A Guide to RETIREMENT PLANNING

Developing strategies to accumulate wealth
in order for you to enjoy your retirement years

A Guide to Retirement Planning

Welcome to 'A Guide to Retirement Planning'. The State Pension alone won't be enough to ensure a comfortable retirement so it's worth reviewing your options as soon as you can to make sure you can afford life's little pleasures once you retire.

When it comes to planning for retirement, time is your friend. A good retirement investment strategy starts with a longer-term approach. This usually begins with more adventurous investing to build growth and then moves into less risky options to safeguard that growth as the planning nears its end.

Ideally saving should start as early as you can. However it's never too late to start and the earlier you start the greater the benefits. People don't start out planning to fail, but many do fail to plan.

Retirement is something we all look forward to and, even if it seems a long way off, the crucial question is 'Do you have enough saved for a comfortable retirement?'

Wherever you are with your retirement savings, don't be put off from taking action – there are still steps you could take to increase the income you'll get when you retire.

We can work with you to develop strategies to accumulate wealth in order for you to enjoy your retirement years, by evaluating your goals, personal circumstances and projected living costs.

SET CLEAR GOALS FOR YOUR RETIREMENT TAKE CONTROL OF YOUR EXISTING RETIREMENT SAVINGS MAXIMISE YOUR USE OF GENEROUS TAX ALLOWANCES TAILOR AN INVESTMENT STRATEGY APPROPRIATE TO YOUR NEEDS MAXIMISE YOUR POST-TAX INCOME IN RETIREMENT ADAPT TO CHANGING CIRCUMSTANCES

WANT TO DISCOVER WHAT THE FUTURE WILL LOOK LIKE?

Even if your retirement planning is up and running, that's not the end of the story. It's important that you review your contributions, particularly if you have a change of circumstances. If you don't know how your planning is doing, you can't know what your future will look like. To discuss how we could help you plan for your retirement, please contact us for further information.

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Expected retirement incomes hit five-year low

Taking some practical steps now could mean a more comfortable retirement

People retiring in 2012 expect to live on an average annual income of £15,500 – over £1,000 a year less (6 per cent) than those who retired in 2011. The figures come from Prudential's unique Class of 2012 research, which provides insights into the financial expectations of Britons planning to retire in the next 12 months.

EXPECTED ANNUAL RETIREMENT INCOMES

The results of Prudential's annual survey, first carried out in 2008, show that expected annual retirement incomes have dropped by more than 16 per cent in the last five years. The Class of 2008 retirees looked forward to a total annual income, including private, company and State pensions, of approximately £18,600 – £3,100 a year more than those planning to retire this year.

As a sign of the ongoing financial challenges facing those due to retire in 2012, one in five will get by on an expected annual income of less than £10,000. Fewer than two in five (37 per cent) of the Class of 2012 say that they have saved enough to secure a comfortable retirement.

GENDER DIFFERENCE

Men are more optimistic about their retirement than women, with 45 per cent of men confident they will be financially comfortable compared with 31 per cent of women. However, nearly one in five (18 per cent) of those planning to retire in 2012 have no idea of the level of income they will need in order to live comfortably.

“As a sign of the ongoing financial challenges facing those due to retire in 2012, one in five will get by on an expected annual income of less than £10,000. Fewer than two in five (37 per cent) of the Class of 2012 say that they have saved enough to secure a comfortable retirement.”

THE PERFECT STORM

The current economic climate has created the perfect storm for people in the run-up to retirement. The impact of the credit crunch, banking crisis, recession and concerns over the Eurozone has been reflected in the fact that expected retirement income levels have hit a five-year low.

It is concerning that expected retirement incomes are going down, while pensioner expenditure is going up. However, by taking some practical steps now, workers and imminent retirees could ensure a more comfortable retirement. For those who are still working, it has never been a more important time to save into a pension.

