Retirement Factsheet

Introduction

This factsheet provides information about some of the options available to you at retirement to help you make the right choices when deciding how and when to take money from your pension. It highlights the options available to you and risks you need to consider.

Help with your choices - Pension Wise service

The Government backed Pension Wise service provided by MoneyHelper offers free and impartial guidance that will help you understand your options at retirement. This can be accessed face to face, by telephone on 0800 138 3944 or over the internet at www.pensionwise.gov.uk.

The Pension Wise service is complementary to, but is not intended to replace, full regulated advice.

You should also read 'Your pension: your choices' which has been written by MoneyHelper and provides a full range of pension options. A copy of this document is available in your document store.

WE STRONGLY RECOMMEND THAT YOU SEEK GUIDANCE FROM THE PENSION WISE SERVICE OR SPEAK TO A FINANCIAL ADVISER TO UNDERSTAND YOUR OPTIONS AT RETIREMENT BEFORE DECIDING WHAT TO DO.

Pension wise

Get to know your options

The risks to consider before making your decision.

Making your retirement income last
You need to think about your income needs and whether the value of your pension will support these needs.

If you take all or most of your pension fund you may not have sufficient funds to last, you for the whole of your retirement.

Your level of pension income is not guaranteed as the fund remains invested in the market and any investment can fall in value.

Future pension contributions
The amount you can pay into your pension in a tax efficient manner is limited to £60,000 per year for most people. If you take either:

- An uncrystallised pension funds lump sum, or
- Income from flexi-access drawdown

This annual limit will be reduced to £10,000 and you must inform all your other existing and future pension providers within 91 days.

If you are planning on paying into your pension in the future, you should check if your decision will limit the amount you can contribute.

Reviewing your investments
Any funds remaining in your pension fund after taking any payments will remain invested in line with your chosen investment strategy. You should therefore regularly review your investments to ensure they remain consistent with your retirement aims and needs.

Losing your means tested benefits and receiving claims on any debts
If you are currently either in receipt of means tested benefits or anticipate the need to access them soon, withdrawing money from your pension may result in your benefits either being reduced or removed altogether. Visit www.gov.uk to find out how income or savings can affect state benefits.

If you have any debts, the money in your pension is usually protected from your creditors. Any money withdrawn from your pension loses this protection and creditors may be able to claim from it.

Working out the tax you will pay
The taxable income taken from your pension is subject to the PAYE tax rules. Calculating the tax, you will pay is complicated and subject to your personal circumstances. If you receive income from other sources, taking a taxable income from your pension can result in you paying a lot more tax than you expected and there is a risk that some of your income might be pushed into the higher tax bracket.

Unless a current P45 is provided from your previous pension scheme before we make the first payment to you, we are required to deduct tax using the emergency tax code on either a Week 1 or Month 1 basis, until such time as HM Revenue & Customs (HMRC) issue a revised coding notice to us.

Emergency tax code
When we use the emergency tax code to calculate your taxable income this can result in you paying significantly more or significantly less tax than would otherwise be the case. Depending on the frequency of the payments and/or the amounts to be taken, you may not be able to obtain a correction to any under / over payment until HMRC have reviewed your tax position at the end of the current tax year.

Payments to beneficiaries after your death
If you die before age 75, death benefits will normally be paid free of tax.
However, if you die on or after your 75th birthday benefits will be subject to tax.

What are the options for taking your pension?

Currently the only option from our scheme is to take a pension commencement lump sum and retirement income directly from the investments in your account as flexi-access drawdown.

Other options available via transfer to another provider are:
- Taking one or more cash lump sums, up to 25% as a pension commencement lump sum and the balance as taxable income, known as an uncrystallised funds pension lump sum (UFPLS).
- Converting your investments into retirement income by buying an annuity from an annuity provider.

Flexi-access drawdown (FAD)
Flexi-access drawdown offers you the flexibility to take up to the whole of your pension fund should you wish to do so.

