



A GUIDE TO

RETIREMENT PLANNING

A TIME WHEN YOU'LL
WANT TO ENJOY YOUR LIFE,
NOT WORRY ABOUT MONEY

WELCOME

Making the most of your retirement planning

Welcome to our *Guide to Retirement Planning*. In this guide, we explain the different pension savings options and how to make the most of your money when you come to retire.

Whether your retirement is years away or just round the corner, if you want to help secure your financial security and independence in retirement, you need to start planning for it. Most people recognise that it is wise to plan for their retirement. This is especially true for those who are hoping to retire before the usual State Retirement ages.

When it comes to planning for retirement, time is your friend. The earlier you start, the longer your money has the potential to grow. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive.

Your lifestyle in retirement will also depend heavily on your pension, so it's important to review your provision regularly, particularly in the years approaching retirement. Retirement may seem a long way off for you at the moment, but that doesn't mean you should forget about it. The sooner you start to plan for the future, the easier it is to build up the kind of money you need to enjoy the life you want.

There are a number of different ways to save for your retirement. You might decide to focus on just one, or you could choose a combination of options to suit your lifestyle and personal needs.

We can help you take control of your financial future

Retirement planning may seem a confusing subject, full of financial jargon and complicated rules. Many say that 70 is the new 50 as increasingly more people are living and remaining fitter and active for years longer than their grandparents. This means the need for a decent pension has never been greater. As part of the service we offer, we can ensure that you are well informed about the choices available to you. To discuss how we can help you take control of your financial future and plan to achieve the retirement you want, please contact us for further information.

Content of the articles featured is for general information and use only and is not intended to address an individual or company's particular requirements or 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 any articles.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

CONTENTS

- 02 Welcome**
Making the most of your retirement planning
- 04 Choosing the retirement option that's right for you**
The freedom to choose how and when you access your pension
- 06 Greater choice for retirees**
Proposals to fundamentally redesign the UK private pensions system
- 07 Single most important decision you can make**
Thinking about your plans for the future means taking action now
- 10 The quality of life you want in your golden years**
Looking forward to a secure and financially independent retirement
- 11 State Pension**
A regular income once you reach State Pension age
- 13 Personal pensions**
Coming to terms with the realities of your later years
- 14 Lifetime Allowance**
A limit on the amount of tax relief you're allowed
- 15 Annuities**
Deciding what to do with the pension pot you've built up
- 17 Securing a bigger annuity income**
The lack of professional financial advice can be costly
- 19 Different types of annuity**
Choosing the right option for you
- 20 Income drawdown**
How to use your pension pot for the years ahead
- 22 Flexible drawdown**
Withdrawing any amount of money from your pension pot
- 23 Occupational workplace pensions**
Most employers are obliged to have an occupational pension scheme for their employees
- 26 Workplace pensions**
You could soon have a pension without asking for one!
- 27 Self-Invested Personal Pensions**
Taking control of where your money goes and how it grows
- 28 Pension consolidation**
Bringing your pensions under one roof
- 30 Locating a lost or forgotten pension**
The best chance of being reunited with a lost scheme
- 31 What to consider if you're approaching your retirement**
Make sure you have enough income to provide for your future needs
- 32 Will you enjoy your retirement?**
How to improve your golden years, no matter what your current stage of life

Choosing the retirement option that's right for you

The freedom to choose how and when you access your pension

Your retirement should be something to look forward to, not worry about how to make ends meet. Whatever you want to do, understanding how to build up enough retirement savings and how pensions work should help you achieve your goals.

Your accumulated pension pot will have been hard-earned over years of work. It is only right you eventually have the freedom to choose how and when you access your money during your retirement.

At the moment, people don't have total flexibility when accessing their defined contribution pension during their retirement – they are charged 55% tax if they withdraw the whole pot. But from April 2015, people aged 55 and over will only pay their marginal rate of income tax on anything they withdraw from

their defined contribution pension – either 0%, 20%, 40% or 45%.

HOW THE CURRENT SYSTEM WORKS

Under the current system, there is some flexibility for those with small and very large pots, but around three quarters of those retiring each year purchase an annuity.

CURRENT PENSION POT OPTIONS

Currently, you can take up to 25% of your pension pot tax-free. With the remaining amount, you have these options:

- If you are aged 60 and over and have overall pension savings of less than £18k, you can take them all in one lump sum – this is 'trivial commutation'
- A 'capped drawdown' pension allows you to take income from your pension, but there is

a maximum amount you can withdraw each year (120% of an equivalent annuity)

- With 'flexible drawdown', there's no limit on the amount you can draw from your pot each year, but you must have a guaranteed income of more than £20k per year in retirement

- Buy an annuity – an insurance product where a fixed sum of money is paid to someone each year, typically for the rest of their life

If you withdraw all your money, you are charged 55% in tax. Regardless of your total pension wealth, if you are aged 60 or over, you can take any pot worth less than £2k as a lump sum, as this classifies as a 'small pot'.





PROPOSED CHANGES

Commencing 6 April 2015, from age 55, whatever the size of a person's defined contribution pension pot, the proposal is that you will be able to take it how you want, subject to your marginal rate of income tax in that year. As previously, 25% of your pension pot will remain tax-free.

There will be more flexibility. However, for those people who continue to want the security of an annuity, they will be able to purchase one, and those who want greater control over their finances can drawdown their pension as they see fit. People who want to keep their pension invested and drawdown from it over time will be able to do so.

To help people make the decision that best suits their

needs, everyone with a defined contribution pension will be offered face-to-face guidance on the range of options available to them at retirement.

INTERIM CHANGES

There have been a number of interim changes that took effect from 27 March 2014, prior to proposed changes that commence from next April.

These include:

- The amount of overall pension wealth you can take as a lump sum has been increased from £18k to £30k. In addition, the amount of guaranteed income needed in retirement to access flexible drawdown has been reduced from £20k per year to £12k per year
- The maximum amount you can take out each year from a capped drawdown arrangement has been increased from 120% to 150% of an equivalent annuity
- The size of a small pension pot that you can take as a lump sum, regardless of your total pension wealth, increases from £2k to £10k
- The number of personal pension pots you can take as a lump sum under the small pot rules increases from two to three

WHO BENEFITS?

The interim changes will mean around 400,000 more people (according to the Government) will have the option to access their savings more flexibly in the financial year 2014/15.

From April 2015, the 320,000 people who retire each year with defined contribution pensions will have complete choice over how they access their pension. ■



Your retirement should be something to look forward to, not worry about how to make ends meet.



Retirement planning checklist

1. Always check your annual pension statement, and if you don't receive one, ask for one.
2. You should pay as much as you can reasonably afford to your pension funds.
3. Consider receiving a higher income by deferring retirement (however, this is not guaranteed, as annuity rates, legislation and market conditions may change).
4. When buying an annuity, always shop around for the best deal.
5. You can continue to work in retirement, and your tax-free personal allowance increases from the age of 65.

Greater choice for retirees

Proposals to fundamentally redesign the UK private pensions system

Fundamental plans proposed to redesign the UK defined contribution pension system (as opposed to workplace final salary schemes) were announced as part of the Budget 2014 speech. This is the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921, introducing new flexibility to the pensions system.