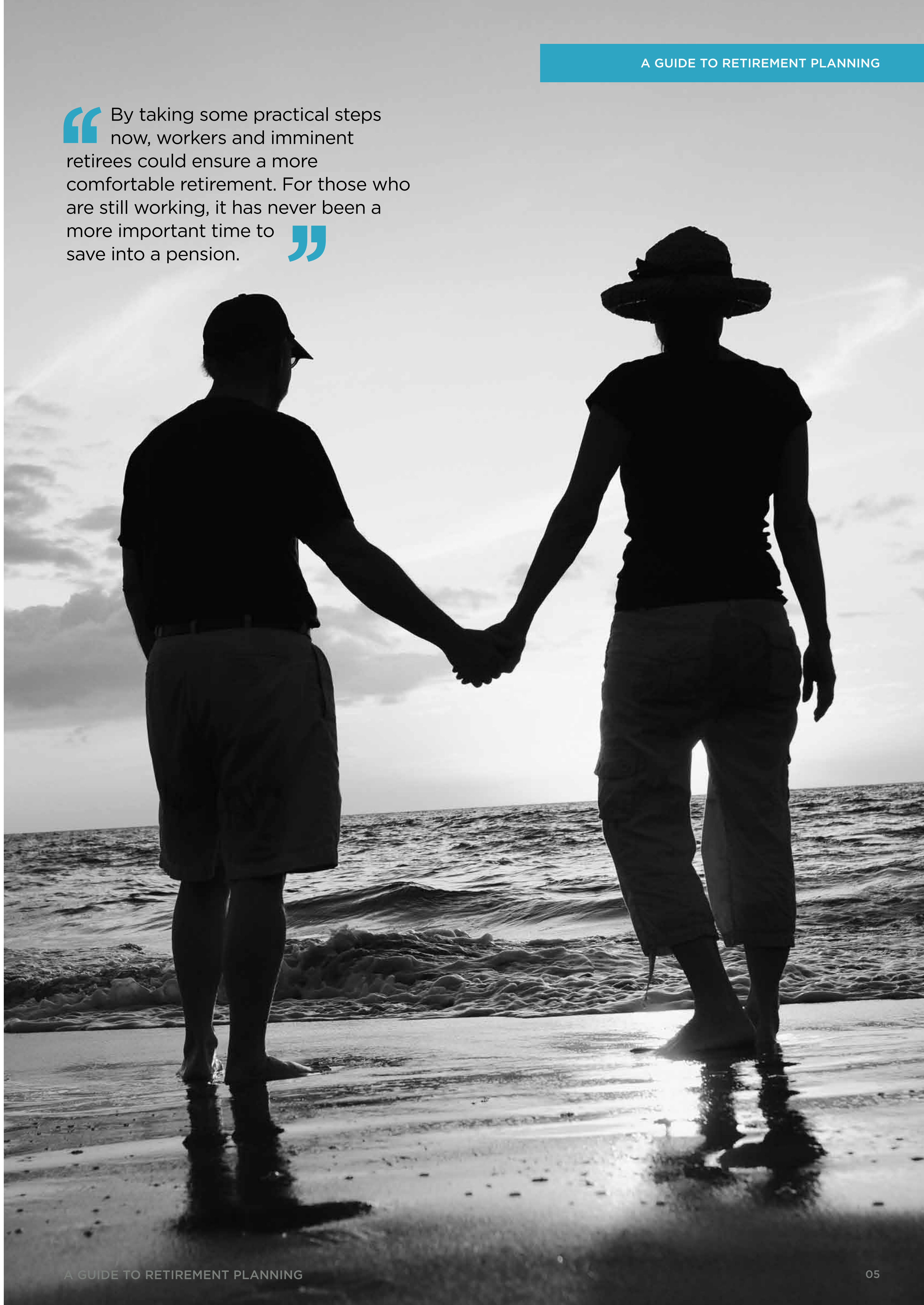
However, even if you are due to retire this year, you could still make your retirement funds generate better incomes.

NEED IDEAS ABOUT SAVING FOR YOUR RETIREMENT?

