

A GUIDE TO
**RETIREMENT
PLANNING**

THE FREEDOM TO CHOOSE WHAT
YOU DO WITH YOUR MONEY

WELCOME

The freedom to choose what you do with your money

Welcome to our *Guide to Retirement Planning*. If you're one of the millions of Britons approaching retirement age or wishing to retire early, it can be worrying and confusing.

Inside our guide, whether your retirement is in the far distance or just round the corner, to enable you to secure your financial security and independence during your retirement, we look at the areas you need to consider sooner rather than later.

Budget 2014 saw the Chancellor, George Osborne, announce the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921, introducing new flexibility to the pensions system. Retirees will no longer be forced to buy an annuity, while the tax treatment of defined contribution pensions will be changed dramatically, affecting the 13 million people who hold these pension schemes.

'The tax rules around these pensions are a manifestation of a patronising view that pensioners can't be trusted with their own pension pots,' said Mr Osborne, announcing that people who have worked hard and saved hard all their lives, and done the right thing, should be trusted with their own finances.

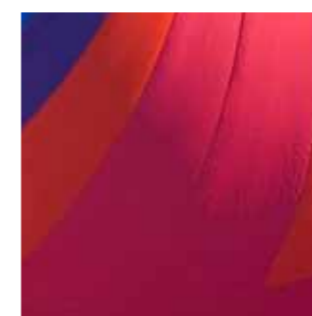
Building for retirement comes with some big questions – we're all living longer, so how do you know when you've saved enough? And will your money last if you're still going strong 30 years after you've retired?

When it comes to planning for retirement, time is certainly your friend. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive.

Helping you to achieve the retirement you want

Getting ready for retirement doesn't start in the days and weeks before you stop work. With professional advice, regular reviews and taking action when you need to, we'll help you keep your retirement plans on track. If you would like to review how we could help you take control of your financial future and plan to achieve the retirement you want, please contact us for further information.

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PLANNING FOR YOUR FUTURE RETIREMENT

Three very important questions you need to consider, sooner rather than later

We all look forward to stopping work, embarking on a new path and making the most of our new-found freedom. But with all the talk and concern about dwindling retirement funds and our shaky economy, many retirees and soon-to-be-retired boomers need to consider three very important questions, sooner rather than later.

Ask yourself these three questions when planning for your future retirement:

1. HOW LONG WILL I BE RETIRED FOR?

According to the Institute of Fiscal Studies, 58.5%^[1] of workers haven't given any thought to how long their retirement could last. A 65-year-old can now typically expect to live for about another 20 years. That could mean you're retired for almost as long as you've been saving for retirement. Be clear when you want to

stop working, but think of your pension savings as deferred pay and budget accordingly.

2. HOW MUCH DO I NEED TO INVEST?

Paying more into your pension may not necessarily be top of your to-do list. It's tempting to think it's something you need to worry about in the future. You need to be investing as much as you can for as long as you can to make every year count. Maximising tax allowances can also make retirement funds last longer. As well as contributing to your pension pot, you can use other savings and investments to help fund your retirement.

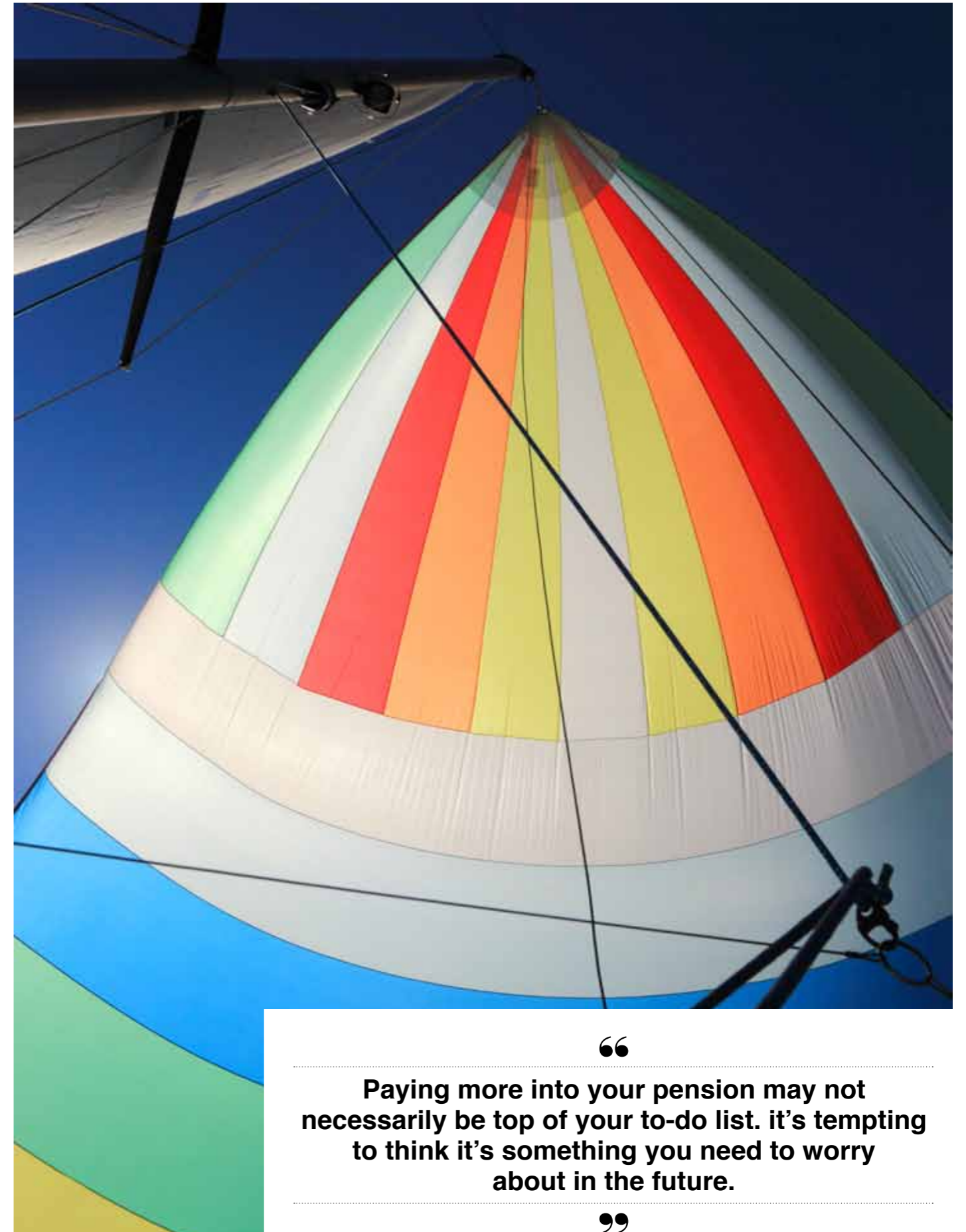
3. HOW WILL I STAY ON TRACK?

Once you're investing, it's also worth keeping sight of your retirement goals to make sure you're on track to meet them. 74% of under-45s with pensions have no

idea what their pension pots are currently worth, and 79% say they don't know what income they are expecting when they retire. These figures suggest many people don't really know the true value of their pension until they are older and in the run-up to retirement, despite the fact that they are likely to be receiving annual pension statements. You should regularly review your pension.

Source:

[1] All figures unless otherwise stated are from YouGov Plc. Total sample size was 2,018 adults, of which 1,361 have a pension. Fieldwork was undertaken between 9–12 August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).



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PENSION FREEDOM

The most radical reforms this century

In Budget 2014, Chancellor George Osborne promised greater pension freedom from April next year. People will be able to access as much or as little of their defined contribution pension as they want and pass on their hard-earned pensions to their families tax-free.

