

Pension decumulation payment options

Adviser Solutions



Pension decumulation payment options

We offer a range of decumulation payment options on our pension which can be combined to help meet a client's needs:

- One-off PCLS
- One-off taxable income
- Regular PCLS
- Regular taxable income

These instructions can be submitted online using straight-through processing (STP). STP allows us to remove manual processing, creating drawdown accounts almost instantly, and processing crystallisations, ordering asset sales, and making client payments as quickly as possible.

In addition, we can also support manual ad-hoc requests for UFPLS, small pots and ill-health or serious ill-health withdrawals.

Crystallisation process

When processing a crystallisation, we move the full amount being crystallised from the pension savings account into the drawdown account. Once completed, we process the PCLS by reserving any available product cash and ordering disinvestments for any shortfall.

This guide includes key information on the process, timescales and considerations for each of these options, and for combining them.

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One-off crystallisation and PCLS



Submission

Online with STP



Payment method

CHAPS



Timescale

Within one working day
if sufficient cash available
for PCLS

Within seven working days
if asset sales are needed
to pay PCLS

Quotes can be saved and retrieved via the Instruction Tracking tab

Crystallisation options

- 1 Cash first, then proportional
- 2 Cash first, then largest asset
- 3 Defined cash first, then proportional
- 4 Defined cash and assets
- 5 All proportional

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then nominated assets
- 3 Cash first, then largest asset

Notes

This information only applies when the one-off crystallisation is submitted in isolation, with no combined request for taxable income, which should be submitted separately from the drawdown account. Please see additional guidance notes for combining PCLS & taxable Income.

Crystallisation options may be limited in some scenarios e.g. if holding a suspended fund.

In some scenarios we will have to process these instructions manually, which can result in a longer time to complete the payment e.g.

- Client is aged 75+
- Projected that over 90% Lump Sum Allowance will be used
- Client holds LTA protections
- Certain full crystallisation requests with in-flight transactions

When disinvesting for PCLS, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.

One-off taxable income



Submission

Online with STP



Payment method

CHAPS



Timescale

Within one working day if sufficient cash available for income

Within seven working days if asset sales are needed to pay income

Quotes can be saved and retrieved via the Instruction Tracking tab

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then nominated assets
- 3 Cash first, then largest asset

Notes

This information only applies when a one-off taxable income instruction is submitted separately from the crystallisation and PCLS. Please see additional guidance notes for combining PCLS & taxable income.

Tax will be deducted prior to payment being made to the client.

The tax code we hold for a client can be viewed via the platform.

When disinvesting for taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.



Regular crystallisation and PCLS



Submission

Online with STP



Payment method

BACS
Payments can be made monthly, quarterly, half-yearly or annually on either the 10th or 25th of the month



Timescale

Requests need to be submitted at least 12 working days prior to the chosen payment date (otherwise instruction will be effective for the following month)

Quotes can be saved and retrieved via the Instruction Tracking tab

Crystallisation

- 1 Cash first, then proportional

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then largest asset

Notes

Please see additional guidance notes when requesting a full withdrawal (i.e. 25% PCLS & 75% taxable income).

You have the option to set an end date for the regular crystallisation.

Adviser Initial fees cannot be instructed on regular crystallisations.

When disinvesting for PCLS, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.



Regular income



Submission

Online with STP



Payment method

BACS
Payments can be made monthly, quarterly, half-yearly or annually on either the 10th or 25th of the month



Timescale

Requests need to be submitted at least 12 working days prior to the chosen payment date (otherwise instruction will be effective for the following month)

Quotes can be saved and retrieved via the Instruction Tracking tab

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then nominated assets
- 3 Cash first, then largest asset