To discuss how we could help you to make more informed pension saving and retirement income decisions, please contact us.

Source – Online survey conducted by Research Plus on behalf of Prudential between 2 and 12 December 2011 among 9,614 UK non-retired adults aged 45+, including 1,003 retiring in 2012. All retirement income figures within this release are rounded to the nearest hundred.

“By taking some practical steps now, workers and imminent retirees could ensure a more comfortable retirement. For those who are still working, it has never been a more important time to save into a pension.”



Different types of occupational pensions

Most employers are required to offer their employees the chance to join a pension scheme

THERE ARE DIFFERENT TYPES OF OCCUPATIONAL PENSIONS THAT ARE AVAILABLE.

TYPES OF OCCUPATIONAL PENSION

Final salary (defined benefit) schemes
These are also known as defined benefit schemes as they guarantee a set level of pension when you retire. Your pension is based on an annual multiple of your pay and length of time in the scheme – typically one-60th of your final salary for every year of service.

Final salary schemes are expensive and risky for the employer, who has to invest to fund the sums promised to each employer. They are gradually being replaced by money purchase plans, which hold more risk for the employee.

MONEY PURCHASE (DEFINED CONTRIBUTION) SCHEMES

Contributions are normally made by you and your employer. The size of your pension pot will depend on how much has been contributed, the performance of the underlying investment funds and how long it's been invested.

GROUP PERSONAL PENSION PLANS

An employer sets up a number of personal pensions for employees, in order to achieve economies of scale and reduced administration costs. Your employer doesn't have to contribute towards the scheme, but might agree to do so.

Pension contributions made by you and, your employer, go into the fund each month. When you retire you can take a tax-free lump sum from the fund and use the rest to buy an annuity, which will provide a regular income for the rest of your life.

You should be able to consolidate your money purchase pension plan to a new employer's scheme, and should always obtain professional advice to see if this is the best option for you.

STAKEHOLDER PENSION SCHEMES

If your employer has five or more employees, and doesn't offer an occupational or group pension plan to which they contribute at least 3 per cent of your pay, they must offer a workplace stakeholder scheme. Your employer doesn't have to contribute, but may agree to do so.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

One of the ways in which you can top up your occupational pension scheme is by paying into an AVC run by your employer, if they offer this option.

TYPES OF AVC INCLUDE:

ADDED YEARS AVC

This only applies to final salary (defined benefit) schemes. Contributions are used to buy 'added years' to increase the number of years of service in your main scheme.

IN-HOUSE AVC

This is run through your employer's occupational scheme. Your employer bears the administrative costs, meaning that topping up this way is likely to be cheaper for you than topping up your pension by other means.

MATCHED AVCS

These apply to defined contribution/ money purchase schemes. The major incentive to buy matched AVCs is that the employer will match the employee's contribution to a defined level, for example; an employer could pay 1 per cent for every 1 per cent an employee pays, up to a specified maximum.

BOLT-IN SCHEMES

In-house schemes in which employees bear the administrative cost.

MONEY PURCHASE AVC

You make the contributions that build up your pension fund and bear the administrative costs. Your employer may agree to match your contributions.

"One of the ways in which you can top up your occupational pension scheme is by paying into an AVC run by your employer, if they offer this option."

Enrolling workers into a workplace pension

Saving for your retirement arranged through your employer

Starting from October 2012, some employers will have to enrol workers into a workplace pension, if they meet certain criteria.

WORKPLACE PENSION – WHAT IT IS?

A workplace pension is a way of saving for your retirement arranged through your employer.

HOW THIS COULD AFFECT YOU

Your employer will enrol you into a workplace pension if you:

- Are not already in a pension at work
- Are aged 22 or over
- Are under State Pension age
- Earn more than £7,475.00 a year
- Work in the UK

Your employer will write to you to explain how the changes affect you. You can choose to opt out of this pension, if you want to. But if you stay in you'll have your own pension, which you get when you retire. If you're already in a pension at work and it meets the government's new standards, this will not affect you.

