



GUIDE TO

YOUR OPTIONS AT RETIREMENT

*How to turn your pension savings
into an income for life*

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How to turn your pension savings into an income for life

There are many things to consider as you approach retirement. It's good to start by reviewing your finances to ensure your future income will allow you to enjoy the lifestyle you want. The earlier you start thinking about what you'll need for a comfortable retirement and where your money is going to come from, the more control you can have over that period of your life.

The changes in the retirement landscape mean some people are adjusting their expectations for retirement. With life expectancy still on the increase, the need to save and plan for retirement is becoming ever more critical.

The concept of 'retirement', as viewed through the opinions of those currently saving towards it, may have a broad range of meanings. But the reality is that traditional 'retirement' is changing, with few now seeing it as a singular event.

The future of retirement is likely instead to see a fundamental change in people's lifestyles, with a growing aspiration to combine work and leisure to help manage the costs of a longer life expectancy.

It's also important to remember that any investment comes with risk. All investments

can go down as well as up, and you may get back less than you invest.

A pension is a long-term investment not normally accessible until age 55 (57 from April 2028). The value of your investments (and any income from them) can go down as well as up which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits.

The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future. You should seek advice to understand your options at retirement. ■

WILL YOUR PENSION POT LAST FOR THE REST OF YOUR LIFE?

If you're like most people, the money in your pension pot will need to last for the rest of your life. And once you've made a decision, you might not be able to change your mind. So it's important to get all the information you need to feel confident that you're making the right decision for you. To find out more or arrange an appointment, please contact us – we look forward to hearing from you.

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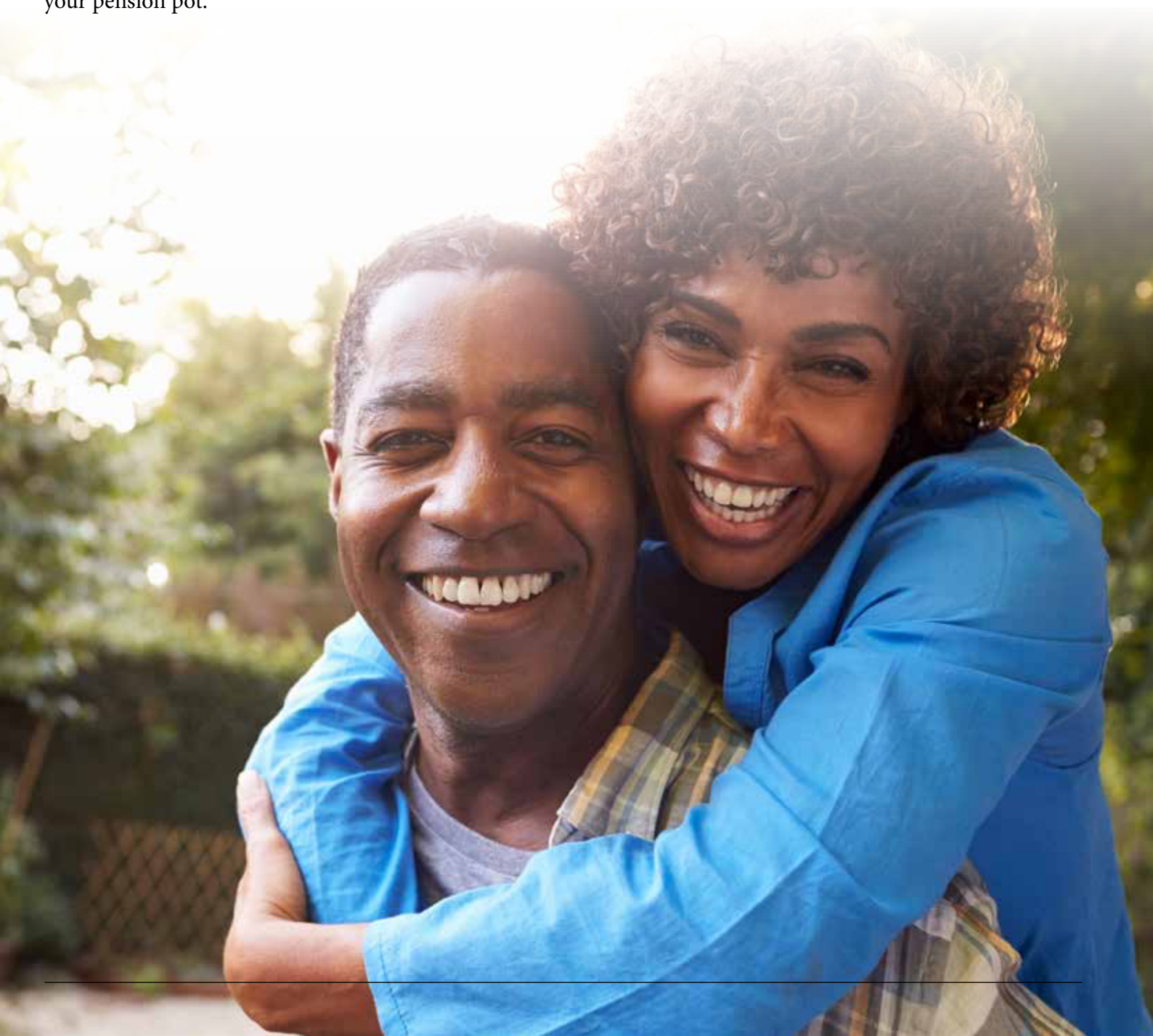
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WHAT CAN I DO WITH MY PENSION?