For some people, an annuity may still be the right option, whereas others might want to take their whole tax-free lump sum and convert the rest to drawdown.

EXTENDED CHOICES

'We've extended the choices even further by offering people the option of taking a number of smaller lump sums, instead of one single big lump sum,' Mr Osborne said.

From 6 April 2015, people will be allowed full freedom to access their pension savings at retirement. Pension Freedom Day, as it has been named, is the day that savers can access their pension savings when they want. Each time they do, 25% of what they take out will

be tax-free. Under current rules, a 25% withdrawal must be taken as a single lump sum on retirement to be free of tax.

FREE TO CHOOSE

Mr Osborne said, 'People who have worked hard and saved all their lives should be free to choose what they do with their money, and that freedom is central to our long-term economic plan.'

From 6 April 2015, people aged 55 and over can access all or some of their pension without any of the tax restrictions that currently apply. The pension company can choose to offer this freedom to access money, but it does not have to do so.

ACCESSING MONEY

It will be important to obtain professional advice to ensure that you access your money safely, without unnecessary costs and a potential tax bill.

Generally, most companies will allow you to take the full amount out in one

go. You can access the first 25% of your pension fund tax-free. The remainder is added to your income for the year, to be taxed at your marginal income tax rate.

This means a non-tax payer could pay 20% or even 40% tax on some of their withdrawal, and basic rate taxpayers might easily slip into a higher rate tax band. For those earning closer to £100,000, they could lose their personal allowance and be subject to a 60% marginal tax charge.

POTENTIAL TAX BILL

If appropriate, it may be more tax-efficient to withdraw the money over a number of years to minimise a potential tax bill. If your pension provider is uncooperative because the contract does not permit this facility, you may want to consider moving pension providers.

You need to prepare and start early to assess your own financial situation. Some providers may take months to

process pension transfers, so you'll need time to do your research.

WHAT ARE YOUR OPTIONS?

It's important to ask yourself some important questions. Are there any penalties for taking the money early? Are these worth paying for or can they be avoided by waiting? Are there any special benefits such as a higher tax-free cash entitlement or guaranteed annuity rates that would be worth keeping?

If you decide, after receiving professional advice, that moving providers is the right thing to do, then we can help you search the market for a provider who will allow flexible access.

Importantly, it's not all about the process. You also need to think about the end results.

WITHDRAWING MONEY

What do you want to do with the

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Expect queues in April 2015. There's likely to be a backlog of people who've put off doing anything with their pension monies since last year.
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money once you've withdrawn it? You may have earmarked some to spend on a treat, but most people want to keep the money saved for their retirement. Paying off debt is usually a good idea.

If you plan just to put the money in the bank, you must remember you will be taxed on the interest. With returns on cash at paltry levels, you might be better keeping it in a pension until you need to spend it. Furthermore, this may also save on inheritance tax.

Finally, expect queues in April 2015. There's likely to be a backlog of people who've put off doing anything with their pension monies since last year. Those who get through the process quickly and efficiently will be the ones who've done the groundwork.

The contents of the Taxation of Pensions Bill, published on 14 October and dealing with pension



PENSION TAX CHARGE ABOLISHED SOONER RATHER THAN LATER

New rules will simplify the existing regime

The Chancellor, George Osborne, has brought forward the expected announcement on the tax charge that applies to certain individuals' pensions on their death. The new rules will simplify the existing regime and come into force from 6 April 2015, abolishing the 55% tax that applies to untouched defined contribution pension pots of people aged 75 or over, and to pensions from which money has already been withdrawn.

DRAWING PENSION MONEY

This means that from 6 April 2015, if a person who dies is 75 or over, the person who receives the pension pot will only pay their marginal tax rate as they draw money from the pension. If someone aged under 75 dies, the person who receives the pot is able to take money from the pension without paying any tax. Beneficiaries will be able to access

pension funds at any age and the lifetime allowance, currently £1.25 million, will still apply.

PASSED PENSION BENEFITS

Those who are passed pensions from anyone who dies before 6 April 2015 could still benefit so long as the payment is delayed until after that point. The change is another positive move for UK savers, building on the flexibility outlined in Budget 2014 and giving people another avenue of financial planning using their pension pots. The change will give people more security about keeping money in their pension scheme, perhaps to pay for increased costs in later life.

MORE APPEALING TRANSFERS

The change should make transfers from defined benefit (DB) to defined contribution (DC) schemes more

appealing for those with ill health, as well as for people who will see their pension more as part of their family wealth. But there do still remain risks for the elderly, which need to be thought through. If they look to use the new flexible opportunities to draw down benefits rather than take out an annuity, they could be at risk of breaching the lifetime allowance when they are older and suddenly suffering a 55% tax rate which they cannot then avoid. There still needs to be a review of unintended consequences.

STATE PENSION REFORM



Over half of the UK population unaware of government plans

Over half of the UK population are unaware of government plans to reform the State Pension and the impact that will have on them, according to recent research^[1]. Among the 55 to 64-year-old age group, 32% are unaware of the changes due to come into effect in April 2016.

UNDERESTIMATING STATE PENSION VALUES

Although most of the respondents underestimated the value of their State Pension and admitted to not knowing the details of the reforms, two thirds of men and women regard it as important to their retirement income planning.

Of those surveyed, just under half of 55 to 64-year-olds were unsure as to whether or not they would be better off under the new State Pension system compared to the current one.

KEY PART OF GOVERNMENT REFORMS

The flat rate State Pension is a key part of government reforms to the UK's retirement planning and will benefit savers by demonstrating the value of pension saving. But just under half of those aged between 55 and 64 who are about to retire have no understanding of whether or not they will be better off.

Women are more likely not to know the detail of the flat rate pension reforms – which require people to have worked and paid National Insurance contributions for 35 years – than men. Around 57% of women admitted to not knowing the details, compared with 43% of men.

NEW STATE PENSION

The new State Pension will be a regular payment from the Government that you can claim if you reach State Pension age on or after 6 April 2016.

You'll be able to get the new State Pension if you're eligible and:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

The new State Pension will replace the current State Pension scheme. You'll receive your State Pension under the current scheme if you reach State Pension age before 6 April 2016. You can still receive a State Pension if you have other income like a personal pension or a workplace pension.

HOW MUCH YOU CAN GET

The full new State Pension will be no less than £148.40 per week. The actual amount will be set in autumn 2015. Your National Insurance record is used to calculate your new State Pension, and you'll usually need 10 qualifying years to get any new State Pension.

The amount you receive can be higher or lower depending on your National Insurance record. It will only be higher if you have over a certain amount of Additional State Pension. In addition, you may have to pay tax on your State Pension.

WORKING AFTER STATE PENSION AGE

You don't have to stop working when you reach State Pension age but you'll no longer have to pay National Insurance. You can also request flexible working arrangements.

ELIGIBILITY

You'll be able to claim the new State Pension if you're:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

The earliest you can receive the new State Pension is when you reach State Pension age. You'll usually need at least 10 qualifying years on your National Insurance record to receive any State Pension. They don't have to be 10 qualifying years in a row.

This means for 10 years, at least one or more of the following applied to you:

- you were working and paid National Insurance contributions
- you were getting National Insurance credits, e.g. for unemployment, sickness or as a parent or carer
- you were paying voluntary National Insurance contributions

If you've lived or worked abroad, you may still be able to receive some new State Pension and could also qualify if you've paid married women's or widow's reduced rate contributions.

DEFER YOUR NEW STATE PENSION

You don't have to claim the new State Pension as soon as you reach State Pension age. Deferring the new State Pension means that you may receive an extra State Pension when you do claim it. The extra amount is paid with your State Pension (e.g. every four weeks) and may be taxable.

