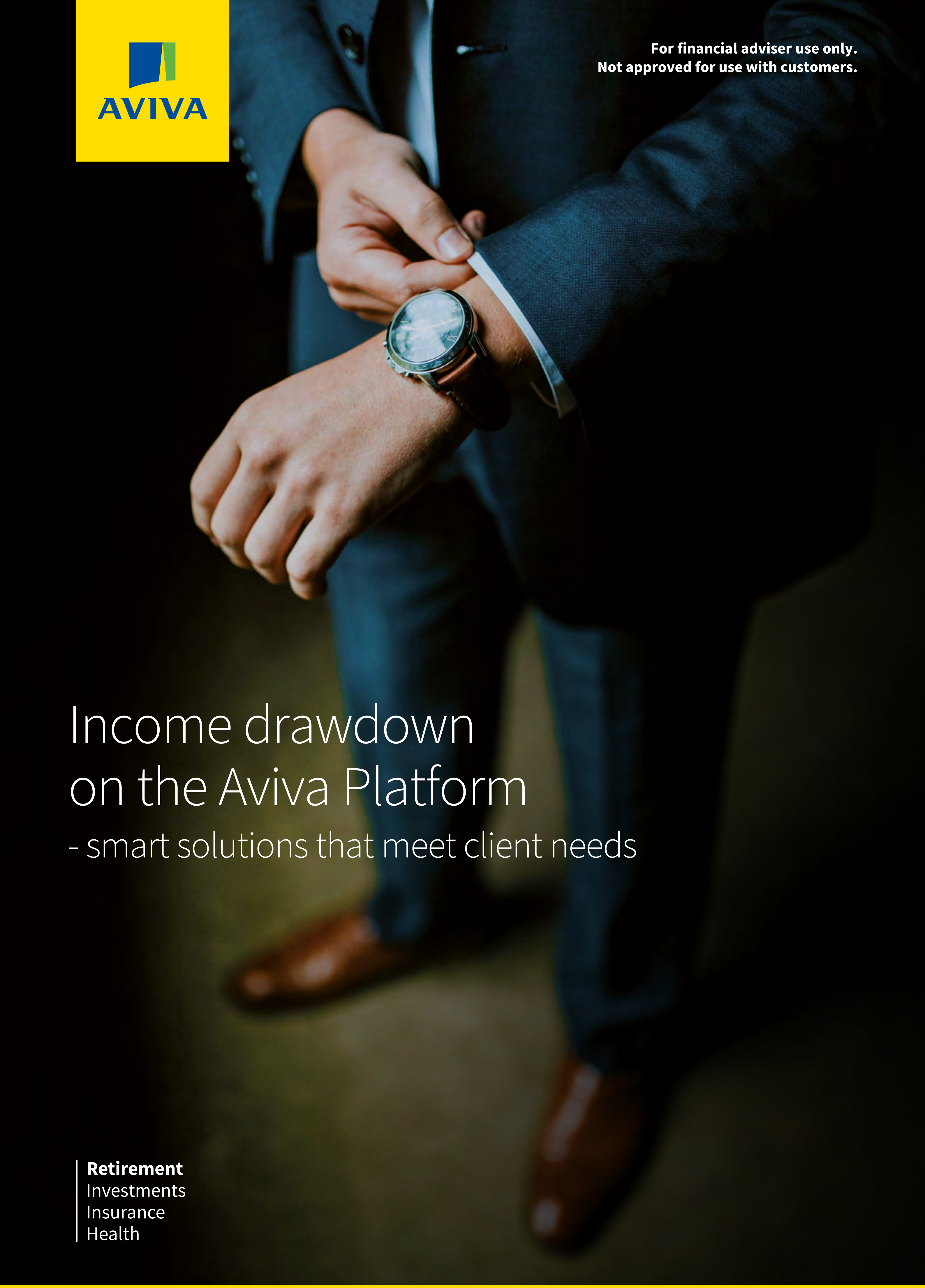

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Not approved for use with customers.

