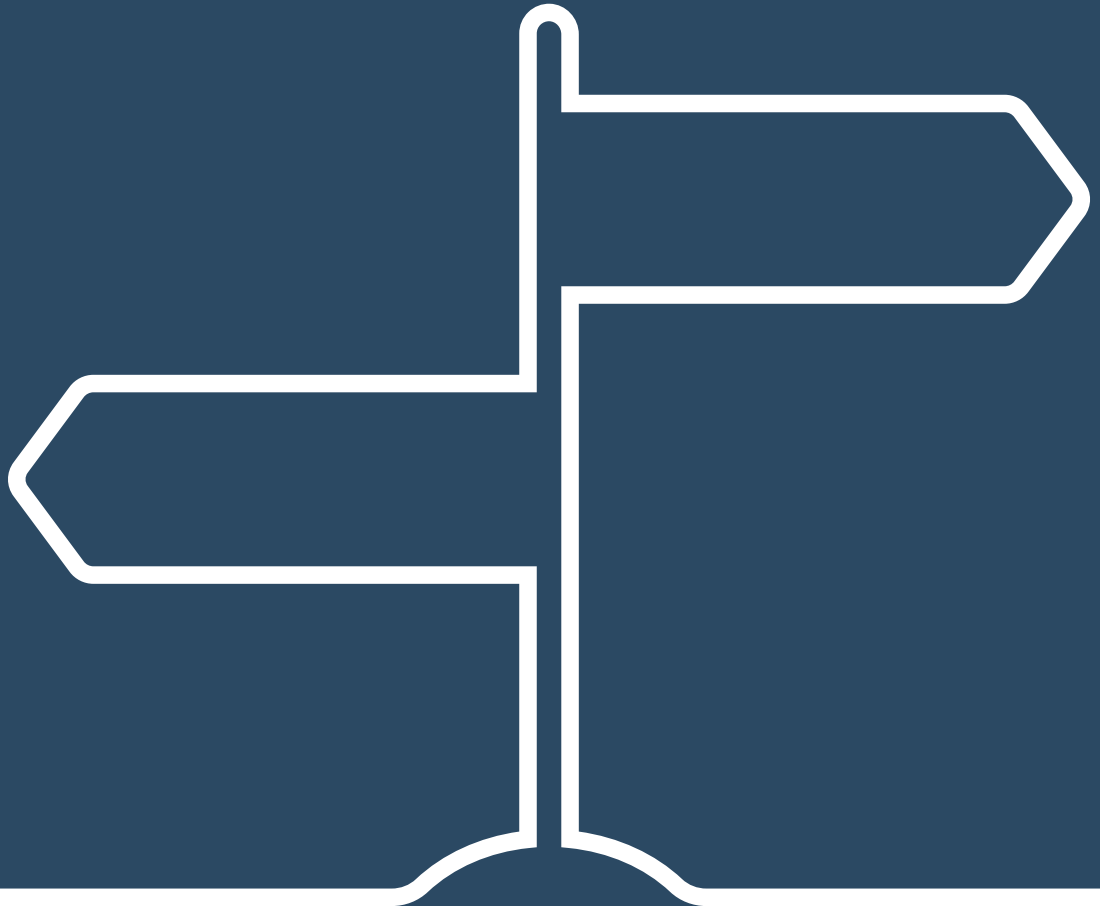


GUIDE TO  
**YOUR OPTIONS  
AT RETIREMENT**

NEW FREEDOMS OVER HOW YOU CAN  
USE YOUR PENSION MONEY



# GUIDE TO YOUR OPTIONS AT RETIREMENT

## *New freedoms over how you can use your pension money*

Deciding what to do with your pension savings is an important step we will all have to take. Following changes introduced in April 2015, you now have more choice and flexibility than ever before over how and when you can take money from your pension pot. These changes give you freedom over how you can use your pension pot(s) if you're 55 or over and have a pension based on how much has been paid into your pot (a defined contribution scheme).

### **WHEN AND HOW YOU USE YOUR PENSION**

Whether you plan to retire fully, reduce your hours gradually or to carry on working for longer, you can now tailor when and how you use your pension – and when you stop saving into it – to fit with your particular retirement plans.

Currently, the minimum age you can take any workplace or personal pension is age 55. You need to check with your scheme provider or insurance company to make sure the scheme will allow this. This is proposed to increase to age 57 by 2028.

From 2028 onwards, the proposal will be for the minimum pension age to increase in line with the State Pension age. This means there will be a 10-year gap between when you can take your own pensions and any State Pension you are eligible for.

There's a lot to consider when working out which option or combination will provide you and any beneficiaries with a reliable and tax-efficient income throughout your retirement.

### **LEAVE YOUR PENSION POT UNTOUCHED**

Once you reach the age of 55, you have the right to take as much of your pension fund as

you like as cash – but that doesn't mean that you have to do so.

You may be able to delay taking your pension until a later date and may wish to leave your money where it is so that it still has the potential to grow – though your fund could also go down in value, of course. Equally, you might just want some time to consider all your options before deciding whether to take cash from your pension fund – and, if so, how much.

### **USE YOUR POT TO BUY A GUARANTEED INCOME FOR LIFE – AN ANNUITY**

You can choose to take up to a quarter (25%) of your pot as a one-off, tax-free lump sum, then convert the rest into a taxable income for life called an 'annuity'. There are different lifetime annuity options and features to choose from that affect how much income you would get. You can also choose to provide an income for life for a beneficiary after you die.