HOW MUCH YOU'LL GET

The rates and minimum time you'll need to defer for will be confirmed in 2015. It's expected that you'll need to defer for at least nine weeks – your State Pension will increase by 1% for every nine weeks you put off claiming. This works out at just under 5.8% for every full year you put off claiming. After you claim, the extra amount you get because you deferred will usually increase each year in line with inflation.

HOW IT'S CALCULATED

Your new State Pension is based on your National Insurance record. National Insurance contributions or credits on your National Insurance record before 6 April 2016 will count towards your new State Pension.

VALUING YOUR NATIONAL INSURANCE CONTRIBUTIONS AND CREDITS MADE BEFORE 6 APRIL 2016

Your National Insurance record before 6 April 2016 is used to calculate your 'starting amount'. This is part of your new State Pension.

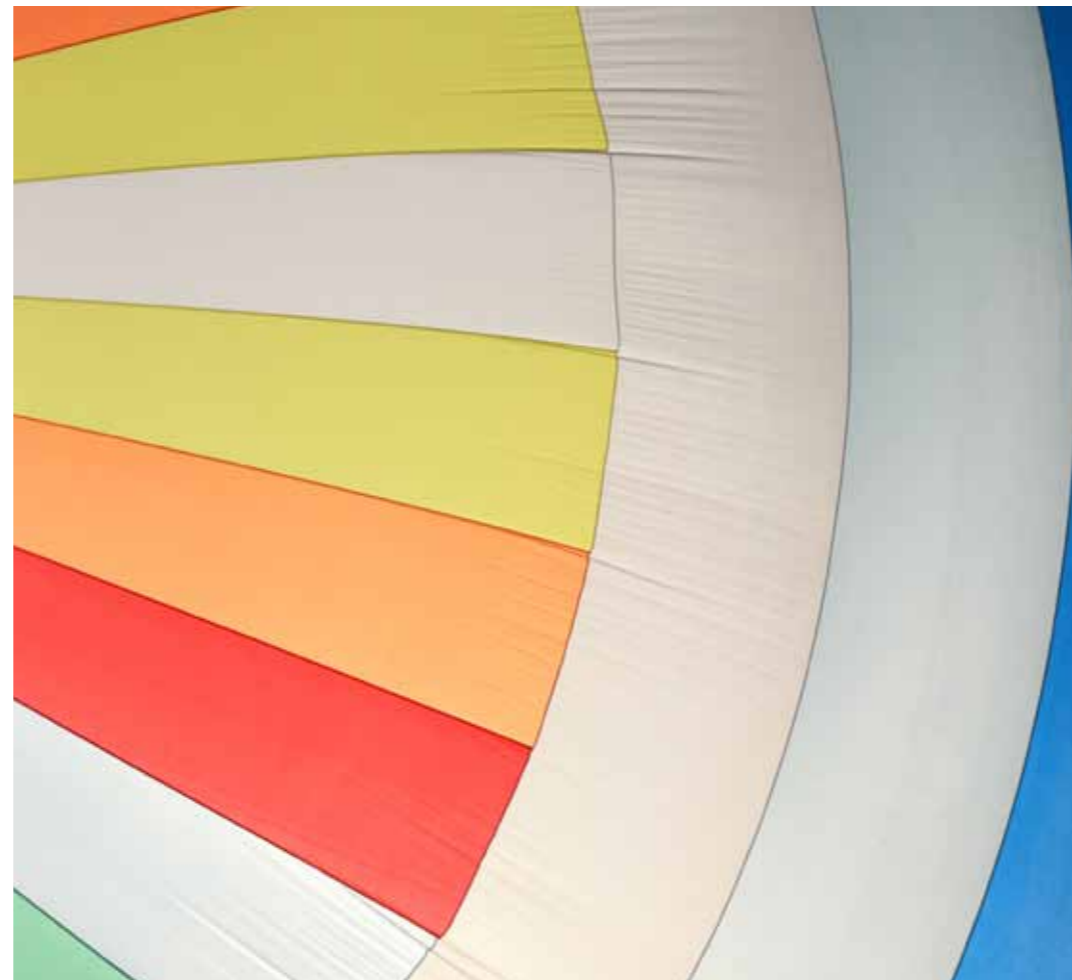
Your starting amount will be the higher of either:

- the amount you would get under the current State Pension rules (which includes basic State Pension and Additional State Pension)
- the amount you would get if the new State Pension had been in place at the start of your working life

Your starting amount will include a deduction if you were contracted out of the Additional State Pension. You may have been contracted out because you were in a certain type of workplace, personal or stakeholder pension.

IF YOUR STARTING AMOUNT IS LESS THAN THE FULL NEW STATE PENSION

You may be able to get more State Pension by adding more qualifying years on your National Insurance record after 5 April 2016 (until you reach the full new State Pension amount or reach State Pension age – whichever is first).



Each qualifying year on your National Insurance record after 5 April 2016 will add about £4.24 a week (which is £148.40 divided by 35) to your new State Pension.

IF YOUR STARTING AMOUNT IS MORE THAN THE FULL NEW STATE PENSION

The difference between your starting amount and the full new State Pension is called your 'protected payment'. Your protected payment is paid on top of your new State Pension and increases each year in line with inflation. Any qualifying years you have after 5 April 2016 won't add more to your State Pension.

YOU DIDN'T MAKE NATIONAL INSURANCE CONTRIBUTIONS OR GET NATIONAL INSURANCE CREDITS BEFORE 6 APRIL 2016

Your State Pension will be calculated entirely under the new State Pension rules. You'll usually need at least 10 qualifying years on your National Insurance record to get any State Pension. You'll need 35 qualifying years

to receive the full new State Pension, and you'll get a proportion of the new State Pension if you have between 10 and 35 qualifying years.

GET A STATE PENSION STATEMENT

You can get a State Pension Statement that can tell you how much new State Pension you may get.

YOU'VE BEEN IN A WORKPLACE, PERSONAL OR STAKEHOLDER PENSION

Your starting amount may include a deduction if you were in certain:

- earnings-related pension schemes at work (e.g. a final salary or career average pension) before 6 April 2016
- workplace, personal or stakeholder pensions before 6 April 2012

You may have paid lower National Insurance contributions and paid into one of these pensions instead. This is known as being 'contracted out' of the Additional

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The difference between your starting amount and the full new state pension is called your 'protected payment'.
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State Pension and will affect most people who have been in work.

You can check with your pension provider if you've been contracted out in the past. The Pension Tracing Service might be able to find your pension providers' contact details if you've lost contact with them.

CHANGES TO CONTRACTING OUT FROM 6 APRIL 2016

On 6 April 2016, these rules will change so that if you're currently contracted out:

- you will no longer be contracted out
- you will pay more National Insurance (which will be the standard amount of National Insurance)

CHECK IF YOU'RE CURRENTLY CONTRACTED OUT

You may be able to see if you're contracted out by looking at your payslip. You're contracted out if the National Insurance contributions line has the letter D or N next to it. You're not contracted out if it has a letter A. You can check with your employer or pension provider if there is a different letter.

You're more likely to be contracted out if you work in public sector organisations and professions such as:

- NHS
- local councils
- fire services
- civil service
- teachers
- police forces
- armed forces

LOWER RATE NATIONAL INSURANCE

You pay National Insurance at a lower rate if you're contracted out. Check with your employer to find out if you're contracted out.

Your new State Pension is based on your National Insurance record when you reach State Pension age. You'll usually need to have 10 qualifying years on your National Insurance record to receive any new State Pension. You may get less than the new full State Pension if you were contracted out before 6 April 2016.

You may receive more than the new full State Pension if you have over a certain amount of Additional State Pension. You'll need 35 qualifying years to get the new full State Pension if you don't have a National Insurance record before 6 April 2016.

