CURTIS BANKS

CASE STUDY

ILL-HEALTH EARLY RETIREMENT

APPROVED FOR ADVISER USE ONLY | APRIL 2024

A client suffers from a condition that impacts her ability to continue working. She no longer feels that she can work and wonders whether she can access her pension earlier than the normal minimum pension age (NMPA).

The Challenges

Julia Jones is 51. She has suffered from osteoarthritis since her early 40s, which has been gradually making it harder for her to continue running her boutique clothing store. Julia has been maximising her pension savings over the last few years with a view to retiring at 55 when she reaches normal minimum pension age. However, over the last few months her condition has suddenly taken a turn for the worse. Her daughter Flo and her small team at the store have been helping as much as possible, but Julia has now reached the stage where she doesn't feel able to continue working.

Julia will hire additional staff and step back entirely from the day-to-day running and management of the store while she seeks a buyer for her business. Knowing it could be a while before a suitable buyer is found, Julia wonders if she'll be able to access her pension in the meantime, despite not yet being 55. She has heard of people accessing their pensions early before, but only when they've been terminally ill.

The Actions

Julia calls Curtis Banks and speaks to Leon. He confirms that there are two different provisions that allow people to access their pensions early on health grounds: the ill-health rules, and the serious ill-health rules.

Leon explains that the serious ill-health rules are the ones Julia had heard of. If a medical professional has confirmed that someone is expected to live for less than a year, they are able to take all of the uncrystallised money from their pension in a single payment, called a serious ill-health lump sum. Serious ill-health lump sums can be taken at any age and are subject to different tax rules from normal pension payments.

Thankfully Julia does not meet the conditions for a serious ill-health lump sum, and in any case would not be looking to exhaust all of the funds from her pension.

Leon goes on to explain that the ill-health provisions apply when someone is unable to continue working because of their health. The person in question can then have access to all normal pension benefit options, subject to all the normal rules and restrictions, but without needing to have reached normal minimum pension age.

This is exactly what Julia had been looking for, so she asks Leon to explain the requirements in a little more detail. Leon confirms that Julia would need to provide confirmation from a medical professional that she is unable to continue with her current occupation due to her health.

Leon warns that if Julia has pensions with other providers she will need to check their requirements, as some have stricter requirements than the legislation.

They may instead need Julia to show that she is unable to continue any form of work before paying the benefits on ill-health grounds. Leon explains that this tends to be more common in pensions where it would be difficult to stop the pension payments once they have begun. However, in a SIPP, if Julia went into drawdown or decided to take uncrystallised funds pension lump sums (UFPLS), she could stop the payments at any time if she returned to work in the future.

This sounds perfect for Julia. While she doesn't necessarily expect to return to work, she has not yet spoken to an adviser about how to use the money she expects to receive eventually from selling her business, and suspects that when that time comes, her pension won't be the first choice as a source of income for a while.

The Results

Julia hires the additional staff to run and manage her store, and commits to finding a suitable buyer as soon as she can. She arranges an appointment with her doctor, who provides a letter confirming her opinion that Julia is not able to continue working in her current occupation. Julia provides the letter to Curtis Banks, and she is able to proceed with crystallising a small portion of her pension early on ill-health grounds.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

Contact details

If you'd like to speak to us about anything in this case study, please contact us on:

T 0370 414 7000

We may record and monitor calls. Call charges will vary.

E enquiries@curtisbanks.co.uk

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.