wendy's financial adviser suggests they need an extra £12,500 a year over five years until Wendy begins receiving her State Pension.

Using Oliver's £120,000 pension pot, their financial adviser says that a Fixed Term Retirement Plan might be the most suitable product as it can provide them with the flexibility they are looking for. Oliver and Wendy can bridge the income gap for five years with a Fixed Term Retirement Plan:

Take 25% tax-free cash

£30,000

Place

£90,000

in a Fixed Term Retirement Plan and select the guaranteed minimum payment option for the full term of the plan

Receive an income of

£12,500

for five years and a

£43,309

guaranteed maturity value

→

At year three, Oliver and Wendy need to make urgent repairs to their roof so they withdraw £5,200
(less income tax)

Maturity value is re-calculated

£37,433*

* Includes deductions for our administration and dealing costs

Please note this example is not real, it is for illustration purposes only. Correct at the market condition of 12/10/2023.

Benefits for Oliver and Wendy

- Oliver and Wendy will be reassured by knowing that they will be paid a guaranteed income for the five years until Wendy's State Pension begins. This will allow Wendy to retire early.
- They can spend more quality time together, with their family.
- The fixed payments will help top-up the income they already receive from Oliver's DB pension so they can continue enjoying the lifestyle they're used to.
- When unexpected expenses occur, they have the security of knowing they can make up to three withdrawals from the maturity value.
- Flexibility to assess their options at maturity and adapt their retirement plan if required, to suit their needs at that time.

Risks

Oliver and Wendy's financial adviser also tells them about the risks involved with the product:

- Once the term of their plan comes to an end and they are paid the maturity value, set at outset, they will receive no more income.
- The plan does not pay income for life. If they use the maturity value to provide them with further income, the value may not be enough to provide the same level of income that they were receiving during the plan term.
- Oliver and Wendy have the option to take up to three withdrawals from the full maturity value. This can be done at any time during the term of the plan, and is subject to a minimum withdrawal of £5,000 each time. This is only available if they choose a guaranteed minimum payment period for the full term. This will be subject to a fee and means that the maturity value will be recalculated.

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