Notes

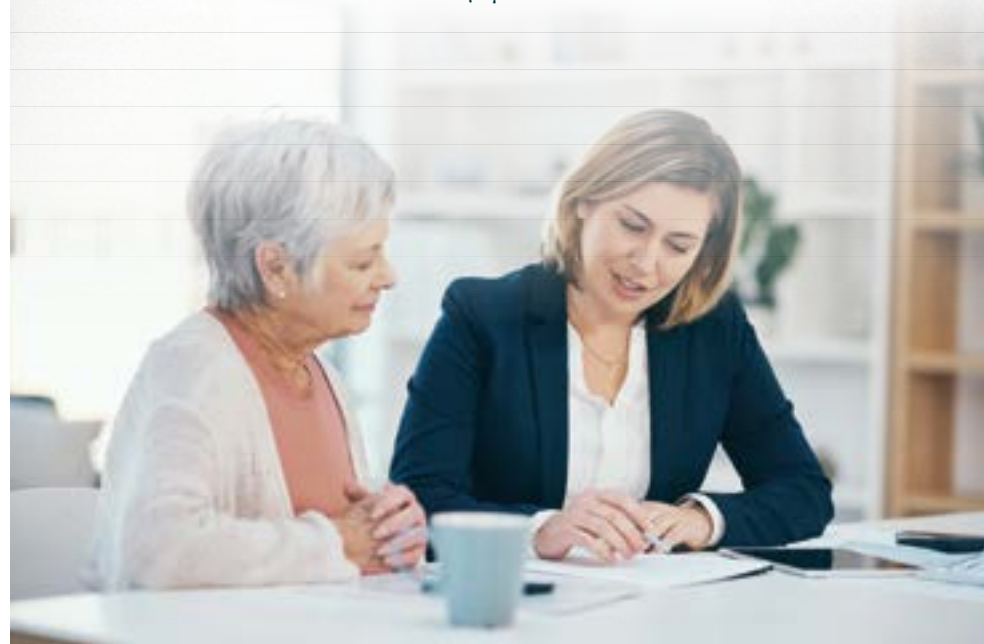
Please see additional guidance when requesting a full withdrawal (i.e. 25% PCLS & 75% Taxable Income).

Tax will be deducted prior to payment being made to the client.

The tax code we hold for a client can be viewed via the platform.

For capped drawdown accounts, regular income is limited based on the remaining GIAD income. If wishing to exceed this, capped drawdown accounts can be converted to flexi-access drawdown at no additional cost.

When disinvesting for taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.



Combining decumulation payment options



One-off crystallisation and PCLS plus one-off taxable income – two submissions

When making a one-off crystallisation and PCLS request, with one-off taxable income, these should be submitted as separate instructions, to ensure they are processed via STP, resulting in quicker processing and payment timescales.

In practice this means you will need to select the options shown on the right, followed by a separate instruction for one-off taxable income from the drawdown account. The secondary income instruction can be completed within a few minutes of the crystallisation.

For an illustration combining PCLS and taxable income, please select 'Yes' to the taxable income question but continue to submit the instructions separately.

Choose how you want to crystallise

Pension Savings Account

One-off crystallisation ☒

Regular crystallisation ☐

Tax-free certificate/serious ill health ☐

Ill health cases ☐

Information: If you're creating a new drawdown account and you want to instruct a one-off and regular crystallisation, you'll need to submit the one-off crystallisation first. You can then select the newly created drawdown account for regular crystallisation.

Caution: If this is the first relevant BCE post 5 April 2024, you will not be able to apply for a transitional tax-free amount certificate after submission. If you have a transitional tax-free amount certificate not issued by Fidelity, please send this to us and select the tax-free certificate option.

Does your client wish to set up or amend any taxable income as part of this instruction?

☒ Yes ☐ No

One-off crystallisation and PCLS plus one-off taxable income – two submissions



Submission

Two online submissions with STP



Payment method

Two separate CHAPS payments



Timescale

Within one working day if sufficient cash available for PCLS or income
Within seven working days if asset sales are needed to pay PCLS or income

Quotes can be saved and retrieved via the Instruction Tracking tab

Crystallisation options

- 1 Cash first, then proportional
- 2 Cash first, then largest asset
- 3 Defined cash first, then proportional
- 4 Defined cash and assets
- 5 All proportional

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then nominated assets
- 3 Cash first, then largest asset

Notes

This information only applies when submitting the requests as separate instructions.

If a combined illustration is required, you will need to follow the single submission journey for illustration purposes only.

A new Drawdown account will typically be created within minutes, allowing the taxable income requested to be submitted.

Tax will be deducted prior to payment being made to client.

The tax code we hold for a client can be viewed via the platform.

In some scenarios we will have to process these instructions manually, which can result in a longer timescale to complete the payment. This will also prevent being able to request the taxable income until the crystallisation is processed e.g.

- Client is aged 75+
- Projected that over 90% LSA will be used

When disinvesting for PCLS and taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.

One-off crystallisation and PCLS plus one-off taxable income – one submission

If requesting PCLS and one-off taxable income in a single instruction, the process will take you to the legacy system which is not STP. This journey has fewer options for the crystallisation and disinvestment and will result in longer payment timescales. As a guideline, eight working days if cash is available and 13 working days where a disinvestment is required, although it may take longer.

This journey is accessed when choosing one-off crystallisation and one-off taxable income together.



Crystallisation details

How much does your client wish to crystallise?

☐ Specified amount ☐ Full amount

£

i Available to crystallise (account balance as at 01/11/2024)

How much does your client wish to crystallise?