Income drawdown on the Aviva Platform

- smart solutions that meet client needs

Retirement
Investments
Insurance
Health

Income drawdown on the Aviva Platform

The Aviva Platform offers both single drawdown and phased drawdown through our Self-Select drawdown option.

Single drawdown

- Tax-free cash lump sum with the remaining 75% invested to draw as an income.

Phased drawdown – Self-Select

- Offers regular income as a mix of tax-free cash and taxable income.
- Tailor Self-Select to optimise your clients' tax bands/allowances.
- Your client must take 25% tax-free cash, but they can take less than 75% of the associated taxable income. So you can use taxable income to 'fill' a tax band and top up to the income level needed with tax-free cash. Self-Select allows you to 'flex' this approach whenever you need to, for example if your client's other incomes change.
- You could choose to minimise crystallisations, to protect Pension Commencement Lump Sum (PCLS) growth. We automatically calculate the minimum crystallisation needed to pay your client's chosen income amount. You can choose whether or not your client's tax-free cash is included as part of their chosen income.
- This flexibility allows you to demonstrate expertise in reducing the tax your clients pay.

Meeting client needs – at a glance

Client need	Single drawdown	Self-Select phased drawdown
Regular income as a mix of tax-free cash and taxable income.	✓	✓
Ability to optimise clients' tax bands/allowances through tailoring.		✓
Protecting PCLS growth by minimising crystallisations.		✓
Tax-free cash lump sum.	✓	✓
Client needs a set level of taxable income each month.		✓
Client needs a set amount of income made up of 25% tax-free cash and up to 75% taxable income.		✓

Improved drawdown processes

- You can now convert a client with a capped drawdown policy to flexi-drawdown online.
- You can now merge multiple flexi-access drawdown accounts, to simplify reporting and processing for you and your clients.
- For pension transfers where the client is going straight into drawdown, this is now a one-stage process instead of two, meaning we're able to make clients' PCLS payments without delay.
- Pension transfers – paying your client's income sooner.
- You no longer have to wait for all pots to transfer before the client can go into drawdown unless the full amount is required. As soon as sufficient funds reach the platform we will start to pay the client's income.
- More flexibility than many providers on income payments. Choose monthly, quarterly, half-yearly or yearly, with income paid on 1st - 28th of each month.
- We now pay PCLS by CHAPS instead of BACS, meaning your clients get their money more quickly.

Case studies – see how our options could work for your clients

Single drawdown

Case study: **Sally**

Who needs to pay off debt.

Sally is about to reach State Pension age and has decided to retire.

Her retirement income will come from:

- a State Pension of £9,000 a year
- an employer pension of £4,000 a year
- her Pension Portfolio with Aviva, which has a current value of £60,000.

Sally has an outstanding mortgage of £15,000 and a credit card debt of £10,000. She'd like to pay both of these off when she retires and wants to know if she can use her Aviva Pension Portfolio to do this.

