

Client Planning Scenario



Offsetting income tax on pension withdrawals

Building deeper connections with your clients.

For illustrative purposes only

Our Venture Capital Trust (VCT) planning scenarios are based on situations advisers often encounter, making them a great starting point for discussions with your own clients.

Recently retired clients often find it frustrating that the money they take out of their pension is still subject to income tax. Clients in this position may therefore welcome a tax-efficient investment that helps them to offset taxes on pension withdrawals.

Meet Marie

In this client planning example, Marie has retired with a pension pot of £800,000. She wants to take out £50,000 from her pension, of which 25% (£12,500) will be tax-free, while the remaining £37,500 will be taxable. Marie is a basic rate taxpayer, and after taking her personal allowance (£12,570) into consideration, she is left with an income tax bill of £4,986 on the withdrawal. However, there is a way to ensure Marie, and other retirees like her, pay no income tax on future pension income withdrawals, while also creating a new tax-free income stream.

Using a VCT to offset taxes on pension income

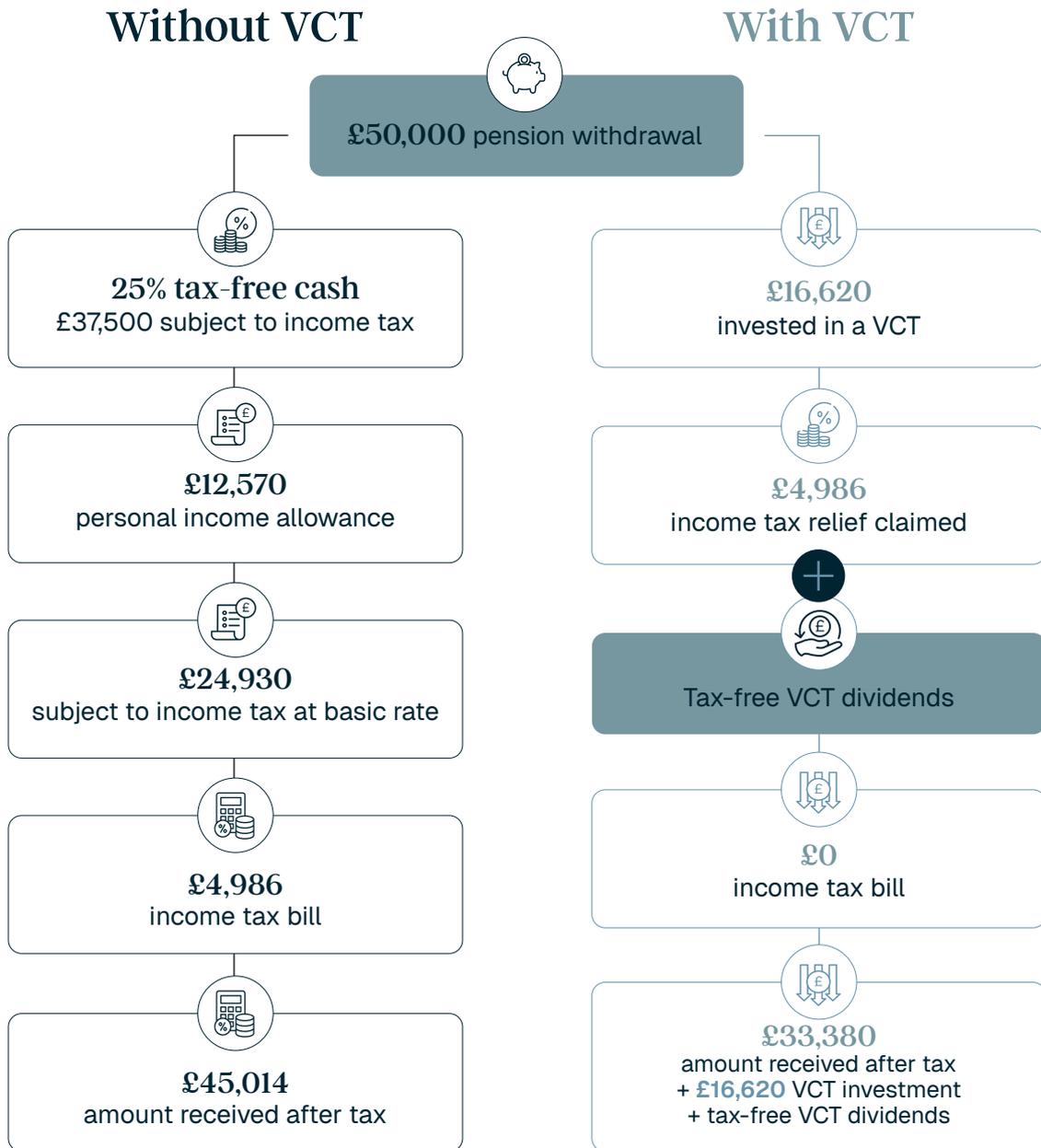
Marie's financial adviser suggests she consider the tax incentives available through a VCT. After talking through the benefits and the risks, her adviser explains that if she invested £16,620 in a VCT, she could claim up to 30% upfront income tax relief on her investment, which equals £4,986 (the tax liability from her pension withdrawal). This effectively makes Marie a non-taxpayer, provided she holds her VCT shares for the minimum of five years.

As most VCTs target a dividend, Marie may also receive an annual tax-free income from her investment. And with the dividend allowance cut to just £500 since April 2024, VCT dividends could be especially appealing for retirees like Marie.

“For those entering retirement, pensions withdrawals can trigger unexpected tax bills. A VCT can help clients to reclaim income tax while also creating another valuable tax-free income stream.”

Jack Rose, Triple Point Head of Distribution

VCT Investing



Visit [Triple our website](#) to explore more client planning scenarios.

Investor's capital is at risk. This illustration does not take into account investment growth or charges for the investment. It is based on tax rules and personal allowances at April 2025, which could be subject to change and depend on individual circumstances. Tax reliefs depend on a VCT maintaining its qualifying status and target returns may not be guaranteed.

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