☐ Maximum (usually it is 25%)

☐ Less than the maximum £

i The crystallisation will be funded by using available cash within the account first. Any shortfall will then be taken proportionally from your client's investments. If you are planning to place deals to realise cash to cover the tax-free cash and any one-off lump sum, please allow these deals to settle before submitting the instruction. Tax-free cash will be taken from crystallised cash first. If there is any shortfall, we will sell some of the crystallised investments proportionally. Note that some investments incur an exchange traded investment dealing fee or fund managers sell charge when sold. Where this is the case, units of sufficient value to cover both the tax-free cash amount and the dealing fee or sell charge will be sold.

i Should any of the new investments pay income, we will follow the existing preferences for income payments on existing accounts. Where a new account is opened, income payments will be automatically reinvested. You can change this as needed once the account has been opened in the 'Manage income' option in 'Pension Quote & Transact'.

Taxable income details

Taking any taxable income from a flexi-access drawdown account will reduce the client's annual allowance to the prevailing Money Purchase Annual Allowance

Would you like to request a one-off gross income payment on behalf of your client?

☐ Yes ☐ No

Do you want to set up your client's regular gross income?

☐ Yes ☐ No

One-off crystallisation and PCLS plus one-off taxable income – one submission



Submission

Online with manual
(Fidelity) processing



Payment method

CHAPS



Timescale

PCLS

Within eight working days
if sufficient cash available

Within 13 working days if
asset sales are needed

Income

Within eight working days
(after PCLS) if sufficient
cash available

Within 13 working days
(after PCLS) if asset sales
are needed

A saved instruction can be retrieved by repeating initial steps to open the journey

Crystallisation and disinvestment

- 1 Cash first, then proportional

Notes

This information only applies when submitting the requests as one instruction.

Tax will be deducted prior to the income payment being made to client.

The tax code we hold for a client can be viewed via the platform.

The submission will not be visible via instruction tracking.

New drawdown accounts may take around 5 working days to be visible online.

When disinvesting for PCLS and taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.



One-off crystallisation and PCLS plus regular taxable income



Submission

Online with STP



Payment method

CHAPS for PCLS
BACS for regular income
Regular income payments can be made monthly, quarterly, half-yearly or annually on either the 10th or 25th of the month



Timescale

Within one working day if sufficient cash available
Within seven working days if asset sales are needed
Requests need to be submitted at least 12 working days prior to the chosen payment date (otherwise instruction will be effective for the following month)

Quotes can be saved and retrieved via the Instruction Tracking tab

Crystallisation options

- 1 Cash first, then proportional
- 2 Cash first, then largest asset
- 3 Defined cash first, then proportional
- 4 Defined cash and assets
- 5 All proportional

Disinvestment options

- 1 Cash first, then proportional
- 2 Cash first, then nominated assets
- 3 Cash first, then largest asset

Notes

When disinvesting for PCLS and taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.



Regular crystallisation and PCLS plus regular taxable income

When processing a regular crystallisation:

- 1 We move the full crystallisation amount from the pension savings account to drawdown before disinvesting. This happens 11 working days prior to the payment date, where cash then funds will be moved in specie.
- 2 We process the PCLS by reserving available cash and ordering any necessary disinvestment from assets.
- 3 Once the PCLS has been ordered, we process the taxable income request in the same way.

Typically, combining regular PCLS with regular income is straight forward, however there are additional considerations if you are making a full withdrawal (UFPLS equivalent) or, in addition to the PCLS, you are taking more than 80% of the remaining (taxable) income.

Due to the sequencing of the above events, there is potential for market movement to affect the amount subsequently available for the taxable income payment. As such, we do not allow these instructions to be submitted unless one of the below scenarios are in place:

- 1 Have a balance (a 'buffer') in the drawdown account equivalent to 20% of one taxable income payment.
- 2 Hold the equivalent of 12 months crystallisations in product cash within the pension savings account. Please note that this option is not advisable when using a model portfolio due to the likelihood of rebalances affecting the amount of cash held. Please also be mindful that fees are deducted from product cash and will erode this over the year.

Example

The client wants £1,000 per month total income, made up of £250 PCLS and £750 taxable income. To facilitate this:

Allocate £150 in the
drawdown account
at the point of
submission

(20% of £750)

OR

Hold £12,000
product cash
in the pension
savings account

(12 x £1,000)

Notes

When disinvesting for PCLS and taxable income, we include a 2% oversell to account for any market movement during the settlement period, to ensure we have sufficient cash available to make the payment.

