

## **Alternatively Secured Pension and the Family Sipp.**

**Despite the recent debates on whether Alternatively Secured Pension (ASP) should be available to everyone, it was introduced at A-Day as an alternative option to annuity purchase for those aged 75 and over.**

Rather than being forced to purchase an annuity, ASP now offers greater choice and flexibility for those over age 75. It enables them to continue drawing an income directly from their fund in a similar way to Unsecured Pension.

ASP will not be suitable for all individuals but it does provide more control over income than annuities. Individuals who are looking for a guaranteed income may still be more suited to annuity purchase – Following the pre-budget report wef 6 April 2007 individuals in ASP must take a minimum income of 65% of the GAD rate for a 75 year old with a maximum of 90%.

### **So when would ASP be suitable?**

ASP may be the preferred option for those individuals looking to retain control over their investments, as their fund remains invested.

Once an individual is in ASP, they can still choose to buy an annuity at any time so it may also be used to defer annuity purchase as opposed to deciding against it completely. However, it is important to be aware that it may provide less income than if an annuity had been bought in the first place.

ASP is also likely to be chosen because of the improved death benefits that it offers via Family SIPP.

### **Family SIPP**

Family SIPP is the term used to describe passing on pension funds from ASP. If the member dies while taking ASP, the remaining fund will be used to provide income for any financial dependants, for example a husband, wife or civil partner, or any financially dependant children.

In this case the fund is passed to them to provide an income, either through USP, ASP (dependent on age) or via an annuity. There is no tax charge on this transfer at this point but if the fund is then passed on again, it would be subject to the relevant tax charge.

The pre budget report mentioned previously also proposed to impose an unauthorised payment charge of up to 70% where remaining ASP funds are transferred to the pension fund of other members of the same scheme. This charge is in addition to the IHT charge. This would mean that the overall tax charge on death would be 82% after the 70% on the residual fund after 40% IHT.

If there is no widow or dependants, then the remaining ASP fund may be used to provide benefits for other members of the scheme, or can be left to a charity. This means that a member can nominate who they want to receive some, or all, of the pension fund. The fund can only be passed onto a nominated person if they have a pension of their own within the same scheme.

**USP** – Unsecured Pension

**ASP** – Alternatively Secured Pension

**SIPP** – Self Invested Personal Pension