

Phased Retirement Example

Fund of £100,000

Assuming: 5.7% GAD rate
 Taking 100% of GAD
 3.5% Gilt Yield

Income of £5,000 per year:

Year / Tranche 1

Divide fund into 1000 notional blocks of £100 each

Each block provides Tax Free Cash of £25 leaving...

£75 which produces £3.42 of net income

So each block provides £28.42 of net income, mostly made up of Tax Free Cash.

£5,000 required income therefore needs 176 blocks to be vested to provide income in year 1, which looks like this:

Tax Free cash:	£4,400
Net income from drawdown:	<u>£600</u>
Total:	£5,000

At the end of year 1, the fund looks like this:

UNVESTED	DRAWDOWN	
824 blocks at £100 each = £82,400	176 blocks at £70.74 each = £12,450	Providing income of £600 per year

Year / Tranche 2

£5,000 required again, but £600 still being paid from Year 1 so only £4,400 required from Tranche 2

Assuming no growth and same GAD rate this means a further 155 blocks need to be vested and the income will be made up of:

Year/Tranche 1 Income continuing:	£600
Year/Tranche 2 Income:	£530
Year/Tranche 2 Tax Free Cash:	<u>£3,875</u>
Total:	£5,005

There is some rounding going on here!

So at the end of year 2, the fund looks like this

UNVESTED	DRAWDOWN	
669 blocks at	331 blocks at	Providing income of
£100 each	£70.74 each	£1,130 per year
= £66,900	= £23,415	

Each year, this process continues, but with more of the income made from Drawdown and less from tax free cash, until all the money has moved from the unvested to the drawdown side of the line.