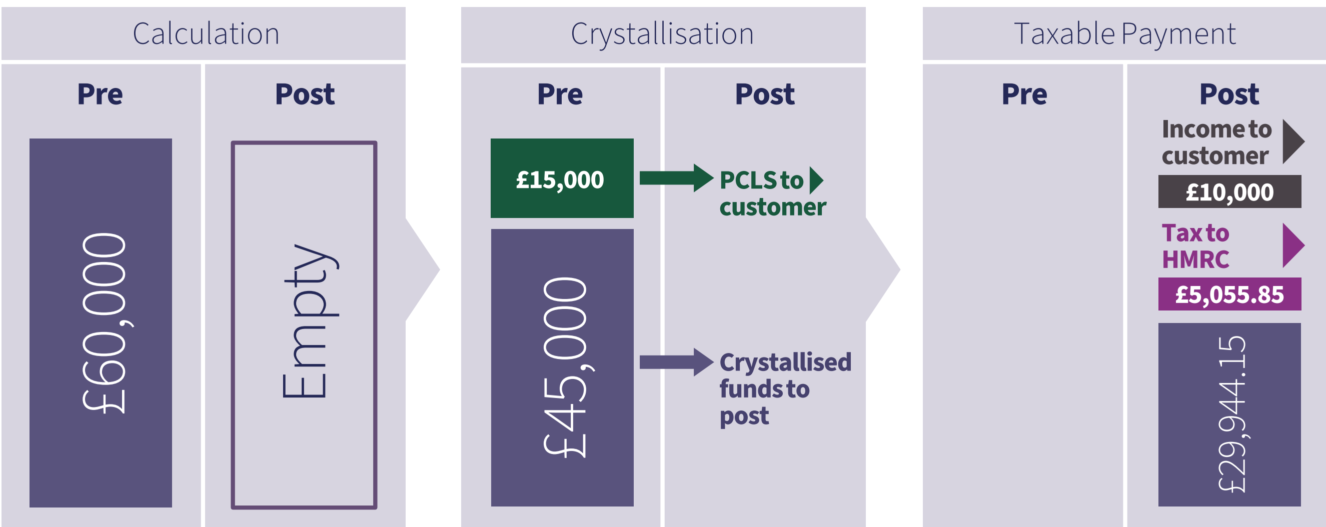
Sally can use single drawdown and crystallise the whole fund to give her tax-free cash of £15,000 (25% x £60,000).

She can also ask for a one-off payment from her post-retirement account to pay her credit card. She'll pay income tax through PAYE on the one-off payment. If HMRC uses an emergency tax code for this payment (1250L on a month 1 basis in 2020/2021), Sally should ask for a gross payment of £15,055.85.

Gross payment		**£15,055.85**
First	£12,500 / 12 x 0%	£0.00
Next	£37,500 / 12 x 20%	£625
Next	£112,500 / 12 x 40%	£3,750
Remaining	£1,513 x 45%	£680.85
Total tax due		£5,055.85
Net payment		**£10,000**

Sally may be entitled to a tax refund or have further tax to pay, depending on her tax position for the full year.

The following diagram shows you what happens the first time a withdrawal is made:



This case study does not reflect any differences in tax rates and thresholds in Scotland or Wales.

Self-Select phased drawdown

Case study: **Jackie**

Who wants to top up her income to £15,000 a year from tax-free cash and taxable incomes. At 66, Jackie is about to retire

Her retirement income will come from:

- a State Pension of £9,000 a year
- her Pension Portfolio with Aviva, which has a current value of £150,000.

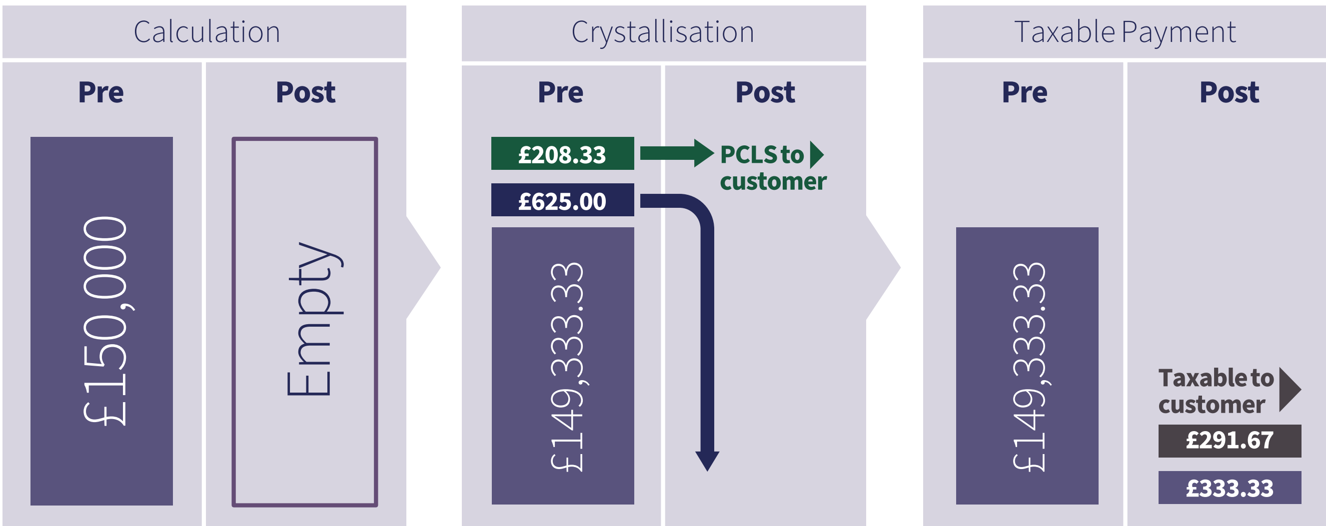
Jackie would like to use her Aviva pension to top up her income to a total of £15,000 a year, including her State Pension.

