Frequently Asked Questions

1. What is an income drawdown plan?

An income drawdown plan is an arrangement that allows you to receive a fixed amount of money on a regular basis from your pension benefits. The payments are derived from investment returns and therefore do not reduce the principal amount of your pension benefits over time.

2. How does this differ from a standard personal pension plan?

Income drawdown plans are used to pay you a regular income once you decide to retire, while a standard personal pension plan is used to grow your pension savings and pay you a lump sum upon reaching the retirement age.

3. How often can I take income?

You have the option of either monthly, quarterly, half-yearly or annual drawdown.

4. When can I start the income drawdown?

You can start from your 50thbirthday.

5. What are the benefits of Income Drawdown?

The key benefit of income drawdown is that it offers greater control over your pension pot. It also makes it much easier to pass on what remains of your pension benefits after you die.

6. Can I still claim a tax-free lump sum with Income Drawdown?

Yes, if you choose to go into income drawdown when you retire, you still have the option to take up to 25% of your pension fund as a tax-free lump sum.

7. Can I change the level of income I receive from drawdown?

Yes. However, the minimum amount that can be withdrawn on a monthly basis is currently ksh.4,308. There is no limit to what you can withdraw above this amount depending on your pension benefits. You can also choose the frequency with which you receive your payments, which can be either monthly, quarterly, semi-annually or annually.

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REFERENCE TABLE FOR INCOME DRAWDOWN

Rate of Return	9%	10%	11%	12%	15%
Monthly Drawdown	Lump Sum Required For Monthly Drawdown				
4,802	640,267	576,240	523,855	480,200	384,160
10,000	1,333,333	1,200,000	1,090,909	1,000,000	800,000
20,000	2,666,667	2,400,000	2,181,818	2,000,000	1,600,000
30,000	4,000,000	3,600,000	3,272,727	3,000,000	2,400,000
40,000	5,333,333	4,800,000	4,363,636	4,000,000	3,200,000
50,000	6,666,667	6,000,000	5,454,545	5,000,000	4,000,000
60,000	8,000,000	7,200,000	6,545,455	6,000,000	4,800,000
70,000	9,333,333	8,400,000	7,636,364	7,000,000	5,600,000
80,000	10,666,667	9,600,000	8,727,273	8,000,000	6,400,000
90,000	12,000,000	10,800,000	9,818,182	9,000,000	7,200,000
100,000	13,333,333	12,000,000	10,909,091	10,000,000	8,000,000
110,000	14,666,667	13,200,000	12,000,000	11,000,000	8,800,000
120,000	16,000,000	14,400,000	13,090,909	12,000,000	9,600,000
130,000	17,333,333	15,600,000	14,181,818	13,000,000	10,400,000
140,000	18,666,667	16,800,000	15,272,727	14,000,000	11,200,000
150,000	20,000,000	18,000,000	16,363,636	15,000,000	12,000,000
200,000	26,666,667	24,000,000	21,818,182	20,000,000	16,000,000

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Zimele Income Drawdown Plan

Zimele Income Drawdown Plan

An income drawdown plan is a contract offered by a registered personal pension plan and involves disbursement of retirement benefits at fixed amounts, and at regular intervals. In other words, the plan enables you to create a regular and predictable income stream from your retirement benefits. According to the Retirement Benefits Authority (RBA) guidelines, an income drawdown contract is for a minimum period of ten years.

The plan is recommended for persons who have either attained the voluntary retirement age of fifty years, or the mandatory retirement age of sixty years, and would like to be paid a fixed amount of money on a regular basis. The distinguishing feature of the plan is that the income stream is derived from investment returns leaving the principal amount of your pension benefits intact at the end of the contract period.

Eligibility

- Attainment of the retirement age of fifty years.
- Accumulated retirement benefits in either an occupational pension scheme or an individual pension scheme. One can also transfer their retirement benefits from another pension scheme to the Zimele Guaranteed Personal Plan for purposes of initiating an income drawdown plan contract.
- The pension benefits from the income drawdown plan should not be less than the trivial pension amount of ksh.4,802/=

Features

1. Unlike a standard personal pension plan which is used to accumulate your pension benefits until you reach retirement age to pay you a lump sum amount, the income drawdown plan is designed to pay you a fixed income on a regular basis. The payments can be monthly, quarterly or half yearly.
2. The remaining portion of your pension benefits is continuously invested, which helps to grow the principal amount. The portion of returns not distributed through the income drawdown plan are added to the principal pension benefits and paid out in lump sum at the end of the contract period.
3. The plan gives you convenience and flexibility when it comes to choosing how much to withdraw and at what frequency. More importantly, the plan gives you dignity and confidence in retirement by ensuring you are able to meet your monthly upkeep requirements and maintain your preferred lifestyle from a reliable source of passive income.
4. Unless one has attained the age of sixty five years, all withdrawals from the income drawdown plan are subject to income tax as pension income, as shown below:

Income Brackets	Income Tax Rate
0 - 33,333.33	10%
333,333.33 - 66,666.67	15%
66,666.67 - 100,000.00	20%
100,000.00 - 133,333.33	25%
133,333.34 - 833,333.33	30%

Source: Income Tax Act

In the event of death, the income drawdown plan benefits may be paid out as a lump sum (and taxed at the applicable rate) or the drawdown may continue to be paid to your beneficiaries until the expiry of the contract period, after which the principal amount shall be paid out to your beneficiaries.

Advantages Of The Income Drawdown Plan

- The plan gives a pensioner a steady and sustainable monthly income stream which enables them to maintain a comfortable in lifestyle retirement.
- The plan provides more flexibility and convenience to a pensioner compared to a typical annuity arrangement. This arises from the ability of the pensioner to choose the amount to receive and at what interval.
- A drawdown plan is an alternative to buying an annuity and allows a pensioner to leave their pension benefits fully invested while drawing an income on a monthly basis.
- The principal is paid back in full after the expiry of the contract period, unlike in an annuity where the amount expires with the contract.
- In the event of death before the expiry of the contract, beneficiaries are able to continue drawing the monthly income, or can choose the option of getting the lump-sum amount.

HOW TO GET STARTED

- The income drawdown plan is eligible to members of the Zimele Guaranteed Personal Pension Plan who have attained the age of retirement.
- Members have to sign the income drawdown plan contract, which sets out the terms and conditions, including the contract period, frequency of payments, among others.
- Members are required to furnish details of their beneficiaries or next of kin.
- Members are at liberty to choose the drawdown fixed amount and frequency of payment, subject to the size of their accumulated pension benefits.