### **USE YOUR POT TO PROVIDE A FLEXIBLE RETIREMENT INCOME – FLEXI-ACCESS DRAWDOWN**

With this option, you take up to 25% (a quarter) of the pension pot that is being crystallised as a tax-free lump sum, then re-invest the rest into funds designed to

provide you with a taxable income. You set the income you want, though this may be adjusted periodically depending on the performance of your investments (funds can be left alone to accrue if there is no immediate need for income). Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

Previously, there were government limits (known as 'Government Actuary's Department' or GAD limits) on how much income you could withdraw each year. This still applies to existing capped drawdown contracts where taxable income was being taken before 5 April 2015, providing the GAD limit is respected. These restrictions have been removed from 6 April 2015 for new flexi-access drawdown contracts.

### **TAKE SMALL CASH SUMS FROM YOUR POT**

If you're not sure how your income needs will change in the future, you may wish to take money from your defined contribution pension pots as and when you need it and leave the rest untouched. For each cash withdrawal, the first 25% (quarter) is tax-free, and the rest counts as taxable income. There may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

### TAKE YOUR WHOLE POT AS CASH

You could close your pension pot and take the whole amount as cash in one go if you wish. Anyone over 55 can take their entire pension fund as cash. The first 25% (quarter) will be tax-free, and the rest will be taxed at your highest tax rate – by adding it to the rest of your income.

If you cash in your entire pot, it's highly likely that you'll have to pay a considerable tax bill. If the provider applies an emergency tax code, too much tax will be deducted, in which case you would have to reclaim this from HMRC. In addition, it will not pay you or any beneficiary a regular income, so without very careful planning you could run out of money and have nothing to live on in retirement.

You don't have to choose one option when deciding how to access your pension – you can combine options and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish and receive tax relief up to age 75.

Which option or combination is right for you will depend on a number of different factors.

### HELPING YOU FIND YOUR WAY FORWARD

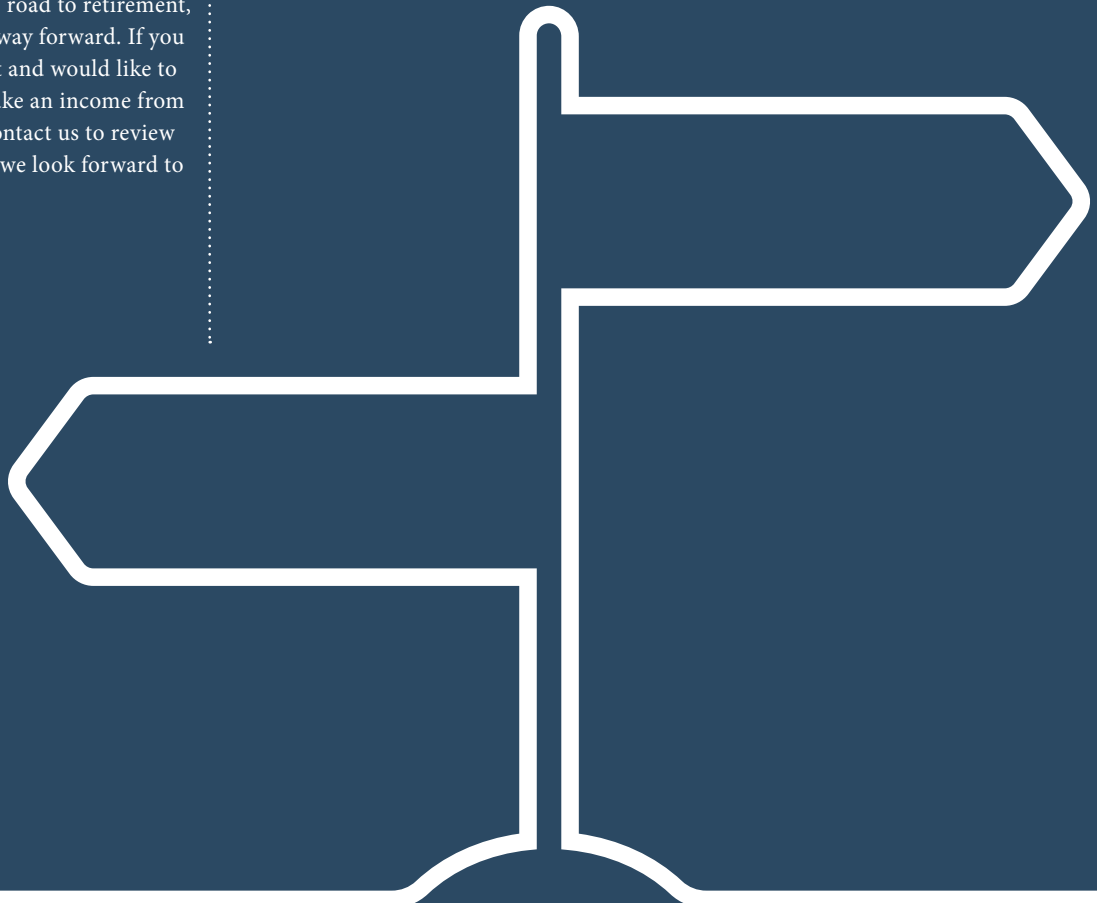
Wherever you stand on the road to retirement, we can help you find your way forward. If you are approaching retirement and would like to discuss the ways you can take an income from your pension pot, please contact us to review your particular situation – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY 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.



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# LOOKING FOR GREATER FLEXIBILITY OVER WHAT YOU CAN DO WITH YOUR PENSION POT?

Now that the dust has settled on the announcements made around pension freedoms in the March 2014 Budget, for many of us its time to now focus on the implications of 'how you take it'. To discuss your retirement planning requirements, or for any further questions, please contact us for further information.

**To find out more, please contact us.**

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