

Private and Confidential

Mrs Julia Comley
C. G. Comley & Sons Limited
Southern Way
Rye Common
Odiham
Hook
Hampshire
RG29 1HU

4 June 2014

Dear Julia,

Self Administered Scheme

Firstly, please accept my sincere apologies for the long delay in processing this settlement to you.

We have had to seek clearance from HMRC in respect of the settlement and in addition agree a process on this settlement.

In order to transfer the property to you, there must be a debt created to settle the payment, pension regulations simply do not permit property to be transferred as settlement of a death benefit.

It is further complicated by the fact that the settlement will be taxed if all of the property is transferred to you. I appreciate that this is the easiest solution but as Practitioner for the scheme, we would recommend that only part of the property is paid to you, let me explain why.

Crystallised	Uncrystallised	
£123,670.00	£326,729.00	£450,399.00
27.46%	72.54%	
£19,235	£50,817	Cash

You have two aspects of the pension fund, – a part known as crystallised (ie a payment has already been paid out a previous date) and a part known as uncrystallised (ie a payment that has not be paid out). The crystallised part was originally £123,670 and if this is paid out as a lump sum to you, then the net amount paid to you would be £55,652. The difference of £68,018 would be paid as a tax payment to HMRC.

If the crystallised part was paid as an income to you, then at the marginal rate of tax of 20%, this tax liability would be £24,734, giving a tax saving of £43,284.

Since that time, rental income has been paid into the pension scheme and we compute as a guide that the uncrystallised part amounts to £377,546 and the crystallised part is £142,905.

In order to transfer the property to you of £430,000, we must use up all of the uncrystallised part, which amounts to £377,546. This leaves a difference of £52,454.

The difference of £52,454 would be treated under the tax regulations as a payment net of tax, being 55%. Therefore, the scheme would be required to pay £64,110 to HMRC. Our guidance would be to transfer part of the property to you, with the balance held by the pension scheme, this way we can pay an income to you in respect of a portion of the rent. It also avoids a tax assessment of circa £64,110 which must be paid in full within 3 months of settlement.

We have had prepared the draft pension transfer documents and subject to confirmation on how you wish to proceed, will send these to you for signature by return.

We will discuss this also with your financial advisor, who can give you further guidance on this.

Kind regards

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com

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