QUALIFYING YEARS IF YOU'RE WORKING

When you're working, you pay National Insurance and get a qualifying year if:

- you're employed and earning over £153 a week from one employer
- you're self-employed and paying National Insurance contributions

You might not pay National Insurance contributions because you're earning less than £153 a week. You may still get a qualifying year if you earn between £111 and £153 a week from one employer.

QUALIFYING YEARS IF YOU'RE NOT WORKING

You may receive National Insurance credits if you can't work – e.g. because of illness or disability, you're a carer or if you're unemployed.

For example, if you:

- claim Child Benefit for a child under 12 (or under 16 before 2010)
- get Jobseeker's Allowance or Employment and Support Allowance
- get Carer's Allowance

GAPS IN YOUR NATIONAL INSURANCE RECORD

You can have gaps in your National Insurance record and still receive the full new State Pension. You can obtain a State Pension statement which will tell you how much State Pension you may get. You can then apply for a National Insurance statement from HM Revenue and Customs (HMRC) to check if your record has gaps. You may be able to make Voluntary National Insurance contributions if you have gaps in your National Insurance Record that would prevent you from getting the full new State Pension.

INHERITING OR INCREASING STATE PENSION FROM A SPOUSE OR REGISTERED CIVIL PARTNER

You may be able to inherit an extra payment on top of your new State Pension if you're widowed. But you won't be able to inherit anything if you remarry or form a new registered civil partnership before you reach State Pension age.

INHERITING ADDITIONAL STATE PENSION

You'll inherit part of your deceased partner's Additional State Pension if your marriage or registered civil partnership with them began before 6 April 2016 and one of the following applies:

- your partner reached State Pension age before 6 April 2016
- they died before 6 April 2016 but would have reached State Pension age on or after that date

It will be paid with your State Pension.

INHERITING A PROTECTED PAYMENT

You'll inherit half of your partner's protected payment if your marriage or registered civil partnership with them began before 6 April 2016 and:

- their State Pension age is on or after 6 April 2016
- they died on or after 6 April 2016

It will be paid with your State Pension.

INHERITING EXTRA STATE PENSION OR A LUMP SUM

You may inherit part of or all of your partner's extra State Pension or lump sum if:

- they died while they were deferring their State Pension (before claiming) or they had started claiming it after deferring
- they reached State Pension age before 6 April 2016
- you were married or in the registered civil partnership when they died

YOUR PARTNER'S NATIONAL INSURANCE RECORD AND YOUR STATE PENSION

The new State Pension is based on your own National Insurance record. However, you might be able to increase your new State Pension if you're a woman and paid married women's and widow's Reduced Rate contributions, so you need to find out if you're eligible.

IF YOU GET DIVORCED OR DISSOLVE YOUR REGISTERED CIVIL PARTNERSHIP

The courts can make a 'pension sharing order' if you get divorced or dissolve your registered civil partnership. You'll receive an extra payment on top of your State Pension if your ex-partner is ordered to share their additional State Pension or protected payment with you. Your State Pension will be reduced if you're ordered to share your additional State Pension or protected payment with your partner.

LIVING AND WORKING OVERSEAS

You may contribute to the pension scheme of the country that you live or work in. Contact the pension service of

the country you live or work in to find out if you are eligible. You may also get a State Pension from both the country you worked or lived in and the UK if you meet the eligibility for both countries. You'll have to claim your pension in each country. Your UK State Pension will be based on your UK National Insurance record. However, you may be able to use your time abroad to make up the 10 qualifying years needed to get any new State Pension.

This is most likely if you've lived or worked in:

- the European Economic Area (EEA)
- Switzerland
- certain countries that have a social security agreement with the UK

You will meet the minimum qualifying years to get the new State Pension because of the time you worked overseas. Your new State Pension amount will only be based on the seven years of National Insurance contributions you made in the UK.

RETIRING OVERSEAS

You can claim the new State Pension overseas in most countries.

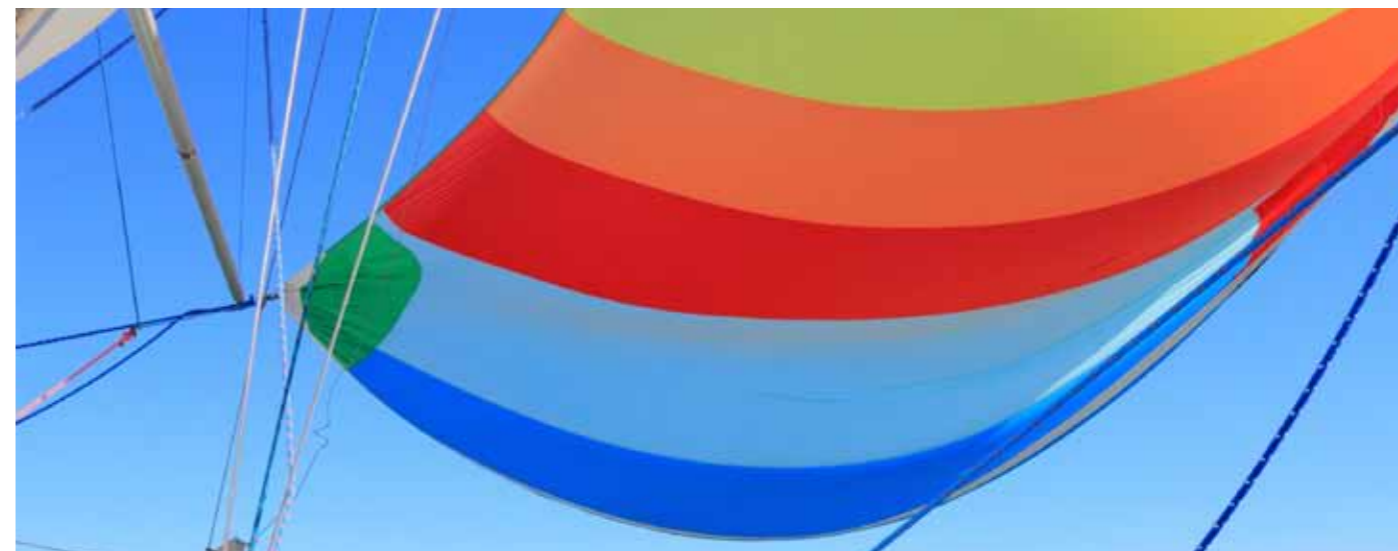
Your State Pension will increase each year but only if you live in:

- the European Economic Area (EEA)
- Switzerland
- certain countries that have a social security agreement with the UK

Your new State Pension may be affected if your circumstances change. You can obtain more information from the International Pension Centre.

Source:

[1] Research for MetLife conducted online between 21–22 May among a nationally representative sample of 2,038 adults by independent market research firm ICM.



MAKING THE RIGHT RETIREMENT PLANS

The single most important decision you can make to help realise your long-term goals

Retirement planning involves making your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. Careful retirement planning, the right mix of assets and starting sooner rather than later will help lead to the retirement you are looking for.

Historically, for many people, the traditional view of saving for retirement was to simply put your money into a pension, with few decisions to make in the run-up to your retirement date and no choice over how the pension was taken.

REVIEWING YOUR RETIREMENT PLANNING

Having a pension today is recognised as just one important step along the path to achieving your dreams once you have stopped working. Now, not only must you carefully consider where you actually invest your pension money and how you are going to use your pension, but if appropriate you should also review other

forms of retirement savings. Reviewing your retirement planning is critical and probably the single most important decision you can make to help you realise your long-term goals.

Different investment choices produce different results. It's essential that you contact us to review all your retirement investments to make sure they are heading in the right direction. If your circumstances change, some investments may no longer be appropriate. It's important to get these things right, as you will be relying on the provisions you make now to generate income after you retire.

FACTORS THAT WILL DETERMINE YOUR STRATEGY

When building or reviewing your pension portfolio, there are a number of factors that will determine your strategy, including the level of risk you are willing to take. This is likely to change

throughout your life, which means your investment strategy will also need to change. Receiving professional advice plays a vital role in helping to make sure that your pension holdings match your risk profile and your investment goals.