Jackie's financial adviser recommends she takes a taxable income of £3,500 a year to make the best use of her personal allowance.

Jackie will also take an extra £2,500 from her tax-free cash to take her up to her £15,000 a year. By doing this, she can achieve her required income of £15,000 without paying any tax.

- £833.33 is crystallised from her Pension Portfolio each month.
- We'll pay £208.33 of tax-free cash to Jackie and move £625 into her post-retirement account.
- Her financial adviser sets up a regular income payment of £291.67 from her post-retirement account. This is taxable income, but as Jackie's within her £12,500 personal allowance, she won't have to pay tax on it.
- The balance of £333.33 will remain in Jackie's post-retirement account.

The following diagram shows you what happens the first time a withdrawal is made:



Self-Select phased drawdown, continued

Case study: **Alan**

Who wants to top up his income to £16,000 a year from tax-free cash.
Alan is 66 years old and decides to retire.

His retirement income will come from:

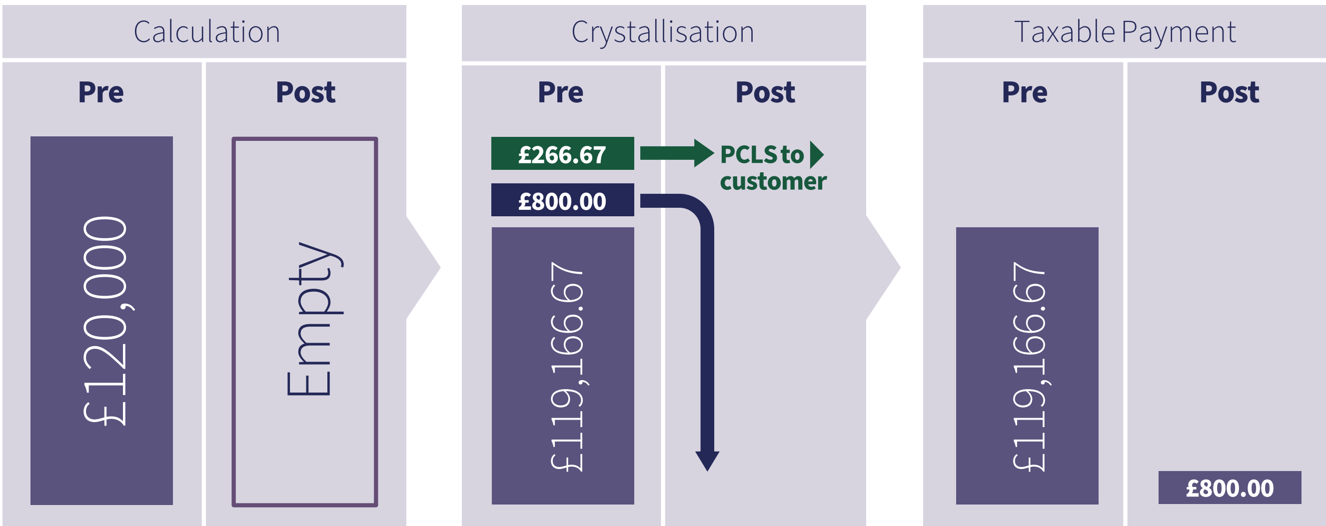
- a State Pension of £9,000 a year
- an employer pension of £4,500 a year
- his Pension Portfolio with Aviva, which has a current value of £120,000.