By further relaxing the rules around income withdrawals from pension funds, which will be introduced from April 2015, people will have greater flexibility and choice about how they can access their money. Those who want to guarantee a regular income for life will still be able to purchase an annuity, of course.

TAKING PENSION SAVINGS

This announcement means that people will be in a position to choose how they take their pension savings: for example, they could take all their pension savings as a lump sum, draw them down over time or buy an annuity.

The Government also intends to explore with interested parties whether those tax rules that prevent individuals aged 75 and over from claiming tax relief on

their pension contributions should be amended or abolished.

SAVINGS FREEDOM

In the meantime, as a first step towards this reform, a number of changes have been announced to the rules. These came into effect from 27 March and now allow people greater freedom and choice over accessing their defined contribution pension savings at retirement.

The changes are:

- reducing the amount of guaranteed annual income people need in retirement to access their savings flexibly, from £20,000 to £12,000
- increasing the amount of total pension savings that can be taken as a lump sum, from £18,000 to £30,000
- increasing the capped drawdown withdrawal limit from 120% to 150% of an equivalent annuity income
- increasing the maximum size of a small pension pot which can be taken as a lump sum (regardless of total pension wealth) from £2,000

to £10,000, and increasing the number of personal pots that can be taken under these rules from two to three

Make the most of your pension pot

This radical announcement to give retirees more choice as to how they take the income from their pension fund will mean that other options may now be given more consideration. These changes make it even more important, if you are approaching retirement, to seek professional advice in order to make the most of your pension pot. If you would like to find out how the changes could affect your future retirement plans, please contact us.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future.

Single most important decision you can make

Thinking about your plans for the future means taking action now

Retirement planning involves thinking about 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 financial 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 will 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 extra benefits, including the potential to contribute larger sums into your pension fund when the timing is right for you.

LIFETIME ALLOWANCE

Since the rules were simplified, pensions have become easier to navigate. Whether you have occupational pensions, personal pensions or both, you now have one overall annual and one Lifetime Allowance for pension savings. You can save as much as you like towards your pension, but there is a limit on the amount of tax relief you can get. The Lifetime Allowance is the maximum amount of pension saving you can build up over your life that will benefit from tax relief. If you build up pension savings worth more than the lifetime allowance, you'll pay a tax charge on the excess.

If you're in a defined benefit scheme and you take your pension after 6 April 2014, your pension benefits will be tested against the Lifetime Allowance of £1.25 million. This level of pension saving is broadly equivalent to an annual pension of £62,500 if you don't take a lump sum, or £46,875 if you take the 25% maximum tax-free lump sum (Source: HM Revenue & Customs).

For a money purchase scheme, it's the value of your pension pot that is used to pay your pension benefits (such as an annuity and a tax-free lump sum) that is tested against the Lifetime Allowance at the time you take your benefits. The charge is paid on any excess over the Lifetime Allowance limit. The rate depends on how this excess is paid to you. If the amount over the Lifetime Allowance is paid as a lump sum, the rate is 55%, and if it is paid as pension, the rate is 25%.

CONSOLIDATING FUNDS

Another feature of pensions is that you can consolidate payments from one UK registered pension scheme to another. This could be either to

access different benefit options or simply to consolidate your funds in one place. It is important to note that there are costs involved, and obtaining professional financial advice is essential to ensure that you take the appropriate course of action for your specific situation.

If you have more than one pension plan in your name, there could be a number of advantages to consolidating all your plans into one. Having one pension can make it much easier for you to keep track of funds, monitor performance and change strategy if necessary. Consolidation may also cut down on paperwork and could make estate planning simpler.

Again, it's possible that consolidating pension funds may not be beneficial for your particular circumstances. You should always receive professional financial advice before deciding if it is the right course of action for you.

POST-RETIREMENT

The array of post-retirement options is vast and will need to be considered carefully, especially in the light of the proposed changes announced in Budget 2014 to fundamentally redesign the UK private pensions system. The best option for you will depend on factors such as the size of your fund, your ongoing involvement, the risk you are willing to take and

the level of benefit flexibility you want.

Annuities have long been the mainstay of turning your retirement pot into income. When it comes to buying a pension annuity, you can choose from any provider in the market, with the option of inflation-proofing it or buying a guarantee so that it continues to pay out for a set period of time. You might also want an income to continue for your spouse after your death. All these options will reduce the amount you initially receive.

Currently you have other options besides buying an annuity, such as using a drawdown facility and

leaving your pension invested but receiving an income from the fund. If you do this, you can still take your 25% tax-free lump sum out of your pension.

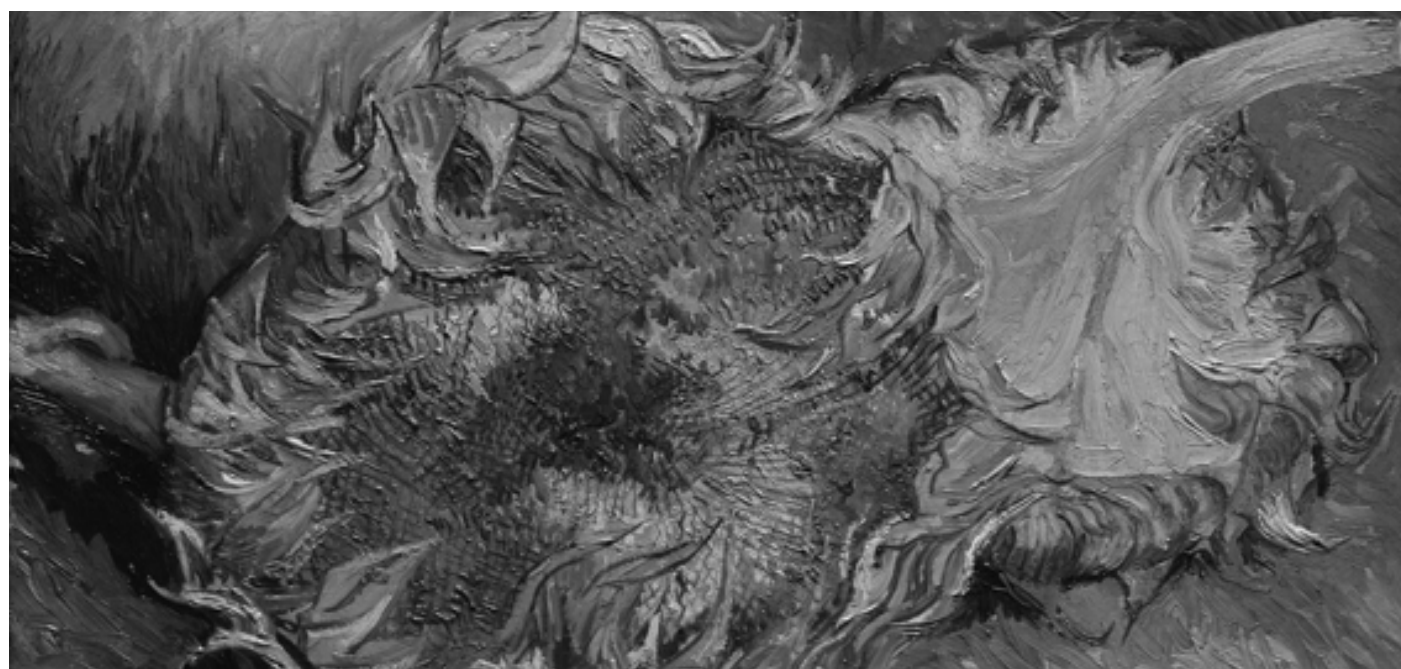
There are many choices to make during the pre- and post-retirement years. However, these choices are some of the most important you will ever make, so careful consideration is essential in order to safeguard your financial future and give you the retirement you are dreaming of.