Regular crystallisation and PCLS plus regular taxable income

Setting up the 'buffer' for regular crystallisations

1 Submit a one-off crystallisation prior to the regular instruction

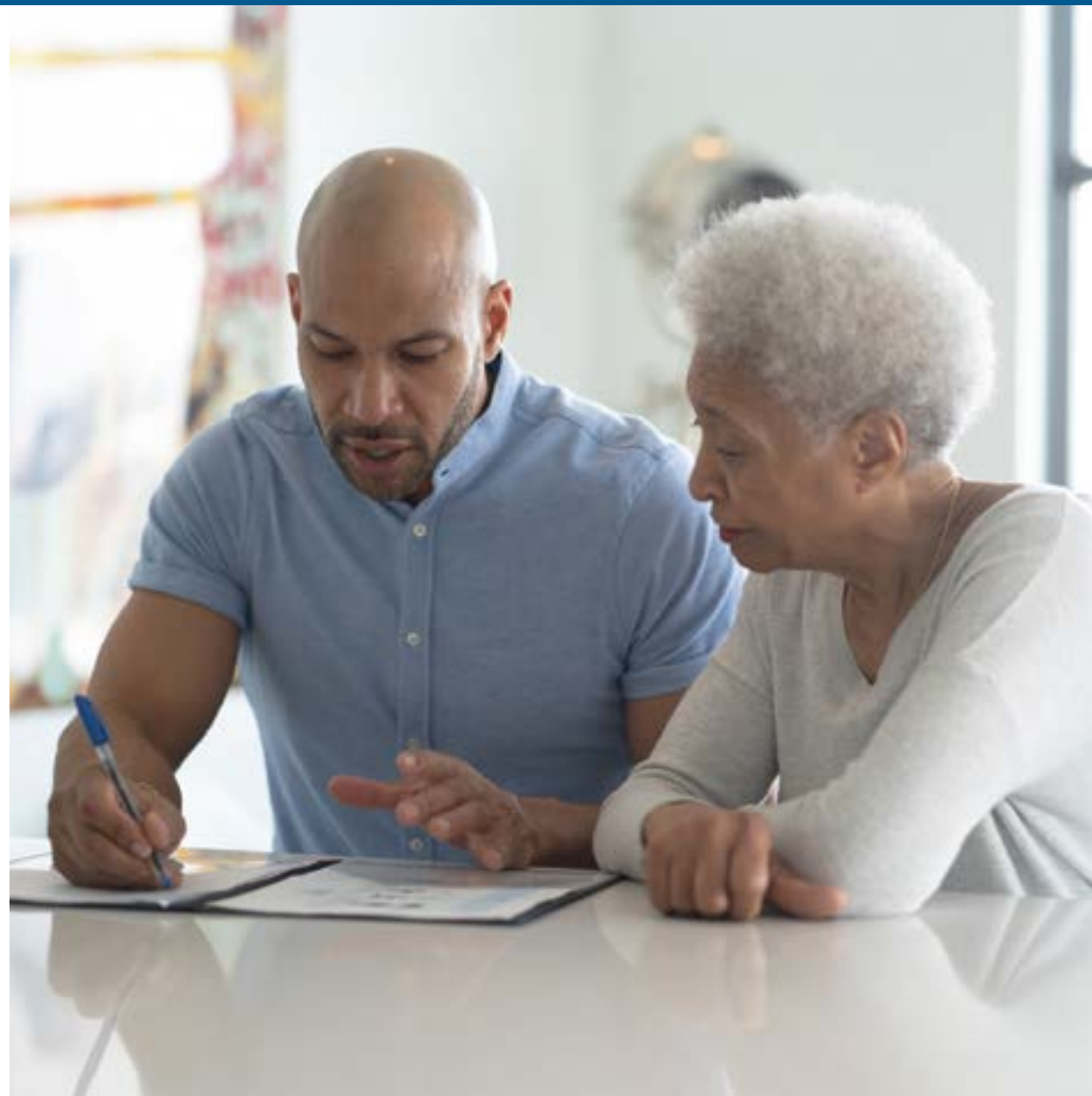
This should be based on PCLS only with no taxable income. The crystallisation will typically be completed within a few minutes, allowing the regular instruction to be submitted immediately after.

For example, crystallise £200, with £50 PCLS (25%), leaving £150 remaining in the drawdown account.

2 Submit a higher crystallisation amount in month one

This will require you to amend the amount for month two onwards.

For example, crystallise £1,200 per month paying £300 PCLS and £750 taxable income, leaving £150 in the drawdown account. Amend this to £1,000 with £250 PCLS once the first payment has been made. There is no need to amend the income.



Important information

The value of benefits depends on individual circumstances. The minimum age clients can normally access their pension savings is currently 55, and is due to rise to 57 on 6 April 2028, unless they have a lower protected pension age. Different options may have different effects for tax purposes, different implications for pension provision and different impacts on other assets and financial planning. The value of investments and the income from them, can go down as well as up, so clients may get back less than they invest.



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