Alan needs a total income of £16,000 a year. With his State Pension and his employer pension coming in at £13,500 a year, therefore using all of his personal allowance and leaving him due to pay £200 tax, as £1,000 of the income is over his personal allowance. Alan needs another £2,800 to get the amount he needs.

His financial adviser tells him he can take a regular income of £266.67 a month tax-free from his Pension Portfolio.

- £1066.67 is crystallised from his Pension Portfolio each month.
- We'll pay £266.67 of tax-free cash to Alan and move £800 into his post-retirement account.
- We don't pay anything out of Alan's post-retirement account, so the money will remain there.

The following diagram shows you what happens the first time a withdrawal is made:



Self-Select phased drawdown, continued

Case study: **Anna**

Who wants to top up her income to £12,500 a year from tax-free cash and taxable income. Anna is about to start receiving her State Pension.

Her retirement income will come from:

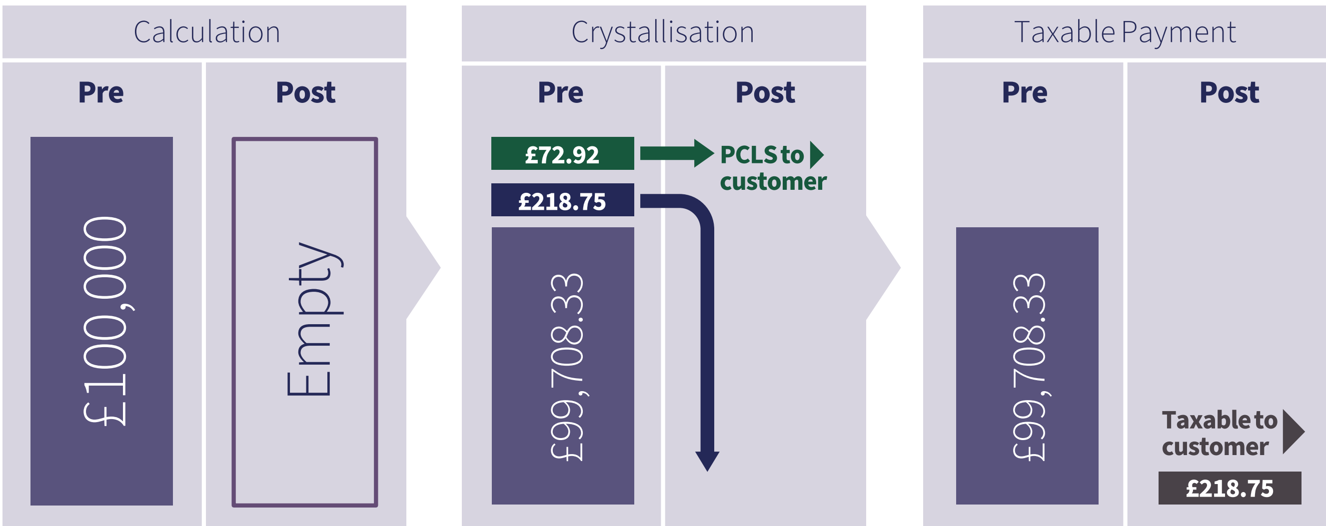
- a State Pension of £9,000 a year
- her Pension Portfolio with Aviva, which has a current value of £100,000.

Anna needs a yearly income of £12,500. After taking her State Pension into account, Anna needs £3,500 more a year to take her up to her £12,500 personal allowance threshold.

Her financial adviser tells her she can take a regular income of £291.67 a month tax-free from her Pension Portfolio.