Annuities have long been the mainstay of turning your retirement pot into income.

Are you proactive?

When it comes to planning for your retirement, time is your friend. The earlier you start, the longer your money has the potential to grow. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive. To review your current situation or requirements, please contact us for more information.



The quality of life you want in your golden years

Looking forward to a secure and financially independent retirement

Saving for your retirement may not seem important when you're starting out. But the sooner you start saving for your retirement, the more secure your future will be.

It's so important to invest for your retirement. Putting as much as you can into a pension provision as soon as you can gives you a much better chance of having the retirement you want.

When planning your retirement, there are three main types of pension you need to consider. These are State Pensions, private personal pensions and occupational workplace pensions.

Whether you are thinking of starting a pension, reviewing your existing pension provision or are about to take benefits from a scheme, there are many issues you should discuss with us:

- At your age, how much should you be saving?
- Could you optimise your tax position for retirement by also saving in an alternative tax-efficient vehicle?
- Would bringing existing pension funds you have built up together in one place help you manage them better?
- How can you maximise your pension contributions as you reach retirement age?
- What might you expect by way of pension from the State and when will you receive it?
- What's the best time to start taking income from your pension fund?
- What are the alternatives to buying a pension annuity and why might they be better for you?

- How can you use your tax-free cash allowance to the best advantage?
- What if you want to take your pension fund overseas?

A secure and financially independent retirement

The quality of life you want in your future retirement years will depend on what you contribute in the present. Planning your finances can help to ensure that you have peace of mind, so that you can look forward to a secure and financially independent retirement. To discuss how we could help you achieve this goal, please contact us.

State Pension

A regular income once you reach State Pension age

The State Pension gives you a regular income once you reach State Pension age. It is based on National Insurance contributions and the amount you get depends on how much you paid in. To receive it, you must have paid or been credited with National Insurance contributions.

There are different rates of State Pension. The rate you receive depends on your circumstances. The full Basic State Pension is currently £113.10 per week – under existing rules, the amount of State Pension you get depends on your National Insurance contributions, and sometimes those of your current

or former spouse or registered civil partner.

BASIC STATE PENSION – WHAT IS THE RATE?

The following table is an overview of the maximum basic State Pension you can get.

You may have made contributions from your earnings or have been credited with them by the Government, if you were caring for a child or disabled person.

The basic State Pension increases every year by whichever is the highest:

CIRCUMSTANCES	BASIC STATE PENSION WEEKLY RATE FOR 2014/2015
Single man or woman	£113.10
Married man or woman or registered civil partner (who qualify with their own National Insurance Contributions)	£113.10
Married man, woman or registered civil partner (using his wife's, her husband's or registered civil partner's National Insurance record)	£67.80

- earnings - the average percentage growth in wages (in Great Britain)

- prices - the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI) 2.5%

You may have to pay tax on your basic State Pension.

You can top up your State Pension to £67.80 per week if:

- you expect your basic State Pension will be less than that
- you're married or in a registered civil partnership
- you meet the qualifying rules

ADDITIONAL STATE PENSION

You might also qualify for the Additional State Pension. The Additional State Pension is sometimes also known as 'SERPS' or the 'State Second Pension' (S2P). Not everyone receives an additional State Pension. The amount you get depends on your earnings.

Additional parts of the State Pension rise in line with the increase in prices. These include:

- the State Second Pension (S2P)
- the State Earnings-Related Pension Scheme (SERPS)
- Graduated Retirement Benefit
- Extra State Pension received for putting off (deferring) your State Pension claim (also called 'increments')

Until you reach State Pension age, the amount of State Second

Pension or SERPS you have built up will usually be increased in line with the growth in average earnings. This is also known as 'revaluation'.

RECEIVING THE BASIC STATE PENSION

The earliest you can receive the basic State Pension is when you reach State Pension age. Your basic State Pension depends on the number of years you've paid National Insurance or got National Insurance credits, for example, while unemployed or claiming certain benefits.

To qualify for a basic State Pension, at least one of the following must apply:

- you were working and paying National Insurance
- you were getting certain benefits, for example, unemployment or sickness
- you were a parent or carer and claiming certain benefits or credits
- you have a spouse or registered civil partner whose National Insurance contributions cover you
- you were paying voluntary National Insurance contributions

You need 30 years' worth of contributions or credits to get the full basic State Pension. These are your 'qualifying years'.

If you have fewer than 30 years, your State Pension will be less than £113.10 per week, but you might be able to top up by paying voluntary National Insurance contributions.

OVER 80 PENSION

The Over 80 Pension is a State Pension that is available if you are aged over 80 and have little or no State Pension.

The rate is currently £67.80 weekly in the tax year 2014/2015 if you don't get a basic State Pension. If you're on a reduced State Pension, the Over 80 Pension will top up your State Pension to £67.80 a week.

PENSION CREDIT

If you are a pensioner in the current tax year 2014/2015, Pension Credit could top up your weekly income to a guaranteed minimum of:

- £148.35 if you are single
- £226.50 if you have a spouse or partner

If you are aged over 65, you may also be able to get Savings Credit up to an additional:

- £16.80 weekly if you are single
- £20.70 weekly if you have a spouse or partner

The age when you can claim Pension Credit is rising in line with the increase in State Pension age for women and the further increase to 66 for men and women.

Rules influencing your retirement planning

There are a number of rules that can influence your retirement planning. To discover how we could help you save for your retirement and achieve financial independence, please contact us for further information.



Personal pensions

Coming to terms with the realities of your later years

If you've not thought about planning your retirement yet, don't panic. We can discuss the different options available to you. This may include a personal pension, or a defined contribution pension. If appropriate, your provider invests the money you pay in and gives you an accumulated sum on retirement, with which you can currently buy an annuity or go into income drawdown.

From 6 April 2015 onwards, you'll also be able to withdraw as much of the money as you want when you reach 55, although it will be taxed as income.

Stakeholder pensions are also a type of personal pension. They work in a similar way, but they have to conform to certain government standards, such as low charging structures and clear terms and conditions.

If you don't have a company occupational pension, personal pensions can be a good alternative way of saving for retirement.

FUND PERFORMANCE

How much you receive at retirement depends on the performance of the funds in which the money has been invested and any charges that have been deducted. Your pension provider will claim tax relief at the basic rate and add it to your fund. If you're a higher-rate taxpayer, you'll need to claim this rebate through your tax return.

Although your total pension pot should increase each year you continue to pay into the scheme, there is no way of accurately predicting what the final total will be

and how much pension income this will provide.

