

## **Tax free cash for those over 50 now, but under 55 at 6 April 2010**

**08 December 2009**

At the T&C Meeting we discussed these cases and I agreed to issue some thoughts ....

### **Plus points:**

People with credit card debt can save 20% p.a., far more than their funds will earn.  
People with school fees to pay could use instalments of cash – might need to take 2 or 3 up front

Last chance to reduce mortgage before age 55

Other cashflow issues

Bank will not lend to business ... but this is very high risk: why lend to someone that even reckless banks won't touch?!

Could take nil income and use reduced outgoings to rebuild pension funds

Or could recycle income back into pension – generating new tax free cash

### **Minus points**

Once the cash has gone, what do you do when credit card debt builds up again?

Will the cash 'allow' you to do things which you cannot really afford?

Will you take cash and income, but not reinvest?

If you were not planning tfc before 55 why change the plan now?

Will it cost more to transfer and then take tfc than it would to take from existing plan?

How will transfers sit with the FSA Switching Review?

### **Summary**

I think that there will be good reasons to take cash before April 2010, but I also think firms who go about it recklessly will be exposed to FSA censure – not to mention client complaints. We cannot afford to get involved in loads of small, non profit making cases, but if we can take on funds of £100k+ for those in their early 50's this could be attractive. Many IFAs will be approached by prospects who have read about taking cash before April, but few of them will have the confidence to handle these enquiries and to differentiate between the 'sensible' cases and the dangerous ones. We are well placed to do this on their behalf.