- £291.67 is crystallised from her Pension Portfolio each month.
- We'll pay £72.92 of tax-free cash to Anna and move £218.75 into her post-retirement account.
- We'll pay Anna a regular taxable income of £218.75 every month from her post-retirement account. As she's within her £12,500 personal allowance, she won't have to pay tax on this money.
- There won't be any money left in her post-retirement account after we make the payment.

The following diagram shows you what happens the first time a withdrawal is made:



Self-Select phased drawdown, continued

Case study: **Terry**

Who wants an income of £55,000 a year.

Terry is about to retire and comes to his financial adviser for advice.

His retirement income will come from:

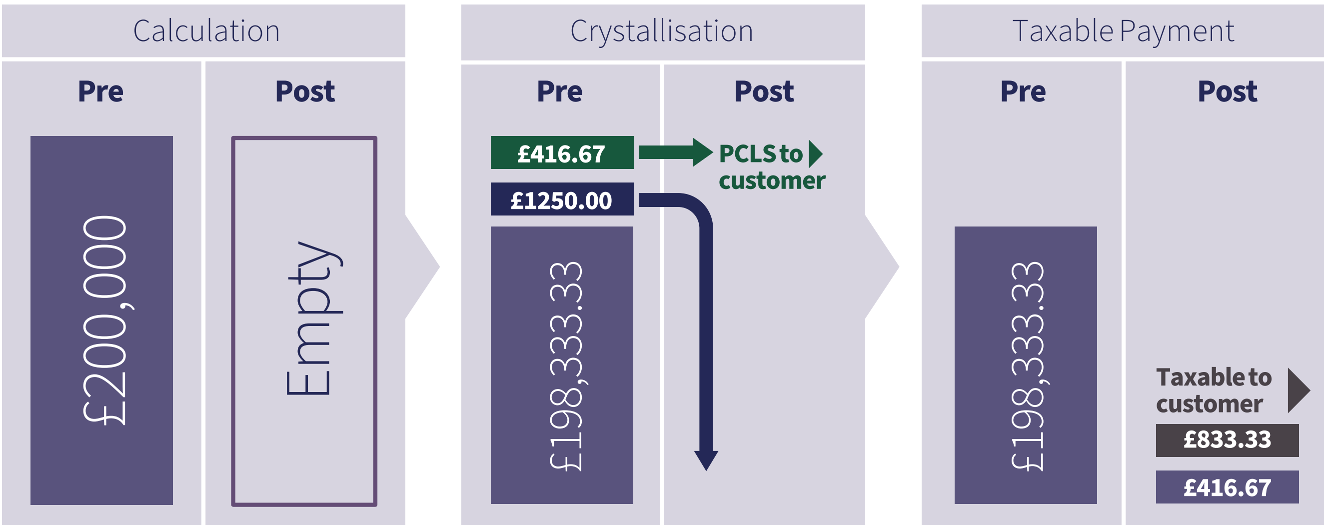
- a State Pension of £9,000 a year
- an employer pension of £31,000 a year
- his Pension Portfolio with Aviva, which has a current value of £200,000.

Terry wants an income of £55,000 a year. His State Pension and employer pension add up to £40,000, leaving him £15,000 short.

His financial adviser recommends he takes a taxable income of £10,000 from his Pension Portfolio to take him up to £50,000, the starting point for higher rate tax. That leaves Terry with a shortfall of £5,000, which he can take from his tax-free cash.

- £1,666.67 is crystallised from his Pension Portfolio each month.
- We'll pay £416.67 of tax-free cash to Terry and move £1,250 into his post-retirement account.
- We'll pay Terry a regular taxable income of £833.33 every month from his post-retirement account. Terry will pay tax on this at his marginal rate. (This will be higher rate as it is within his higher rate band).
- The balance of £416.67 will remain in Terry's post-retirement account.

The following diagram shows you what happens the first time a withdrawal is made:



Self-Select phased drawdown, continued

Case study: **Susan**

Who needs a specific net income with enough personal allowance.
Susan is 60 and has just taken early retirement.