INVESTMENT CHOICE

Unlike those who belong to a company's occupational defined benefit (DB) pension scheme, members of a personal pension have some choice as to where their pension contributions are invested.

Many opt for the scheme's 'default fund', but some will want to be more cautious, by investing in cash funds and corporate bonds, while others may prefer a more 'adventurous' mix, with equity and overseas growth funds.

However, as you near retirement, it's wise to alter your asset allocation into more cautious investments, such as gilts. This is because you want to lower the risk of your investments performing badly and having less time to make up any losses.

TAKING INCOME

Before buying an annuity or going into income drawdown (or withdrawing the whole pot from April 2015 onwards), you can take up to 25% of your pension savings as a tax-free lump sum. This could be a good idea if you have debt to pay off, such as a mortgage, but it will reduce your retirement income. The earliest you can draw a pension or take a lump sum is from the age of 55.

ADDITIONAL BENEFITS

As well as providing a pension fund, some personal pension schemes offer additional benefits to their members. The most common is a 'death before retirement' payment to your spouse, registered civil partner

or anyone else you nominate, if you die before reaching pensionable age.

Your accumulated pension contributions may also be refunded. If you have ceased paying into the scheme at the time of death, your accumulated contributions will be returned, and normally the investment growth they have achieved.

INCREASED FLEXIBILITY

Personal pensions are an obvious choice for the self-employed, or those who don't belong to a company occupational pension scheme. Unlike company schemes, many personal pension schemes will let you vary your contributions, paying in more when you are able to and taking a 'contributions holiday' when times are hard.

Alongside the tax relief and opportunity to take a lump sum, another plus of personal pensions is that they're portable. Unlike company occupational schemes, you can keep the same personal pension. This allows you to build up a larger pension pot, without the need to transfer preserved pensions from company schemes.

Expert and professional advice

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. Contact us to discuss how we could help you plan – don't leave it to chance.

Lifetime Allowance

A limit on 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. From 6 April 2014, the Lifetime Allowance for pensions reduced from £1.5m to £1.25m. In essence, the Lifetime Allowance is intended to cap the level of tax advantaged pension funds that an individual can accumulate within their lifetime.

When the Lifetime Allowance reduced to £1.25m, two new forms of protection were introduced: Fixed protection 2014 and Individual protection 2014.

Anyone who has pension benefits with a value in excess of the Lifetime Allowance will be subject to a tax charge on their excess benefits value known as the 'lifetime allowance charge'.

The Lifetime Allowance creates a ceiling on the benefits value that can be built up by your registered pension scheme whilst continuing to benefit from tax relief. If the benefits value when they are taken exceeds the Lifetime Allowance, the difference between the two is subject to the Lifetime Allowance charge.

The Lifetime Allowance charge can be applied in either one of two ways or a combination of both, depending on how the excess benefits value

above the Lifetime Allowance is taken. The charge is either 55% if taken as a lump sum, or 25% if taken as income.

If you decide to take your benefits in stages (more commonly referred to as 'phased retirement'), you'll use up a proportion of the Lifetime Allowance in force each time benefits are taken.

If you take any of your benefits, this is known as a 'benefit crystallisation event'. Anyone taking their benefits either in full or in stages will have one or more benefit crystallisation events.

Finding the right retirement solution

There is no one-size-fits-all solution. Each person's individual circumstances will require a different solution. It is important that you continue to review your pensions and obtain professional financial advice. The sooner you act, the better. If you leave it too late, your options might be restricted. To review your current situation or requirements, please contact us for more information.



Annuities

Deciding what to do with the pension pot you've built up

If you save through a private personal pension, when you approach retirement age you'll have to decide what to do with the pension pot you have built up. If applicable to you, one option is to buy an annuity. It's important to find an annuity that suits you and provides the best deal because, after your property, an annuity is probably the biggest purchase you will ever make.

An annuity is the annual pension that many people buy with their private pension pots when they retire. Purchasing your annuity is an important one-off decision that has long-term consequences if you get it wrong. You may not receive the best deal if you just take the annuity offered by the insurer that has been investing your money.

A significant reform of the defined contribution pension system (as opposed to workplace final salary schemes) announced in Budget 2014 means that under the proposals, from next year, millions of people reaching retirement age will be able to spend their pension pot in any way they want.

Given the enormity of these changes, there is still however

a continuing role for annuities, especially where you seek the peace of mind for a lifelong secure regular income.

COVERING A MINIMUM LEVEL OF LIVING COSTS AND REGULAR OUTGOINGS – FOR LIFE

An annuity provides a fixed, guaranteed income, however long you live for. As part of your retirement planning, if you favour income drawdown, you may still want to purchase an annuity to cover a minimum level of living costs and regular outgoings. It is important that you shop around for the best annuity rates to ensure that you are able to benefit from the highest retirement income available for life.

A pension annuity converts the funds built up in your pension scheme(s) into a regular income. The income is then payable for the rest of your life. So why would you still consider an annuity as part of your retirement plans?

QUALIFYING FOR AN ENHANCED ANNUITY

A significant number of people at retirement could qualify for an enhanced annuity. These typically offer rates from between 15%

to 20% higher on average than a standard annuity if you are suffering from certain specified health or even lifestyle conditions. This could make them very attractive if you are seeking the maximum guaranteed income throughout your life.

SECURITY AND REASSURANCE

With an annuity, the income is guaranteed, regardless of market movements, how long you live for or any changes in your circumstances. This can provide security and reassurance for you during your retirement. Unlike many other investment products, the quoted rate has no ongoing costs, fees or charges deducted. In addition, annuities are simple to understand, and do not need to be reviewed or managed on an ongoing basis. Once the annuity is set up, there is nothing more for you to do. A fixed payment is made to your bank account each and every month, for the rest of your life.

TAX MATTERS

If you were born between 6 April 1938 and 5 April 1948, the personal allowance is currently £10,500 (2014/15 tax year). This means that in retirement, you could potentially pay less or

actually no income tax. Taking your entire pension fund as a lump sum before you have considered all of your options could result in a significant tax bill. In addition, you may also potentially pay more tax than necessary on your future income. Withdrawing the fund as cash, apart from the 25% tax-free element, could generate a tax charge. Annuities are purchased gross, so no tax is payable on the fund when it is used to buy your annuity, although the income generated may be subject to tax depending on your circumstances.

Tax is subject to change and depends on individual circumstances.