Deciding how you want to start taking money

Due to the changes introduced by the government in April 2015, when you reach the age of 55 (subject to change) you now have more flexibility than ever when it comes to taking money from your pension pot.



But before you do anything with your hard-earned cash, it's important to take the time to understand your options, as the decisions you make will affect your income in retirement. Before you take money from your pension plan, it's important to ask yourself if you really need it right away.

When and how you take your money can make a big difference to how much tax you might pay and how long your money will last.

Most pensions will set an age from which you can start taking money from your pension. They will also have rules for when you can take your pension earlier than normal, for example, if you become seriously ill or unable to work.

When the time comes to start taking money from your pension, you'll need to decide how you want to do this. If you've got a personal pension or a defined contribution pension, you can take up to 25% of its value as a tax-free lump sum.

The remainder of your pension fund will be taxable and may either be taken as cash, used to buy an annuity (a guaranteed income for a specific period or for the rest of your life), or you may leave the money invested and take withdrawals on a regular basis or as and when you need.

With a defined benefits pension, you may be able to take some of its value as a tax-free lump sum, but this will depend on the rules of your scheme. The rest of the money will be paid to you as a guaranteed income for the rest of your life.

Different levels of risk and security and potentially different tax implications

The different ways of taking your money have different levels of risk and security, and potentially different tax implications too. As with all retirement decisions, it's important to take professional financial advice on what's best for you.

Everybody's situation is different, so how you combine the options is up to you.

Annuities – guaranteed income for life

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

The amount you will receive depends on a number of factors, for example, how long the insurance company expects you to live and other benefits the annuity provides, such as a guaranteed payment period or payments to a spouse or dependent.

Annuities can also be for a specific period, not just for life. This can be useful if someone wants a guaranteed income for part of their retirement, say before the State Pension is payable.

Flexible retirement income – pension drawdown

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

Pension drawdown normally allows you to draw 25% of your pension fund as a tax-free lump-sum, or series of smaller sums. This 'tax-free cash' is known as the Pension Commencement Lump Sum, or PCLS. The rest of the fund remains invested and is used to provide you with a taxable income, via withdrawals on a regular basis or as and when you need.

You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a lifetime annuity, your income isn't guaranteed for life.

Uncrystallised Funds Pension Lump Sum (UFPLS)

You do not have to draw your pensions commencement lump sum at the outset. Instead you may use your pension fund to

take cash as and when you need it and leave the rest untouched where it can continue to grow tax-free.

For each withdrawal, the first 25% (quarter) is tax-free and the rest counts as taxable income. There might be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

Combination – mix and match

It may suit you better to use a combination of the options outlined above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income drawdown scheme that allows you to decide how much you wish, and can afford, to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later. ■

WANT TO DISCUSS HOW TO DECIDE WHAT TO DO WITH YOUR PENSION POT?

Find out more about your options for taking an income in retirement and what you need to consider. If you're unsure about the best approach for you, please get in touch with us for further information.

THINKING ABOUT ACCESSING YOUR PENSION FROM AGE 55?

The options for using your pension pot are more flexible than ever. But it's important to understand how your decisions will affect your retirement income in the future.

**To find out how you can make the right decisions,
please contact us for further information – we look
forward to hearing from you.**

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