Typically, people in the early years of the term of their pension may feel they have time to take more risks with their investments, to increase the potential for higher returns. As they approach retirement and the duration of the investment is shorter, they may prefer, more predictability, to start to plan for their future after work. Alternatively, if they have reached their pension age and are still investing part of their fund while drawing benefits, they may prefer to keep an element of greater risk in return for higher potential growth.

WHEN IT COMES TO RETIREMENT PLANNING

Your 40s is 'the golden decade' when it comes to retirement planning. This is



when you should be putting as much as possible into your pension to give your contributions time to grow.

In your 50s, you may want to start making decisions about your retirement. If you are going to convert all of your retirement funds into income the moment you retire, you may wish to start reducing risk now. If you expect to keep it mainly invested, you may wish to keep a good weighting in investments based on shares. After all, with the growing trend towards taking work in retirement, many people may feel they can afford to keep their pension invested for longer while drawing an income.

Delaying the start of your retirement provision may have an obvious impact on the potential growth of your pension. Not only will the time period for growth potential be reduced, but you could also be passing up the opportunity for valuable tax relief.

STREAMLINED PENSION REGIME

Pensions have always provided a highly tax-efficient environment for long-term retirement investments. However, in April 2006, a streamlined pension regime

introduced a number of additional benefits, including the potential to contribute larger sums into your pension fund when the timing is right for you.

KEY PRE-RETIREMENT CONSIDERATIONS

People estimate that living reasonably comfortably in retirement requires around 60%^[1] of the income you had while you were working. Everybody's circumstances are different, but the key considerations for most people when they think about retiring will come down to factors such as:

- if they're renting, paying a mortgage or mortgage-free
- if they have any debt
- if they plan to keep working
- how much money they have saved in pensions and other investments

[1] Source: *Scottish Widows*, October 2014

PENSION OPTIONS

Looking forward to a secure and financially independent retirement

It's good to have choices when it comes to pensions and your retirement, but it's also important to understand all your options from age 55 onwards.

With the money in your pension pot, you could buy an annuity, take some while leaving some invested, take it all at once, leave it all where it is, or a combination of these. Whatever you do, 25% will be tax-free with the rest subject to tax.

BUYING AN ANNUITY – A GUARANTEED INCOME FOR LIFE

One of the options when it comes to what you do with your pension savings is to buy an annuity. There are a number of different types but they all pay a guaranteed, monthly, quarterly or annual sum until you die or for a fixed amount of time.

With an annuity:

- you know how much you'll be getting and when
- you could be paid an income for the rest of your life
- there are a range of annuities to choose from
- once you've bought an annuity, you're locked in

ANNUITY OPTIONS

LIFETIME ANNUITY

Lifetime Annuities provide you with a regular income for as long as you live.

Your initial level of income will be based on some or all of the following factors:

- your age
- how long it is estimated you will live
- your health and lifestyle
- where you live

With a standard annuity, the annuity rates (and therefore the income you get) are based on the normal life expectancy of people of the same age as you.

With an enhanced or impaired life annuity, if you have a qualifying medical condition or lifestyle factor that may lower your life expectancy, you could get payments as much as 50%^[1] higher than you might get from a standard annuity.

[1] Source – *Which? website*, October 2014

Whatever type of lifetime annuity you qualify for, you then have options about how the annuity is set up.

These include:

LEVEL OR ESCALATING/INDEX-LINKED ANNUITY

You can choose for the income you receive to remain the same throughout your lifetime. Although this might provide a higher starting income, it does mean that the value of your income will be worth less in real terms over time due to the effects of inflation.

You can instead choose for your income to increase each year, either at a set percentage or in line with inflation. This helps to reduce the effects of inflation and maintain your buying power. However, it does mean that your starting income will be lower than if you chose a level annuity. It can prove good value if you live a long time.

GUARANTEED PERIOD

You can choose for your income to be paid for a guaranteed period of time – say 10 years. If you die during this period, the income will continue to be paid out until the end of the guaranteed period. If you live longer than the guaranteed period you have chosen, your income will continue to be paid for the rest of your life. This option is usually inexpensive, and although it will reduce your income, it shouldn't be significantly lower.

JOINT ANNUITY

You can choose to include an income for your spouse, registered civil partner or other dependant when you die. The amount they get is likely to be an agreed percentage of your annuity income. Choosing this option will reduce the income that you get, and the higher the percentage you pass on, the lower your annuity income will be.

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From 6 April 2015, you can access your pension savings as and when you like, taking however much money you want.

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There are also other types of annuities available, such as:

FIXED-TERM ANNUITIES

This type of annuity gives you an income for an agreed amount of time, usually between three and twenty years. It may also pay a specified ‘maturity amount’ when it ends, which can be re-invested in another retirement plan.

INVESTMENT-LINKED ANNUITIES

Investment-linked annuities invest in a range of investments, which means the value of your fund and the income you receive from it can go down as well as up. They do not provide a guaranteed level of income for life – the amount you will receive will change depending on the performance of the underlying investments.

FLEXIBLE ACCESS TO YOUR PENSION POT

From 6 April 2015, you can access your pension savings as and when you like, taking however much money you want.

With flexible access to your pension pot, you could:

- take your varying amounts of money
- take 25% of it tax-free
- leave the rest invested so it can potentially grow
- pass on the money left when you die
- deplete your pension pot if you don't budget properly

TWO FLEXIBLE OPTIONS

There are a couple of flexible options for you to think about. They both allow you to take 25% of the money in your pension pot tax-free, but the way you do this is very different.

FLEXIBLE INCOME DRAWDOWN

With flexible income drawdown, once you've taken your 25% tax-free

allowance, the remainder of your pension pot is held within a drawdown plan. If invested, it will have the potential to continue to grow, adding to your retirement fund.

When it comes to taking your money out, you could arrange for a regular income, take it when you need it, or a combination of the two. There's no limit to the amount of your pension pot you can take, but what you do draw will be subject to tax as you get your 25% tax-free allowance up front.

New rules will simplify the existing regime and come into force from April 2015, abolishing the 55% tax that applies to untouched defined contribution pension pots of people aged 75 or over, and to pensions from which money has already been withdrawn.

PARTIAL PENSION ENCASHMENT

Whatever you choose to do with your pension pot, 25% of what you've got is tax-free. With Partial Pension Encashment (PPE), you take a portion of your tax-free allowance every time you take money, so 25% of it is tax-free and the other 75% is taxed. By only taking as much money as you need when you need it, the rest of your pension pot is left invested and can potentially continue to grow. You can also continue making payments into it.

Each time you take a PPE, you may have to make a separate application, in which case this may not be the most convenient option if you're looking to be paid a regular income. If you die with money left in your pension pot, it will go to your dependants and will not usually be subject to tax.

TAKE YOUR ENTIRE PENSION POT

From 6 April 2015, you'll be able to take

your entire pension pot at once from age 55. This gives you total control of your money, and 25% can be taken as a tax-free lump sum.

Until then, if you are aged 60 or over and either of the following conditions apply, you can take it all as a cash lump sum if:

- the total value of your pension savings is £30,000 or less
- you have pension pots of £10,000 or less. This can be done a maximum of three times for personal pensions and unlimited times for occupational schemes, and is allowed even if your total pension savings exceed £30,000

LEAVE YOUR MONEY FOR NOW

In the event that you do not need the money just yet, you might want to consider leaving your pension pot invested. Your pension pot has the potential to keep growing until you're ready to take it and you can continue to work – it's your decision when to stop.