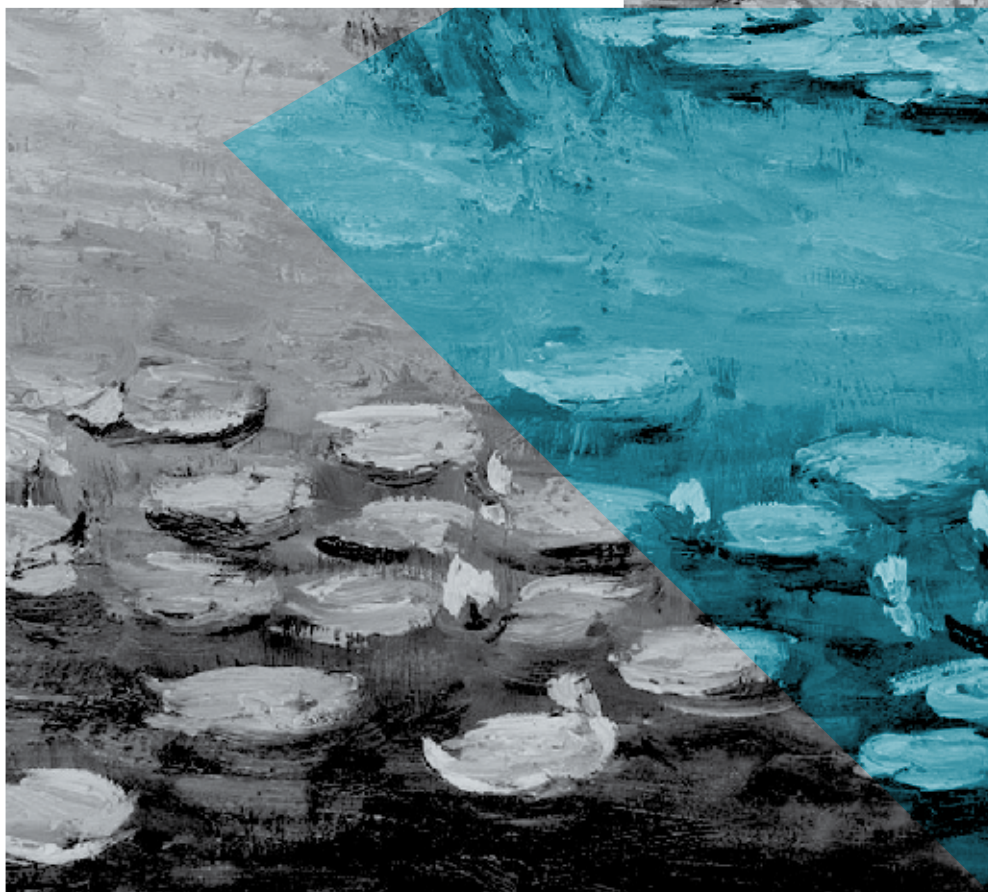
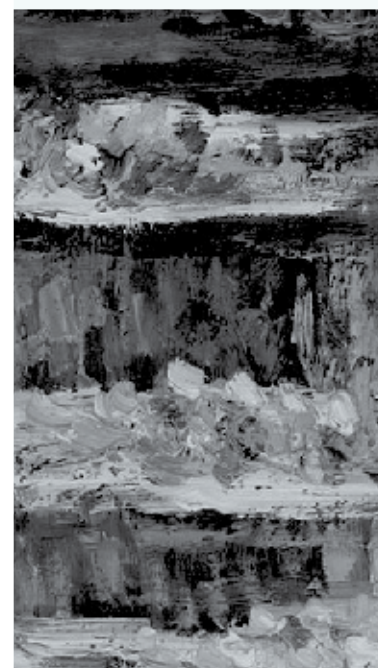
The Financial Conduct Authority does not regulate Tax Advice.

SCHEME GUARANTEES

Regulatory capital requirements mean annuity providers have to be financially robust and well capitalised. In the unlikely event that a provider cannot meet their obligations, a Government-backed scheme guarantees to pay 90% of the amount promised.

Helping you choose the retirement income options

We each have our own ideas about how we want to live in retirement, and how much money we'll need. You may be at the point of retiring or just reducing the amount of time you are at work. If so, you may also want to access the pension you have built up and convert it into an income. Setting up an annuity is easy and straightforward, enabling your income needs to be met with no need for ongoing support or advice. To find out more about annuities and the vital role they could still play in effective retirement planning, please contact us to discuss your requirements.



Securing a bigger annuity income

The lack of professional financial advice can be costly

You only have one opportunity to shop around for your annuity. This is called 'exercising the open market option'. Once you have committed to an annuity provider and started to receive an income, the decision can't be reversed. So it is essential that you shop around and obtain professional financial advice to help you through the process.

FAILURE TO SHOP AROUND

The National Association of Pension Funds (NAPF) pointed out that the failure of someone to shop around – or being unaware they were able to do so – might reduce their annual pension income by a third.

The insurance industry has in recent years reformed its annuity practices, and insurers now have to conform to guidelines set down by the Association of British Insurers (ABI).

New guidelines will require insurers to:

- provide clear and consistent information, including details on how to shop around for an annuity
- highlight the details of enhanced annuities – the higher pension income available to those with shorter life expectancy

- signpost clients to external advice and support that is available

- give a clear picture of how their products fit into the wider annuity market

THE POINT OF RETIREMENT

Insurers have been obliged since 2002 to draw their clients' attention to the fact that they can shop around for an annuity at the point of retirement.

One of the ways in which people may end up with too small an annuity is by not taking into account their own medical circumstances. Having conditions as seemingly manageable as high blood pressure or diabetes could qualify you for an enhanced annuity, which could pay you more income because your average life expectancy may be less.

LACK OF KNOWLEDGE

Getting the best annuity rate is just the tip of the iceberg. There are many important issues which, if ignored, could have a detrimental effect on your annuity income. At present, many people who cash in their pensions simply sign up to the annuity provided by their insurer. But this is rarely the best offer.

KEY POINTS ABOUT ANNUITIES:

- make the right decision now, because you cannot reverse it later - don't just accept the annuity your pension provider gives you
- shop around – it could be worth up to a third more income per month for you
- you can combine multiple pension pots into one annuity
- common health issues, including smoking, high blood pressure and diabetes, can lead to an even higher monthly income
- obtain professional financial advice

LIVE BETTER IN RETIREMENT

If you are approaching your retirement, we can take you through the process step by step to find the best annuity for you. Your retirement should be a special time when you do those things you never had the opportunity to do before. So it's essential you think and plan carefully, as the decisions you take now cannot be undone later. If you are concerned about your retirement provision, please contact us to review your current situation.

HANDING OVER ALL, OR PART, OF YOUR PENSION FUND

To calculate your annuity they take into account:

- your age
- your gender
- the size of your pension fund
- interest rates
- sometimes your health

Examples of health problems that might entitle you to a higher income include:

- cancer
- chronic asthma
- diabetes
- heart attack
- high blood pressure
- kidney failure
- multiple sclerosis
- stroke

There are other health conditions that could also mean you receive a higher income, so if you're on any prescription medication, it's worth checking with your provider whether you are likely to qualify.

OTHER REASONS FOR HIGHER PAYMENTS

You might also be able to get a higher monthly retirement income if you are overweight or if you smoke regularly.

Some companies also offer higher annuity rates to people who have worked in certain jobs, such as those involving a lot of manual labour, or who live in particular areas of the country.

Need help to compare rates?

Not only will different annuity providers offer different rates, they'll also offer different annuity options. We can help you shop around to find the right type of annuity that suits you. To discuss the options available to you, please contact us.



