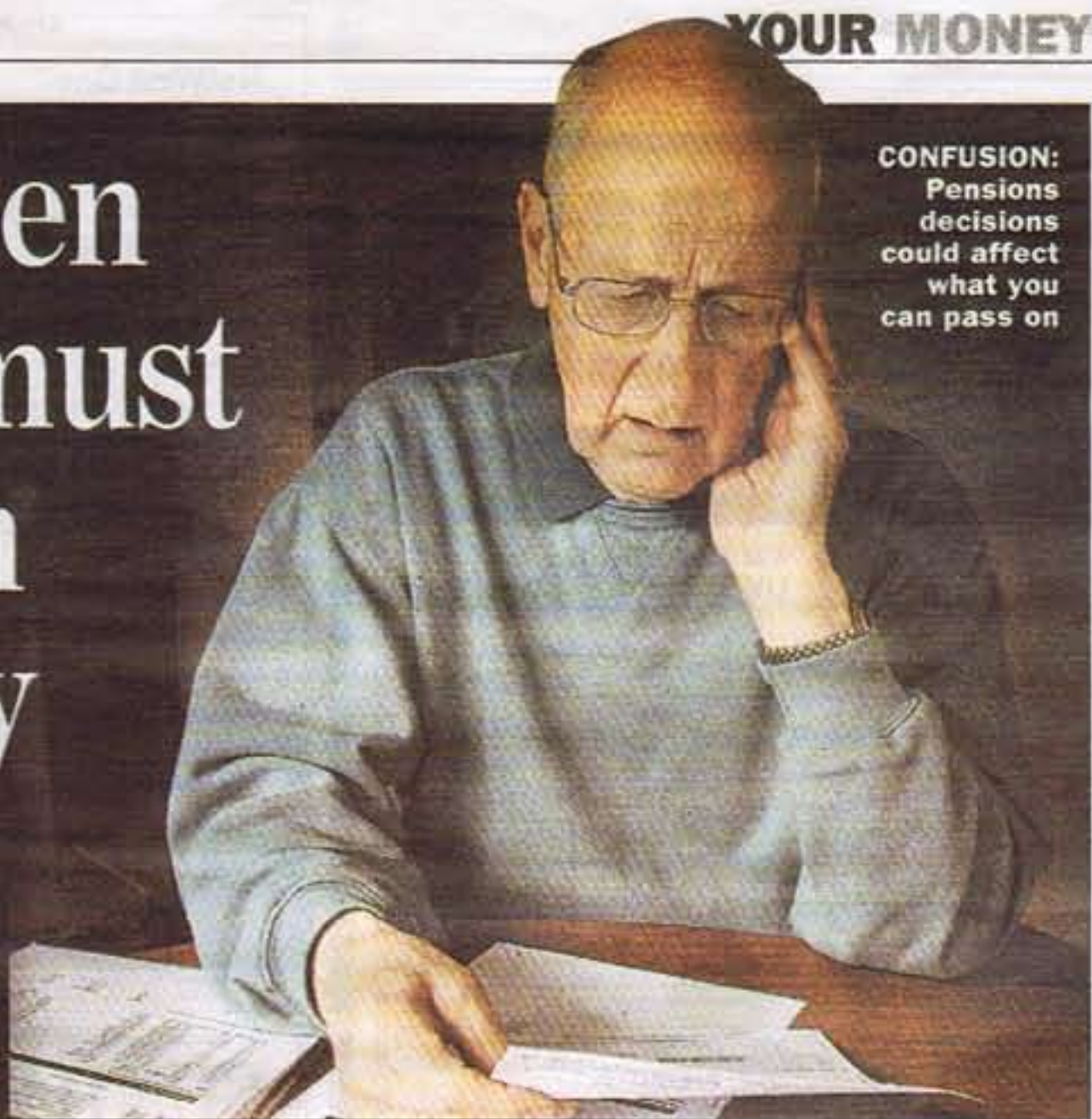


Picture: ALAMY

# 'I've been told I must take an annuity by age of 75'



**CONFUSION:**  
Pensions decisions could affect what you can pass on

## The problem

**WIDOWER** Thomas D says he is finding it hard to get a straight answer about taking an annuity from a pension and the consequences of what option he chooses.

He will be 75 in a few months

and has two private pensions with the Prudential.

He is drawing down income from one but has so far not touched the other.

"I've been told it is a Government rule that I have to take an annuity at 75.

"I would like to take a lump sum and a minimum £5,000 a

year, leaving the remainder to accrue interest for my sons to inherit eventually," he told Your Money.

"I have also been warned that if I do this, and I then die, all the money will be lost to my family and go to the Pru," he says.

"This does not sound fair — but could it be true?"

## The solution

"THERE is no 75 years annuity rule," assures independent pensions expert Nicola Downs. "But there are two options at that age. You can take an annuity or enter an alternative secured pension (ASP) scheme, like drawdown but for 75s and over with different rules," she explains.

Thomas is already drawing on his first private pension and he can pass on any remains to his beneficiaries minus 35 per cent tax. "But time is tight now to arrange anything on his second pension by his 75th birthday. Realistically, his choice is between an annuity or an ASP," explains Downs.

Prudential does offer an ASP. Thomas can take a lump sum and income, but he cannot pass this on to his adult sons because nominees must be a spouse or dependent children under 23. If he left the remainder to his sons, the tax would soar from 35 to 82 per cent. Most pensions do not give that option anyway.

There are two courses, says Downs. Thomas can opt for an ASP, take the maximum income from the drawdown, then gift whatever he can show is surplus to his needs to his sons. "Alternatively, he can take an annuity from the open market where he could get a rate of possibly 9 per cent," Downs explains. "Thomas can take one with a 10-year guarantee so, if he dies in that time, his children will benefit from 90 per cent of what he has saved."

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