LIFETIME ALLOWANCE

Limiting the amount of tax relief you're allowed

You can save as much as you like into a pension, but there is a limit on the amount of tax relief you're allowed. The Lifetime Allowance for pensions is currently £1.25m (2014/15). In essence, the Lifetime Allowance is intended to cap the level of tax-advantaged pension funds that an individual can accumulate within their lifetime. You usually pay tax on any private pension savings above the lifetime allowance.

You'll get a statement from your pension provider telling you how much tax you owe if you go above your lifetime allowance. Your pension provider will deduct the tax before you start getting your pension. You still need to report the tax deducted by filling in a Self Assessment tax return – you'll need form SA101 if you're using paper forms.

RATE OF TAX

The rate of tax you pay on pension savings above your Lifetime Allowance depends on how the money is paid to you – the rate is:

- 25% if you get it as a regular payment ('annuity')
- 55% if you get it as a lump sum

If you die before taking your pension, HM Revenue & Customs bills the person who receives your pension for tax you owe on pension savings above your Lifetime Allowance.

IF YOU HAVE LIFETIME ALLOWANCE PROTECTION

Lifetime Allowance protection increases your Lifetime Allowance. Check your protection certificate to work out your Lifetime Allowance if you have:

- primary protection
- enhanced protection
- fixed protection
- fixed protection 2014
- individual protection 2014

You'll lose enhanced protection, fixed protection or fixed protection 2014 if you don't opt out within a month of being automatically enrolled in a workplace pension.

You may also lose enhanced protection, fixed protection or fixed protection 2014 if you:

- make new savings in a pension scheme
- consolidate pension scheme money

You may be able to apply for individual protection 2014 if your pension savings were above £1.25 million on 5 April 2014.

IF YOU HAVE THE RIGHT TO TAKE YOUR PENSION BEFORE 50

You may have a reduced Lifetime Allowance if you have the right to take your pension before you're 50 under a pension scheme you joined before 2006. This only applies to people in certain jobs (e.g. professional sports, dance and modelling) who start taking their pension before they're 55.

Your Lifetime Allowance isn't reduced if you're in a pension scheme for uniformed services (e.g. the armed forces, police and fire services).

OCCUPATIONAL PENSIONS

There are two main types of schemes

DEFINED CONTRIBUTION SCHEMES

A defined contribution (DC) or money-purchase pension scheme is one that invests the money you pay into it, together with any employer's contribution, and gives you an accumulated sum on retirement with which you can secure a pension income, either by buying an annuity or using income drawdown.

Occupational pension schemes are increasingly a DC, rather than defined benefit (DB), where the pension you receive is linked to salary and the number of years worked. As an alternative to a company pension scheme, some employers offer their workforce access to a Group Personal Pension (GPP) or stakeholder pension scheme.

EXTERNAL PROVIDER

In either case, this is run by an external pension provider (typically an insurance firm) and joined by members on an individual basis. It's just like taking out a personal pension, although your employer may negotiate reduced management fees. They may also make a contribution on your behalf. GPPs are run on a DC basis, with each member building up an individual pension 'pot'.

The amount you receive depends on the performance of the funds in which the money has been invested and what charges have been deducted.

INVESTMENT CHOICE

Although your total pension pot usually increases each year you continue to pay into the scheme, there's no way of accurately predicting what the final total will be and how much pension income this will provide. Unlike those who belong to a DB pension scheme, members of DC pension schemes have a degree of choice as to where their pension contributions are invested.

Many opt to put their money in the scheme's 'default fund', but some will want to be more cautious, investing in cash funds and corporate bonds, while others may prefer a more 'adventurous' mix, with equity and overseas growth funds. GPPs also offer investment choice, often between funds run by the pension provider.

DEFINED BENEFIT SCHEMES

A defined benefit (DB) pension scheme is one that promises to pay out a certain sum each year once you reach retirement age. This is normally based on the number of years you have paid into the scheme and your salary either when you leave or retire from the scheme (final salary), or an average of your salary while you were a member (career average). The amount you get depends on the scheme's accrual rate. This is a fraction of your salary, multiplied by the number of years you were a contributing member.

Typically, these schemes have an accrual rate of 1/60th or 1/80th. In a 1/60th scheme, this means that if your salary was £30,000, and you worked at the firm for 30 years, your annual pension would be £15,000 (30 x 1/60th x £30,000 = £15,000).

YOUR PAY AT RETIREMENT

How your salary is defined depends on the type of scheme. In a final salary scheme, it is defined as your pay at retirement, or when you leave (if earlier). In a career average scheme, it is the average salary you've been paid for a certain number of years.

Final salary and career-average schemes offer the option of taking a tax-free lump sum when you begin drawing your pension. This is restricted to a maximum 25% of the value of the benefits to which you are entitled. The limit is based on

receiving a pension for 20 years – so for someone entitled to £15,000 a year, the maximum lump sum might be £75,000 (25% x £15,000 x 20 = £75,000).

SCHEME'S 'COMMUTATION FACTOR'

Taking a lump sum at the outset may reduce the amount of pension you get each year. The amount you give up is determined by the scheme's 'commutation factor'. This dictates how much cash you receive for each £1 of pension you surrender. If it is 12, for example, and you take a £12,000 lump sum, your annual income will fall by £1,000.

CLOSED TO NEW MEMBERS

Most private sector schemes have now been closed to new members and replaced by defined contribution schemes. A large number remain open to existing members who are still employees, however, or those who have left the firm but built up contributions while they were there and retain the right to a 'preserved pension' when they reach retirement age.

Many public sector pensions are still defined benefit schemes, underwritten by central government. This has caused them to be called 'gold-plated', as they offer a certainty that few private sector schemes can now match. But, even in the public sector, pension promises are being cut back with a shift from final salary to career average and increases in the normal pension age.

WORKPLACE PENSIONS

Saving for your retirement that's arranged by your employer

Millions of workers are being automatically enrolled into a workplace pension by their employer. A workplace pension is a way of saving for your retirement that's arranged by your employer.

A percentage of your pay is put into the pension scheme automatically every payday. In most cases, your employer and the Government also contribute money into the pension scheme for you. The money is used to pay you an income for the rest of your life when you start receiving the pension.

You can opt out if you want to, but that means losing out on employer and government contributions – and if you stay in, you'll have your own pension that you get when you retire.

'AUTO-ENROLMENT'

New legal duties, from October 2012, now require employers to automatically enrol their eligible employees into a qualifying pension scheme. The reform will be 'staged' over a six-year period, depending on the size of the employer.

This is called 'automatic enrolment'. You may not see any changes if you're already in a workplace pension scheme. Your workplace pension scheme will usually carry on as normal. But if your employer doesn't make a contribution to your pension now, they will have to by law when they 'automatically enrol' every worker.

If you are an employer, you need to make sure that your business is prepared as workplace pension reform becomes applicable to you.

When it comes to making contributions, there are two main things to consider, namely:

- the level of contributions you wish to make
- the definition of pay you wish to use

Both you and your employees will be required to pay money into the pension, subject to certain minimums, as shown in this table.

| | EMPLOYER | EMPLOYEE |
|-----------------------|----------|----------|
| Oct 2012 to Sept 2017 | 1 | 1 % |
| Oct 2017 to Sept 2018 | 2 % | 3 % |
| Oct 2018 onwards | 3 % | 5 % |

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Millions of workers are being automatically enrolled into a workplace pension by their employer. A workplace pension is a way of saving for your retirement that's arranged by your employer.

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SELF-INVESTED PERSONAL PENSIONS

Taking control of your money

Some people don't want a pension company deciding how their pension savings are invested – they want to control where their money goes and how it grows. In this scenario, a Self-Invested Personal Pension (SIPP) offers a solution. Very much a do-it-yourself pension, you choose what investments you want to put your savings into and keep control of your savings.