Different types of annuity

Choosing the right option for you

In the UK, there are basically two types of annuity:

- pension annuities (compulsory purchase)
- purchased life annuities (voluntary purchase)

All annuities share the following characteristics:

- they pay a level of guaranteed income
- they turn a lump sum into a stream of future income
- lifetime annuities guarantee to pay an income for as long as you are alive, no matter how long you live
- when you die, payments stop, unless you have chosen a joint-life annuity, a guaranteed payment period or a value protected (money back) annuity

TAILORING THE INCOME TO MEET YOUR PERSONAL CIRCUMSTANCES

Annuities have a number of important and valuable options that allow you to tailor the income to meet your personal circumstances.

SINGLE OR JOINT

As you approach retirement, you'll need to decide how you want to take an income from your pension fund. One key thing to decide is whether you want an income just for yourself (individual) or one that would continue to pay out to a partner or dependant if you were to die (joint). Your choice of income could make a big difference to you and a partner or dependant, so it's important to consider your options.

FIXED-TERM ANNUITIES

If you need an income in retirement, but are unwilling to commit to an annuity for the rest of your life, you can use all, or part, of your pension fund to buy an annuity for a set number of years. These are called 'fixed-term annuities'.

FIXED OR INCREASING ANNUITIES

If you're buying an annuity to provide you with a retirement income, one of the key choices you must make is whether to opt for an annuity that provides a fixed pension income or one that increases each year. You'll initially get more with a fixed retirement income than with an increasing one, but its buying power will go down over time.

INVESTMENT-LINKED ANNUITIES

With an investment-linked annuity, your pension income varies to reflect changes in the value of investments, such as stocks and shares. This means you can benefit from stock market growth after your retirement. There's also a risk that the value of your income could fall, but most investment-linked annuities limit this risk.



Annuities have a number of important and valuable options that allow you to tailor the income to meet your personal circumstances.

Income drawdown

How to use your pension pot for the years ahead

As you approach retirement, you will have to decide how best to use your pension pot for the years ahead. One of the ways of doing this is by entering income drawdown. Unlike an annuity, with income drawdown, your money remains invested and you take a pension income directly from it. This is a flexible way to take your pension benefits, although it may not be suitable if you want the security of income that an annuity offers.

This option might suit you if you want to:

- **carry on paying into your pension** – if you're under 75, you can still add to your pension pot and get tax relief
- **growth potential** – as your pension pot stays invested in a tax-efficient environment, there is potential for future growth
- **flexible pension income** – you can take payments to suit you if you have a pension pot that's large enough to sustain your withdrawals from it
- **more control** – you can buy an annuity at any time
- **flexible options on death** – unlike some annuities, income drawdown can give flexible benefit options after your death

As with any investment, the value of your fund can go up or down and may be worth less than what was paid in.

CONVERTING YOUR PENSION

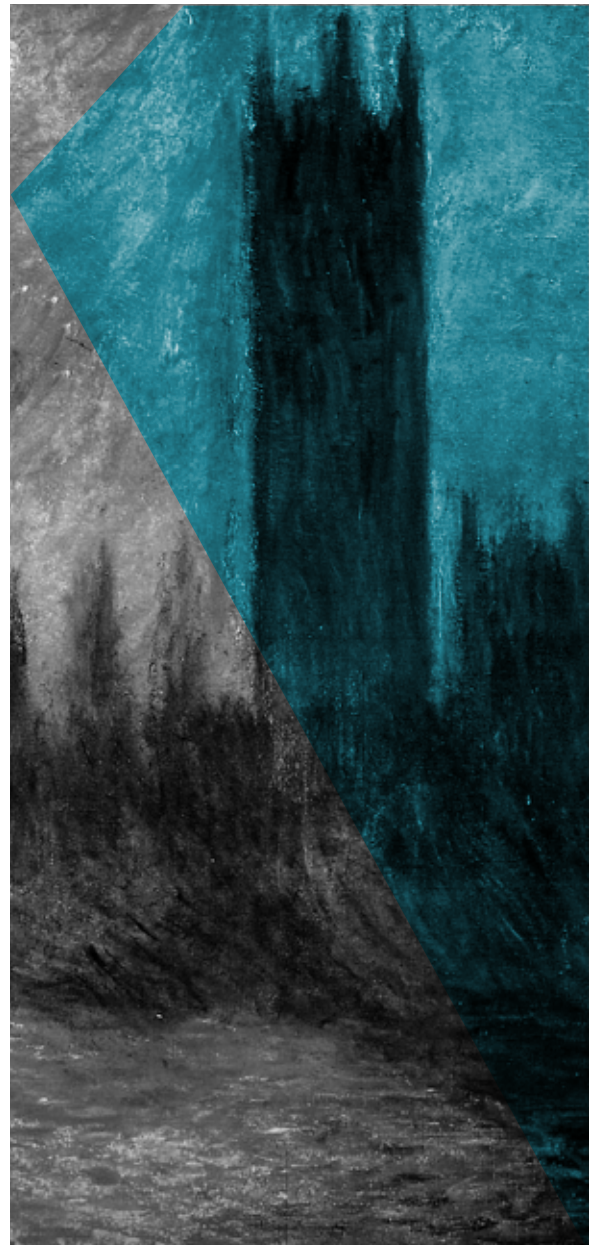
You can choose to convert your entire pension to income drawdown all at once, or you can convert smaller segments as and when you need them (this is known as 'partial drawdown').

You can usually take up to 25% of each amount you move into income drawdown as a tax-free lump sum, before leaving the remainder invested from which to draw a taxable income.

INVESTMENT DECISIONS

You continue to manage and control your pension pot and make all the investment decisions. Providing the pot is not depleted by excessive income withdrawals or poor investment performance, it may be possible to increase your income later in life. However, if you get it wrong, your income will be reduced.

Income drawdown allows you to choose the income level you wish to withdraw from your pension ranging from no income at all up to a capped maximum income. You choose where your money is invested and should review and monitor the situation regularly. Anyone age



55 or above is eligible for income drawdown, but it is a high-risk option so is not suitable for everyone.

MAXIMUM INCOME

There is no minimum withdrawal amount for income drawdown, so you could choose to withdraw zero income if you wish. The maximum income you can draw is calculated with reference to the equivalent level single life annuity bought using the same fund.

With effect from 27 March 2014, limits increased. The limits are calculated at the start of your income drawdown plan using GAD (government actuary department) tables, which use your age and 15-year gilt yields to calculate the income available from your fund.

MONITORING INCOME

The income limits calculated when you start income drawdown are fixed until the next review, although you should monitor any income you take more frequently. As long as you stay within the maximum limit, you can control how much income you take and when you take it.

Any income is subject to tax at source on a PAYE (Pay As You Earn) basis. You decide where the remainder of the fund is invested, and you should review and monitor the situation regularly.

The value of the investments in your pension fund can go down as well as up. Early investment losses can be particularly difficult or even impossible to recover. If your investments fall in value, you may need to reduce the amount of income you withdraw from your fund. If your investments fall in value, or fail to grow sufficiently, you may not be able to withdraw as much income in future.

Continuing to invest and seek growth

Income drawdown can also be helpful for tax planning. For instance, if you still work and your income fluctuates, you can vary your level of income from drawdown to smooth this out. In good years, you may be able to reduce or even cease drawing down an income, avoiding paying additional income tax. In addition, income drawdown also allows you to continue investing and seek growth. To investigate the opportunities available to you, please contact us.



