

Stakeholder Pensions

- They are available to any UK Resident under the age of 75. This is employed people, self employed, unemployed, children – anyone.
- The most someone can contribute to their stakeholder pension is 100% of their annual income or £3,600 whichever is the higher figure. Each year there is a cap to contribution levels and for 2006/2007 this is £215,000.
- The pension fund will accumulate free of income tax and capital gains tax on investment gains.
- Contributions are paid net of basic tax for everyone, whether they pay tax or not. Higher rate tax payers recover the balance through their self assessment.
- You can take your benefits from age 50 (this is going up to 55 in 2010). You can take up to 25% of your pension fund as a tax-free lump sum.
- It is this tax free lump sum that people use to repay their interest only mortgage, so you'll need to accrue a pension fund of 4 times this amount. This is the main reason why this repayment vehicle can be the most expensive.
- The rest of the fund is used to buy an income (an annuity) which will be taxable. You can use an Open Market Option to buy the best annuity on the market.
- Some people like to use the lump sums available from their Occupational Pension Scheme to repay their mortgage.



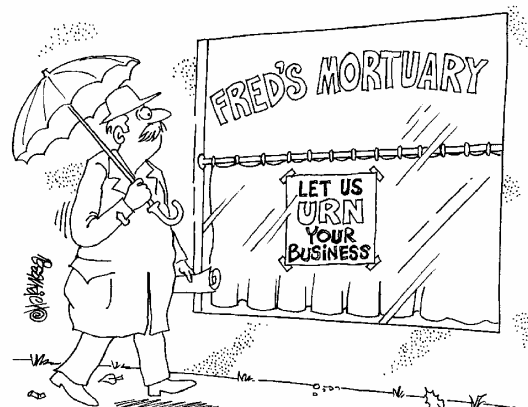
Term assurance policies

Level Term Assurance

- Sum assured remains level throughout, therefore real value may be eroded by inflation.
- There is no maturity value and no surrender value at any time.
- Level annual/monthly premiums or single premium.
- Uses – family protection, key person insurance, cover for loans, debts.

Decreasing Term Assurance (Mortgage Protection Policies)

- Commonly used to cover loans such as mortgages or hire purchase.
- The sum assured decreases over the term in line with the reduction of the capital outstanding on a repayment mortgage at a specified rate of interest (often known as a mortgage protection policy).
- Can be single life policies, or joint life first death.
- Premiums are lower than for level term assurance.
- Premiums are level even though the sum assured reduces.
- Premiums are often payable for the full term, but are sometimes restricted to 2/3 or 3/4 of the term.



Convertible

- Life cover is the same as normal term assurance.
- Contains option to convert to permanent policy (whole life or endowment) for up to the same sum assured without further medical evidence.
- Premium before conversion around 15% higher than normal term assurance premium.
- Premium after conversion is the standard rate for the age at conversion.
- Useful for people who:
 - want to begin a policy taking advantage of current good health;
 - want a more permanent contract but cannot afford the premiums yet.

Renewable

- Typically 5 or 10-year policies.
- They can be renewed at the end of the term without further evidence of health, i.e. a similar policy is issued for the same sum assured, but the premium is now that for the age at renewal.
- Again, useful for those wishing to keep initial premiums to a minimum.

Increasable

- The option exists, without evidence of health, to increase the cover on a specified date or dates, or when extending the term under a renewability option as described above.

Stakeholder Term Assurance

- These are single term assurance policies, level or decreasing, which benefit from tax relief on the premiums.
- Anyone can have these up to age 75 so long as the sum assured doesn't exceed their lifetime pension allowance of £1.5 million sum assured.