

# Exit Strategy from your Business? Bridging the Income Shortfall

**Often when selling your shares in your business or passing them onto a family member, there involves a period of consultancy work and a gradual reduction in hours and work load.**

This results in a gradual reduction in income that needs addressing. Many retirement solutions do not offer the flexibility required during this transitional period, but some do.

Arguably the most flexible solution is Income Drawdown but this too has various options within it.

Income Drawdown (unsecured pension) can be split into three subsections as shown below. If you need tax efficient and flexible income solutions in the early years of retirement than one of these options could be the solution you are looking for. The examples below highlight an individual with a pension fund of £400,000 although fund values below this could still be used.

**Option 1** allows a tax free lump sum of 25% of the fund, £100,000, to be taken with no need to start drawing taxable income at that stage. Indeed it may be possible to rebuild the pre-crystallised pension again within this fund for a further tax free cash payment in the future.

**Option 2** allows a yearly payment of tax free cash to be paid in order to support your more flexible lifestyle as full retirement approaches. For some individuals a proportion of tax free income as well as taxable income may be appropriate, which we can arrange, in order that you utilise favourable lower rate tax bands.

**Option 3** allows a small part of your tax free cash payment to be paid each month to supplement your other income. The income can be altered at any time with the flexibility to stop and then restart the income if required. Indeed the flexibility to drawdown the remaining tax free cash as a lump sum at any time is possible should it be needed.

Options 2 and 3 limit the impact of tax paid on death (if taken as a lump sum) in the early years of retirement, which can be suitable for clients in poor health who still need a little more income.

Your Individual Pension needs looked after:

Opus Gold Financial Consultants offer a range of solutions and on-going service requirements within the Retirement Solutions Arena. For a free no obligation consultation please contact us:

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	Pre Crystallised value	Post Crystallised Value	Tax Free Cash Taken
A pension value of £400,000			
<b>1.Full Drawdown</b>	£0.00	£300,000	£100,000
<b>2.Phased Drawdown</b>			
Year 1	£360,000	£30,000	£10,000
Year 2	£320,000	£60,000	£10,000
<b>3. Drip-feed Drawdown</b>			
Month 1	£396,000	£3,000	£1,000
Month 2	£392,000	£6,000	£1,000
Month 3	£388,000	£9,000	£1,000
Options 2 and 3 can be stopped and started at any time.	On death: There is normally no tax on the estate.	On Death: 1. The value of the Pension can pass to a spouse in the form of a Drawdown pension or 2.55% tax applies if taken as a lump sum or 3. Spouse can purchase an annuity with the fund.	