

'London & Colonial first to launch Flexible Open Annuity (with "cash out" option)'

Last month the Treasury announced (in their "Government response to their budget paper "Freedom and Choice in pensions") that they would extend the new pension freedoms to the annuity market from April 2015. The Treasury stated that the new rules implemented in April 2015 would allow clients to take advantage of the new freedoms within annuities "on the condition that this is specified within the contract at the point of purchase".

We are therefore delighted to announce the launch of our Flexible Open annuity (with "cash out" option) contract that has been "future proofed". The Flexible Open annuity policy contains the relevant clause required in order for clients to take advantage of the new freedoms announced by the Treasury when they come into effect in April 2015.

We are aware of industry concern and reports that *"Millions of pension savers will be prevented from taking cash freely from their retirement funds next April unless they pay hefty penalties that could slash their pots by more than 20% according to reports."*

Adam Wrench Head of Product & Business Development says "London & Colonial already has a drawdown contract that will allow clients to take advantage of the additional flexibility in April next year. Now with the launch of our "Flexible 'cash out' annuity" clients will face a simple choice as to which contract will be most cost effective for them to use in order to access the new freedoms according to their circumstances."

Background

The Treasury has acknowledged that because they are not going to force pension providers to make the necessary changes then some pension savers might have to transfer to other arrangements to take advantage of the new freedoms. Therefore, it has been reported that many clients will have to pay large exit penalties with reports that their pots could be reduced by as much as 20% when transferring into new flexible contracts, effectively leaving millions unable to take advantage of the new freedoms.

The concern is that most large pension providers and insurers will not invest in the new technology required to implement the changes to their legacy pension books and will therefore struggle to offer the cash out facility to their pension clients.

We therefore believe that some clients in these circumstances would prefer to opt for the Open Market Option instead and access the new freedoms via our Flexible "cash out" Annuity. Clients will therefore now have a viable alternative to transferring to a drawdown contract and risk facing large transfer out and exit penalties. They will instead potentially be much better off by opting for an Open Market Option to the London & Colonial Flexible 'cash out' annuity.

We are also aware that there are a number of schemes that are taking up to 3 to 6 months in order to provide transfer values. Therefore, we believe any clients wishing to take advantage of the new budget freedoms in April 2015 will potentially need to act now. Given that our Flexible "Cash out" annuity already contains the relevant clauses required "at the point of purchase" then there is no reason why clients can't begin this process now in order that they can take advantage of the new rules as soon as they are available in April 2015.

-ENDS-

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Notes to Editors

About London & Colonial

London & Colonial specialises in self-invested products for both UK residents and persons resident overseas.

The London & Colonial Group includes

- (1) London & Colonial Holdings Limited – UK parent company
- (2) London & Colonial Services Limited which is regulated by the UK Financial Services Authority and operates SIPPs and SSASs
- (3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
- (4) L&C (Administration Services 2) Limited and London & Colonial (Trustee Services) Limited which are both based in Gibraltar and offer the EU SIPP.

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