There is no minimum withdrawal amount for income drawdown, so you could choose to withdraw zero income if you wish.

Flexible drawdown

Withdrawing any amount of money from your pension pot

Flexible drawdown is a special form of drawdown under which any amount of money can be withdrawn from the pension pot. There are two requirements you have to meet before undertaking this option: you must meet the minimum income requirement (MIR) and you must have stopped contributing to any pensions. As the name suggests, this option is more flexible than income drawdown. Qualifying for this option removes the cap on the income you can take.

MARKET FLUCTUATIONS

There are no income limits at all and you can draw as much income as you like when you like. The more you withdraw now, the less you will have available to use as income in the future. You continue to choose where your pension is invested, and your money remains subject to market fluctuations. The amount you will have available to withdraw in the future will therefore also rise or fall depending on investment performance.

CERTAIN CRITERIA

Flexible drawdown will not be available to everyone and there are certain criteria that must be met before you can choose it. It is also worth remembering that any income

is subject to tax at your highest rate. The following criteria have been set out by the Government to ensure investors can enter flexible drawdown with sufficient secure income in place to help prevent money running out later in retirement.

You must already have a secure pension income of at least £12,000 a year in place. This can include your State Pension, a pension annuity or a company pension. Investment income and money from income drawdown don't count. Pension pots not needed to provide the £12,000 could be taken as flexible drawdown. Pensions can be split, with part used to buy an annuity to secure the necessary income and the remainder taken as flexible drawdown. You must receive at least £12,000 of pension income in the tax year you enter flexible drawdown.

Flexible drawdown can only be taken once you have finished saving into pensions. If pension contributions have been made to any pension in the same tax year, or if you are still an active member of a final salary scheme, it isn't possible to start flexible drawdown. Once in flexible drawdown, it effectively isn't possible to make further pension contributions.

Flexible drawdown is a complex product. If you are at all uncertain about its suitability for your circumstances, you should seek professional financial advice. Your income is not secure. Flexible drawdown can only be taken once you have finished saving into pensions. You control and must review where your pension is invested, and how much income you draw. Poor investment performance and excessive income withdrawals can deplete the fund. The value of the investments in your pension fund can go down as well as up.

Making the right decision requires professional advice

When you want to access your pension pot, you'll have a number of different choices. The right choice for you depends on a lot of things, such as your tax position, whether you have a partner, your attitude to risk and even your health. To discuss how we can help you make the right decision, please contact us today.

Occupational workplace pensions

Most employers are obliged to have an occupational pension scheme for their employees

There are two main types of occupational workplace pension 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.

PERSONAL FUND

Defined contribution pension schemes allow you to build up a personal fund, which is then used to provide a pension income during your retirement. The usual way of doing this is to buy a lifetime annuity. The alternative is to leave your pension pot invested and draw a regular income from it each year.

Lifetime annuities are essentially a form of insurance, which removes individual risk by paying out a set amount each year for the rest of your life. How much you get depends on your age, your health and the prevailing annuity rates at the time you come to convert your fund.

OPEN MARKET OPTION

A workplace fund will usually negotiate a rate on your behalf, but you're not obliged to take this and can opt instead to shop around, comparing rates from other providers, by exercising the open market option. For those with poor health, it can be particularly advantageous.

Drawdown schemes are less predictable. They continue to depend on investment performance to maintain your pension pot. If the

investments do badly, or you deplete your capital too early, there's a risk of your income declining significantly before you die.

Before buying an annuity, you can currently on retirement take up to 25% of your pension savings as a tax-free lump sum. This reduces the pension income you can secure by buying an annuity, but may be worthwhile if you need the money (to pay off outstanding debts, for example) or decide to invest it independently.

The earliest you can draw a pension or take a lump sum is from the age of 55. However, retirees can now gain greater access to their pension pots since 27 March this year, as the first in a series of radical reforms announced in the Chancellor's 2014 Budget were introduced.

From 6 April 2015, all restrictions on access to your pension pot will also be removed, with the tax on withdrawing a pension fund cut to your personal rate. This will make it easier to use your entire pot as you wish.

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 ($30 \times 1/60\text{th} \times £30,000 = £15,000$).

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 ($25\% \times £15,000 \times 20 = £75,000$).

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.

As well as providing pension income, most defined-benefit company schemes also offer additional benefits to their members.

These include as follows:

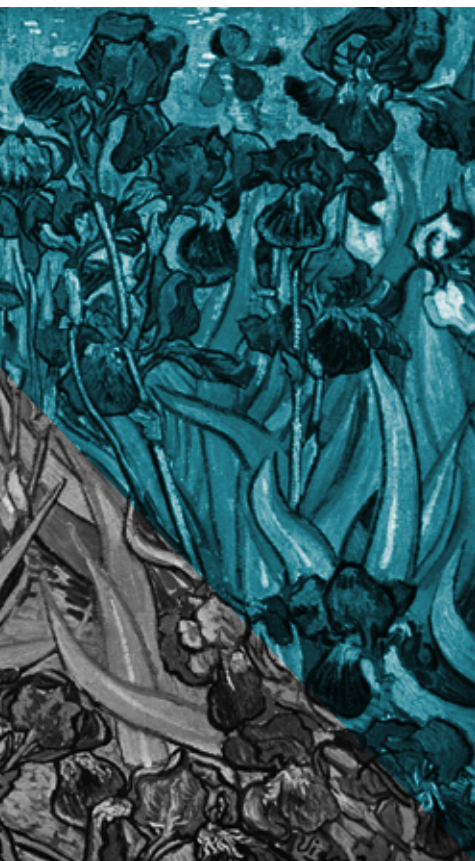
- death in service payments to a spouse, registered civil partner or other nominated individual if you die before reaching pensionable age and/or a continuing partner's pension if you predecease them after reaching pensionable age
- a full pension if you're forced to retire early due to ill health



- a reduced pension if you retire early through choice. It normally cannot be paid before age 55, and it may be considerably reduced by the scheme's 'actuarial reduction' rules. An actuarial reduction is a cut in the yearly pension (to take into account that it will have to be paid out for more years). It is common to surrender 6% for each year below normal retirement age that you retire. The pension will also be lower, because the number of years on which it is based will be fewer than would have been the case if you'd worked a full term

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



It's best to plan early for retirement

Retirement is a major change in life, and sometimes it's hard to plan beyond it – especially if you're worried that you won't have the funds you need. But it's best to plan early for retirement if you can. The first step is to set out your retirement goals and contact us to review your finances. We look forward to hearing from you.



Because they're so expensive to run, final salary schemes have been closed to new members since the 1990s.

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.

EXPENSIVE TO RUN

Because they're so expensive to run, final salary schemes have been closed to new members since the 1990s. This means that new employees cannot join them, but are covered by defined contribution money purchase schemes instead.

Until recently, closed schemes continued to remain open to existing members, who carried on making contributions each year and accruing additional years' pensionable service. Some schemes found this too much of a drain, however, and have opted to close to existing members too.