Her retirement income will come from:

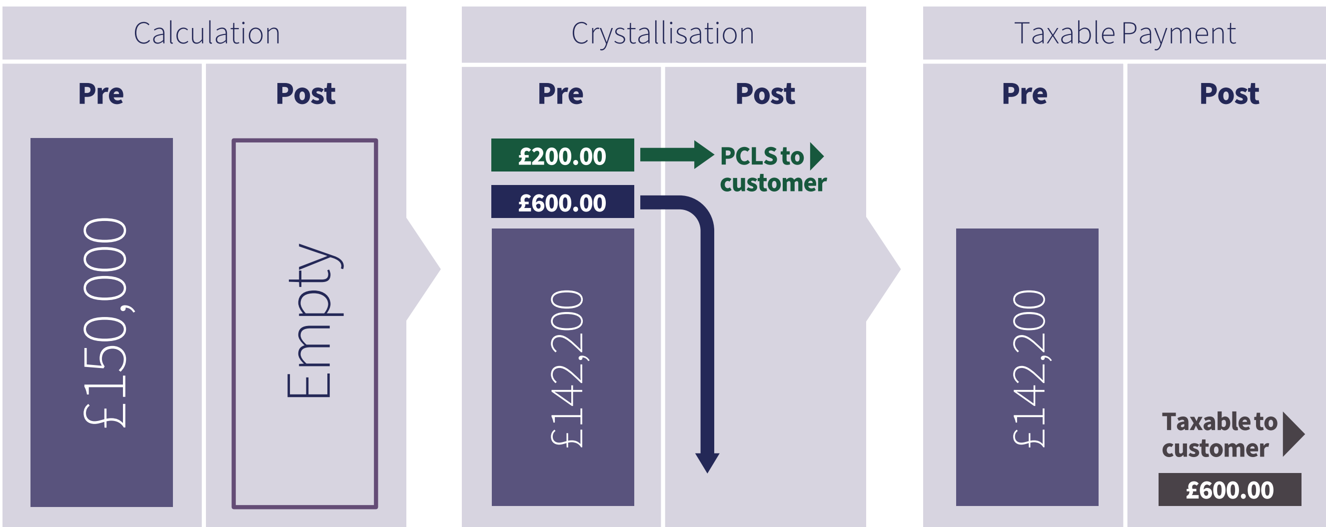
- a State Pension of £9,000 a year from the age of 66
- her Pension Portfolio with Aviva, which has a current value of £150,000.

Susan is looking for an income of £800 a month. Her State Pension doesn't start for another six years and she has no other income than that she'll take from her Pension Portfolio. However, she does have £50,000 in ISAs, so she doesn't need to take the full tax-free lump sum from her pension immediately.

Self-Select lets Susan take an income of £800 a month gross from a combination of taxable income and tax-free cash.

- £800 is crystallised from her pre-retirement account each month and moved to her post-retirement account.
- We'll pay Susan £200 as tax-free cash.
- We'll pay her the remaining £600 as taxable income from her post-retirement account.
- If Susan has no other income, she won't have to pay any tax on the taxable income as it falls within the 2020/2021 personal allowance.
- This means she'll get all the gross payment she asked for.

The following diagram shows you what happens the first time a withdrawal is made:



Important notes

Although the examples we show in the case studies reflect the tax situation for people in these particular scenarios, it's important to remember that all pension providers must use tax codes provided by HMRC. So actual tax deductions may differ from those shown. You/your client may need to liaise with HMRC and make further adjustments if needed.

As your client's pension pot remains invested after income is taken, its value can fall as well as rise. Its value will depend on the amount of withdrawals, investment performance and the impact of charges. Future income is not guaranteed and it may need to last a lifetime. Tax treatment depends on a client's individual circumstances, and tax rules may change.

Find out more

Income drawdown is available through Pension Portfolio on the Aviva Platform, so your clients also benefit from our low platform pricing.

To find out more about how our options can meet your clients' needs, speak to your usual Aviva Contact.

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