When you move any uncrystallised fund (this being a pension fund that has not yet been accessed for retirement income) to flexi-access drawdown you can decide whether to move all, a percentage, or an amount.

Up to 25% of any new funds taken as flexi-access drawdown from uncrystallised funds are tax free, known as a pension commencement lump sum. Taking this payment will not reduce the amount you can pay into your pension.

The balance will be transferred to your drawdown account and is able to remain invested. Your drawdown account can provide you with an income that is subject to tax deductions under PAYE. You can choose the level of the taxable income required and can request both one off and regular income payments. When you first take a taxable income, this will reduce the amount you can contribute to any pension in the tax year first taken and all future tax years.

<u>Things to think about</u>

- The retirement income from flexi-access drawdown is not guaranteed.
- Making sure you regularly review your investments.
- Deciding the income, you can afford to take requires careful planning. You should consider the:
    - size of your pension
    - amount you contribute
    - fund performance
    - regularly reviewing your income and
    - whether you want to provide for a dependant or someone else after you die.
- Cash and investments held in your pension have significant tax advantages when compared to cash and investments held outside your pension.
- You may be able to receive an enhanced income from an annuity if you are in ill health.
- If you take flexi-access drawdown from any part of your pension, you will not be eligible to receive a serious ill health lump sum from the drawdown fund.
- If you take an initial one-off taxable payment, it is expected that you will overpay tax. The calculation of the tax you pay treats this as the first in a series of regular monthly payments. HMRC will usually correct the tax position at the end of the tax year as part of the normal PAYE process. Alternatively, you can make an in-year claim by completing the relevant form.
    - If you have taken your whole pension fund you should use:
        - P50Z if you have no other PAYE or pension income (other than state pension)
        - P53Z if you have other PAYE or pension income.
    - If you have not emptied your pension fund and no other withdrawals are made in the tax year you should use P55.

We expect all clients entering flexi-access drawdown to have taken professional advice on the likely implications before proceeding.

Uncrystallised Funds Pension Lump Sum (UFPLS)

We currently don't offer UFPLS however you are free to transfer your pension funds to a different pension provider who offers it.

An Uncrystallised Funds Pension Lump Sum is a lump sum payment taken from the part of your pension fund that has not yet been used to provide a flexi-access drawdown pension. Taking an UFPLS payment will reduce the amount you can pay into your pension in the tax year first taken and all future tax years.

Annuity Purchase

We are not an annuity provider; however, this option is available to all clients. You can use all or part of your fund to purchase an annuity.

The annuities offered by insurance companies can vary considerably, so it is important that you shop around to find the one that provides the best rate. Once an annuity has been purchased it cannot normally be changed.

The value being used to purchase the annuity is sent to the annuity provider who, in turn, agrees to provide you with an income for the rest of your life. When considering this option there are different choices you can make, including providing an income for your spouse or partner when you die.

Lifetime allowance and what it is.

The lifetime allowance limits the total amount of pension benefits you can build up in your lifetime.

The current lifetime allowance framework remains in place for the 2023 to 2024 tax year and is £1,073,100.

Lifetime allowance protections

You may be able to protect your pension savings either built up prior to the introduction of the lifetime allowance on 6th April 2006 or following subsequent reductions in the lifetime allowance. Please speak to your financial adviser for more information on the different protections available.

Exceeding your lifetime allowance

Where you take benefits that exceed your lifetime allowance you will be taxed at your marginal rate on any value above your lifetime allowance.

Future change – abolition of the Lifetime allowance

The government announced that it will fully abolish the lifetime allowance from the 2024 to 2025 tax year, through a future Finance Bill.

As a result of the abolition of the lifetime allowance, the maximum pension commencement lump sum will be frozen at £268,275, which is 25% of the current standard lifetime allowance of £1,073,100. If you have a protected right to a higher pension commencement lump sum on 5 April 2023 you will continue to be able to access this right.

If you have enhanced protection with lump sum protection the value of the lump sum will be based on the value of your pension pot on 5 April 2023.