MORE ACCESSIBILITY

A SIPP is a personal pension wrapper that offers individuals greater freedom of choice than conventional personal pensions. However, they are more complex than conventional products, and it is essential you seek expert professional advice.

SIPPs allow investors to choose their own investments or appoint an investment manager to look after the portfolio on their behalf. Individuals have to appoint a trustee to oversee the operation of the SIPP but, having done that, the individual can effectively run the pension fund on his or her own.

INVESTMENT INSTITUTION

You can typically choose from a large choice of funds as well as pick individual shares, bonds, gilts, unit trusts, investment trusts, exchange traded funds, cash and commercial property (but not private property). Also, you have more control over moving your money to another investment institution, rather than being tied if a fund under-performs.

Once invested in your pension, the funds grow free of UK capital gains tax and income tax (tax deducted from dividends cannot be reclaimed).

TAX RELIEF

SIPPs, like all pensions, have unrivalled tax benefits. If you aren't using a pension to save for retirement, you could be missing out on valuable tax relief. In the current 2014/15 tax year, you could receive up to 45% tax relief (dependent on your marginal rate of tax) on any contributions you make and pay no income or capital gains tax on any investments returns inside your SIPP.

OTHER CONSIDERATIONS

You cannot draw on a SIPP pension before age 55, and you should be mindful of the fact that you'll need to spend time managing your investments. Where investment is made in commercial property, you may also have periods without rental income and, in some cases, the pension fund may need to sell on the property when the market is not at its strongest. Because there may be many transactions moving investments around, the administrative costs are higher than those of a normal pension fund.

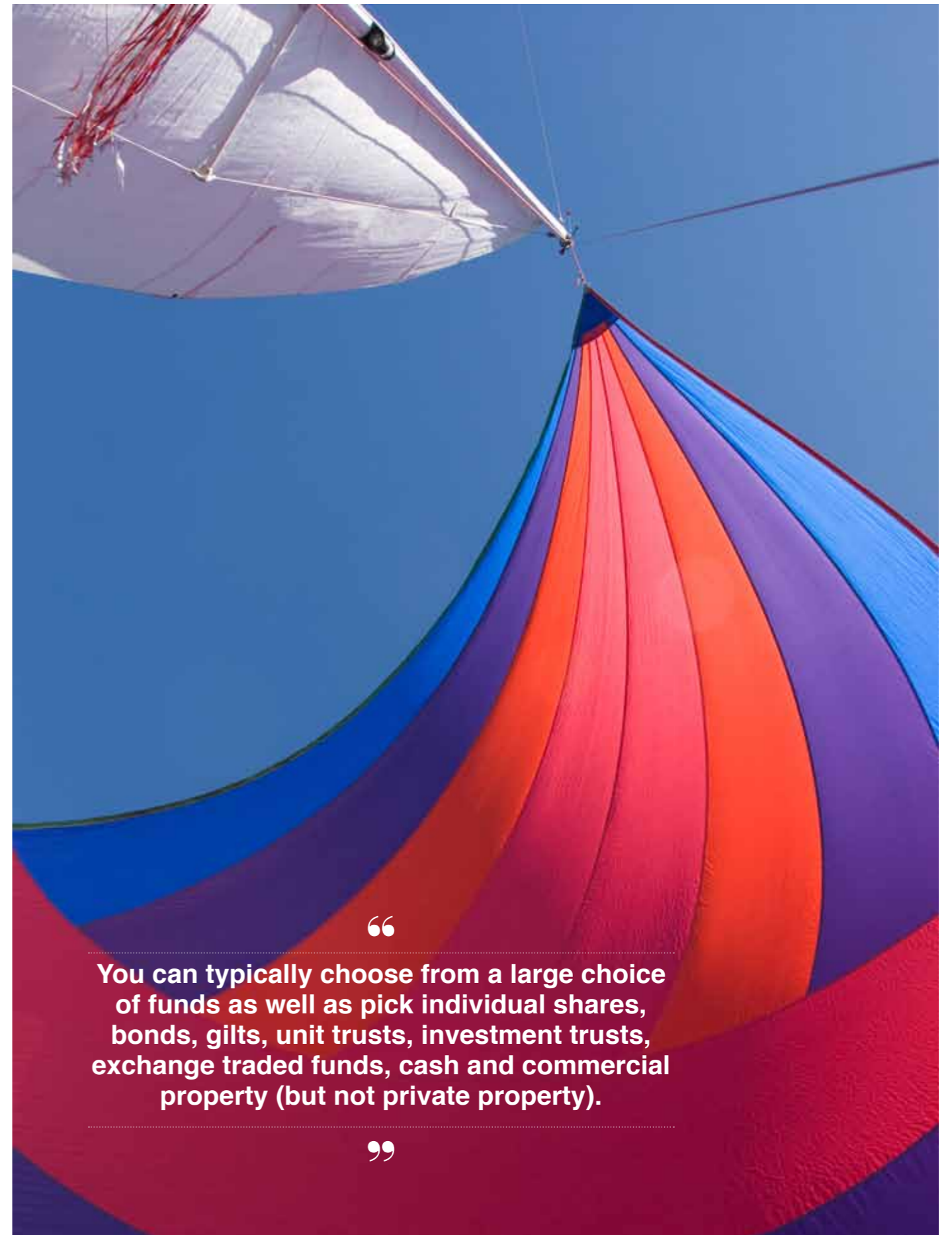
The tax benefits and governing rules of SIPPs may change in the future. The level of pension benefits payable cannot be guaranteed, as they will depend on interest rates when you start taking your benefits. The value of your SIPP may be less than you expected if you stop or

reduce contributions, or if you take your pension earlier than you had planned.

A SIPP could be a suitable option if you:

- would like to have more control over your retirement fund and the freedom to make your own investment decisions, or prefer to appoint investment managers to do this for you and are prepared to pay a higher cost for this facility
- would like a wide range of investments to choose from
- want to consolidate your existing pension(s) into a more flexible plan
- need a tax-efficient way to purchase commercial property

Dividends received within a SIPP do not come with a 10% tax credit, so basic rate taxpayers are no better off receiving dividends within a SIPP than receiving the dividends directly. Investors in a SIPP need to be comfortable making their own investment decisions about their retirement. Investments go down in value as well as up, so you could get back less than you invest. The rules referred to are those that currently apply; they could change in the future. You cannot normally access your money until at least age 55. Tax reliefs depend on your circumstances. If you are unsure of an investment's suitability, you should seek professional advice.



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You can typically choose from a large choice of funds as well as pick individual shares, bonds, gilts, unit trusts, investment trusts, exchange traded funds, cash and commercial property (but not private property).
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PENSION CONSOLIDATION

Bringing your pensions under one roof

Most people, during their career, accumulate a number of different pension plans. Keeping your pension savings in a number of different plans may result in lost investment opportunities and unnecessary exposure to risk.

However, not all consolidation of pensions will be in your best interests. You should always look carefully into the possible benefits and drawbacks and, if unsure, seek professional advice.

KEEPING TRACK OF YOUR PENSION PORTFOLIO

It's important to ensure that you get the best out of the contributions you've made and keep track of your pension portfolio to make sure it remains appropriate to your personal circumstances. Consolidating your existing pensions is one way of doing this.

Pension consolidation involves moving, where appropriate, a number of pension plans – potentially from many different pensions' providers – into one single plan. It is sometimes referred to as 'pension switching'.

Pension consolidation can be a very valuable exercise, as it can enable you to:

- bring all your pension investments into one easy-to-manage wrapper
- identify any underperforming and expensive investments, with a view to switching these to more appropriate investments
- accurately review your pension provision in order to identify whether you are on track

WHY CONSOLIDATE YOUR PENSIONS?

Traditionally, personal pensions have favoured with-profits funds – low-risk investment funds that pool the policyholders' premiums. But many of these are now heavily invested in bonds to even out stock market volatility, and, unfortunately, this can lead to diluted returns for investors.