PENSION IS 'PRESERVED'

When this happens, employees at a firm can no longer pay into the final salary scheme, even though they continue to work for the same employer. Their defined benefit pension is 'preserved' in the same way as someone who has left the firm, and they are typically invited to pay into a defined contribution (money-purchase) scheme for the rest of their career.

This leaves them with two separate pension incomes – one from the old defined benefit scheme, based on the number of years' service and salary at the time of closure, and another from the new defined contribution scheme, based on the contributions they have paid into it. This is not guaranteed, but depends instead on the scheme's underlying investment performance (net of charges) and annuity rates at the time the member wants the pension to start.

Workplace pensions

You could soon have a pension without asking for one!

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 getting 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, 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.

The new law means that every employer must automatically enrol workers into a workplace pension scheme who:

- are not already in one
- are aged between 22 and State Pension age
- earn more than £9,440 a year work in the UK

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.

These are only minimum amounts and you can choose to pay more than this.

You can even pay some or all of your employee's contribution, if you wish to do so.

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

We're here to help

Auto-enrolment affects all employers in the UK. With auto-enrolment underway, employers must now automatically enrol eligible employees into a qualifying pension scheme. Whether you are an employee or employer, we can help guide you through your pension options. To find out more, please contact us.

Self-Invested Personal Pensions

Taking control of where your money goes and how it grows

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 therefore 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 financial 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 financial advice.

What are the options available to you?

We can help you decide whether a SIPP investment is right for you and outline the options available to enable you to take full investment control over your retirement planning, while enjoying the tax benefits available. For more information, please contact us.

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 financial 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 the stock market's ups and downs 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.

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.

As well as whether the total size of your pension funds make consolidation viable, issues to

Lost investment opportunities

Many people during their career may accumulate a number of different pension plans, and maintaining these separate plans can be laborious and complicated, leading to lost investment opportunities, exposure to undue risk and higher costs. To find out how we could help you, please contact us for further information.

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



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 0800 1223 170. Operator service is available between 9am to 5:30pm Monday–Friday.



What to consider if you're approaching your retirement

Make sure you have enough income to provide for your future needs

Sooner or later we all retire, and the decisions we make today are the ones that will determine our standard of living in retirement. If you are approaching your retirement, there are some very important choices you need to make that will determine how much income you live on once retired.

Firstly, you'll need to check your personal, company and State Pensions. You must make sure you have enough income to provide for your needs in the future. If you are planning on using your pension to buy an annuity when you retire, it is essential that you don't just accept the deal offered by your pension provider, as you could potentially lose out on a significant amount of money over the lifetime of the annuity.

EXERCISE YOUR OPEN MARKET OPTION

You should always exercise your Open Market Option that will enable you to get the best possible deal for your pension fund. Comparing the different rates available – instead of buying an annuity from the company with whom you have built up your pension savings – could result in a significant increase to your retirement income, depending on your circumstances.

You can buy your annuity from any provider and it certainly doesn't have to be with the company you had your pension with. The amount of income you will receive from your annuity will vary between different insurance

companies, so it's essential that you receive professional financial advice before making your decision.

DON'T FORGET ABOUT INFLATION

As you are likely to spend around 20 or even 30 years in retirement, remember that inflation could have a serious impact on the purchasing power of your savings. If you have opted for an inflation-linked annuity rather than a level annuity, then you will have protection against the rising cost of living.

WORK OUT CAREFULLY HOW MUCH INCOME YOU NEED TO DRAW

When you retire, you don't have to go down the route of purchasing an annuity. An alternative to purchasing an annuity is to leave your pension invested and take a portion of the pension pot each year as an income, hence the phrase 'income drawdown'. This option may also mean that you could possibly leave your family some legacy when you die, as your pension pot, after tax of 55%, passes on to your family according to your wishes. However, if you take out too much, your capital could soon be eaten away. But the upside of not buying an annuity is that your funds remain invested with the potential for further growth.

ANOTHER ROUTE WORTH CONSIDERING IS FLEXIBLE DRAWDOWN

To qualify for flexible drawdown, you must have a guaranteed pension income of £12,000, known as the 'Minimum Income Requirement'. If you are eligible, then you can

withdraw the rest of your pension fund in a manner that best suits your circumstances, whether that's in its entirety or in part withdrawals. It is often sensible to make withdrawals over several years though, as you still pay income tax on any withdrawals, so the larger the withdrawal, the more tax you'll pay.

HAVE YOU FORGOTTEN ABOUT ANY OTHER PENSIONS?

It can be easy to lose track of pensions over time, especially if you move from job to job, but you can locate a lost pension by contacting the Pension Tracing Service online at www.gov.uk/find-lost-pension. This service is free, and if they locate your pension, they'll give you the address of your scheme provider.

Retiring soon?

Not sure about your retirement options?

There is a lot to think about as you approach your retirement. Contact us to discuss your retirement options and we'll help you decide what's right for you. We look forward to hearing from you.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore, there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement.

Will you enjoy your retirement?

How to improve your golden years, no matter what your current stage of life

Retirement may seem a long way off for you at the moment, but that doesn't mean you should forget about it.

1. HAVE YOU CONSIDERED HOW MUCH STATE PENSION YOU WILL RECEIVE?

The State Pension is a valuable foundation on which to build your retirement income, together with any workplace or personal pension provision you have. If you work, you're required to contribute, and if you don't work, you might be making voluntary contributions or being credited as though you were contributing. You can log onto www.gov.uk/calculate-state-pension to get a State Pension forecast.

2. TRACK DOWN YOUR MISSING PENSION(S)

You might move jobs a number of times during your working life and pay into a number of pensions. It can be hard for you to keep track of your pensions. If you do lose track, you can visit www.gov.uk/find-lost-pension to track your lost pension or pensions.

3. THINK ABOUT THE 'WHAT IF' SCENARIO – WHO INHERITS YOUR PENSION POT?

Make sure your pension paperwork is up to date, or there could be confusion over who the beneficiary should be. This is particularly important if you're not married and you want to safeguard your partner's position. Most pension providers have an Expression of Wishes form where you can state a preference for who should receive your pension pot once you're no longer here. There are typically different choices depending on the type of pension and also whether you've started to take an income yet.

4. HOW MUCH HAVE YOU SAVED FOR YOUR RETIREMENT?

If you don't know, what are you expecting to live on later in life? When thinking about your income in retirement, you need to consider the sort of retirement you want and how much money you'll need. We can help you to review how much you've saved for retirement so far and explore your options if you're not saving enough.

5. RELATIONSHIPS

Another factor is the rise in 'silver splitters' – those who divorce and form new relationships later in life. More relaxed attitudes to divorce among the 'baby boomer' generation in comparison with their parents, as well as greater financial independence among women, have been cited as possible explanations for this. We recommend that you seek legal and professional financial advice to help preserve your chances of having the retirement you want and are entitled to.



Retirement may seem a long way off for you at the moment, but that doesn't mean you should forget about it.



We can help you take control of your financial future

Retirement planning may seem a confusing subject, full of financial jargon and complicated rules. We can ensure that you are well informed about the choices available to you. To discuss how we can help you take control of your financial future and plan to achieve the retirement you want, please contact us for further information.

Contact us today

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. All figures relate to the 2014/15 tax year, unless otherwise stated.