It's vital that you review your existing pensions to assess whether they are still meeting your needs – some with-profits funds may not penalise all investors for withdrawal, so a cost-free exit could be possible.

FOCUSING ON FUND PERFORMANCE

Many older plans from pension providers that have been absorbed into other companies have pension funds which are no longer open to new investment – so-called 'closed funds'. As a result, focusing on fund performance may not be a priority for the fund managers.

These old-style pensions often impose higher charges that eat into your money, so it may be advisable to consolidate any investments in these funds into a potentially better performing and cheaper alternative.

ECONOMIC AND MARKET MOVEMENTS

It's also worth taking a close look at any investments you may have in managed funds. Most unit-linked pensions are invested in a single managed fund offered by the pension provider and may not be quite as diverse as their name often implies. These funds are mainly equity-based and do not take economic and market movements into account.

LACK OF THE LATEST INVESTMENT TECHNIQUES

The lack of alternative or more innovative investment funds, especially within with-profits pensions – and often also a lack of the latest investment techniques – mean that your pension fund and your resulting retirement income could be disadvantaged.

SIGNIFICANT EQUITY EXPOSURE

Lifestyling is a concept whereby investment risk within a pension is managed according to the length of time to retirement. 'Lifestyled' pensions aim to ensure that, in its early years, the pension benefits from significant equity exposure.

Then, as you get closer to retirement, risk is gradually reduced to prevent stock market fluctuations reducing the value of your pension. Most old plans do not offer lifestyling – so fund volatility will continue right up to the point you retire. This can be a risky strategy and inappropriate for those approaching retirement.

Conversely, more people are now opting for pension income drawdown, rather than conventional annuities. For such people, a lifestyled policy may be inappropriate.

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Many older plans from pension providers that have been absorbed into other companies have pension funds which are no longer open to new investment – so-called 'closed funds'
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As well as whether the total size of your pension funds make consolidation viable, issues to take into account include whether your existing pensions have:

- loyalty bonuses
- early termination penalties
- guaranteed annuity rates
- integrated life cover or other additional benefits
- final salary pension benefits

CONSOLIDATING YOUR PENSIONS WON'T APPLY TO EVERYONE

The potential benefits of consolidating your pensions won't apply to everyone, and there may be drawbacks to moving your pension plans – particularly so for certain types of pension. It is therefore vitally important to carefully consider all aspects of your existing pensions before making a decision as to whether or not to consolidate.



LOCATING A LOST OR FORGOTTEN PENSION

The best chance of being reunited with a lost scheme

People change jobs and employers change their names, but, more importantly, we all forget things from time to time. With that in mind, it is easy to lose track of pensions that you have paid into over the years. If you do not actively look for your lost pensions, then you take the risk of relying on them looking for you! This can be difficult for them to do if, for example, you have changed your name through marriage or moved home yourself.

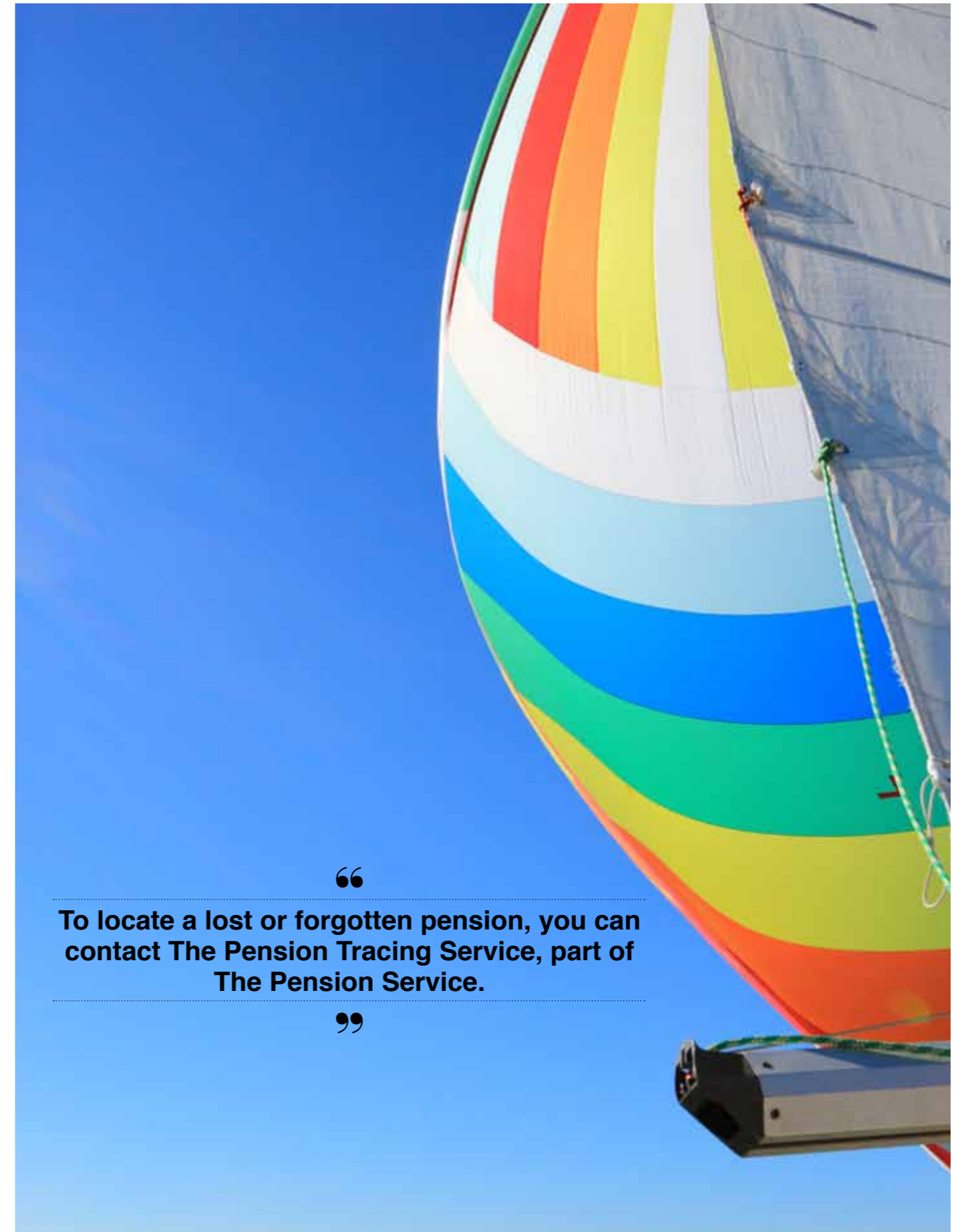
To locate a lost or forgotten pension, you can contact The Pension Tracing Service, part of The Pension Service. They have details of more than 200,000 personal and company pension schemes and will search through these free of charge on your behalf.

For the best chance of being reunited with a lost scheme, you need to provide as much information as possible. This can include the type of scheme; the name of the employer, and any new name it may have, and the nature of its business; the name of the pension company; and when you belonged to the scheme.

Once located, they will provide you with the latest contact details to help you track it down and take full control of your retirement savings.

GOT A QUESTION OR NOT SURE HOW TO APPLY?

Contact The Pension Tracing Service – call FREEPHONE 0845 6002 537. Operator service is available between 9am to 5:30pm Monday–Friday.



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To locate a lost or forgotten pension, you can contact The Pension Tracing Service, part of The Pension Service.
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WE'RE ALL LIVING LONGER, SO HOW DO YOU KNOW WHEN YOU'VE SAVED ENOUGH FOR RETIREMENT?

When it comes to planning for retirement, time is certainly your friend. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive. To find out more about how we can help you, please contact us.

The content of this guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.