WHEN THIS IS HAPPENING

When you will be enrolled depends on the size of the organisation you work for. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow sometime after this, over several years. Your employer will give you the exact date nearer the time.

WHY THIS IS HAPPENING

People are living longer. You could be retired for twenty years and you need to think about how you'll fund it.

The State Pension is a foundation for your retirement. But if you want to have more when you retire, you may want to consider contributing to a workplace pension. The full basic State Pension in 2012/13 is £107.45 per week for a single person.

The government is getting employers to enrol their workers automatically into a workplace pension so it's easier for people to start saving.

BENEFITS OF STAYING IN A WORKPLACE PENSION

A pension is a way of saving money to provide you with an income when you retire. There are many benefits to having a pension at work.

Your employer will pay into it. This contribution from your employer means your pension can build up more quickly than if you were saving for your retirement on your own.

The government will also pay into it, in the form of tax relief. This means some of the money you earn, instead of going to the government as income tax, now goes into your pension instead.

Your workplace pension belongs to you, even if you leave your employer in the future. As your employer will automatically enrol you into this pension, it's a simple way of saving while you earn.

Being in a workplace pension is an important step towards giving yourself the lifestyle you would like in later life.

WHAT EMPLOYERS MUST DO BY LAW

Your employer must let you know in writing if you're being enrolled into a workplace pension or not. When you'll be enrolled depends on the size of the organisation you work for. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow sometime after this, over several years. Your employer will give you the exact date nearer the time.

If you're being automatically enrolled, your employer must let you know in writing:

- The date of your enrolment
- The pension scheme you will be enrolled into
- How much will go into your pension (as a percentage of your salary or as an amount)
- How you can opt out of the pension, if you want to

Your employer must also:

- Accept your request to join their workplace pension, if you have previously opted out or stopped paying - your employer must accept your request once in a 12 month period but can choose to accept further requests if they want to
- Enrol you back into the pension at regular intervals (usually every three years), if you meet the eligibility criteria and aren't in a workplace pension
- Pay your full contributions on time, to whoever runs your pension scheme

If you're already in a workplace pension, your employer must confirm in writing that the pension meets the government's new standards.

If you're not being enrolled and you're not already in a workplace pension, your employer must:

- Explain in writing that you have a right to join a workplace pension
- Explain to you how you can join

If you ask your employer to join a pension scheme, you may be entitled to your employer's contribution. Your employer will let you know if this is the case.

WHAT EMPLOYERS CAN CHOOSE TO DO

Employers are allowed to delay the date they enrol you into a pension, by up to three months from the deadline given to them by the government.

If the pension is a defined benefit or hybrid pension scheme, and you have an existing right to join your employer's pension, your employer can delay enrolling you for several years.

If your employer does delay, they have to let you know in writing. If you want to join your workplace pension in the meantime, your employer must accept your request.

SALARY SACRIFICE

Employers can use 'salary sacrifice'. This is an arrangement that must be agreed between you and your employer. You give up part of your pay and your employer pays this amount into your pension pot instead. It is also known as 'salary exchange' or 'SMART scheme.'

WHAT EMPLOYERS CAN'T DO

The new law states certain things employers cannot do. The employer can't:

- Offer incentives to workers to opt out of their workplace pension
- Offer incentives to workers during recruitment or imply that a worker can only be employed if they opt out of their workplace pension
- Unfairly dismiss a worker because they stay in their workplace pension

MINIMUM AMOUNT THAT HAS TO BE PAID IN TO YOUR WORKPLACE PENSION

The amounts paid in by you, your employer and the government (tax relief), are usually calculated as a percentage of your earnings. Your employer will let you know what these are. The government has set minimum amounts for defined contribution pension schemes.

MINIMUM THAT HAS TO BE CONTRIBUTED IN TOTAL

The government has set a minimum percentage that has to be contributed into your workplace pension in total. It is made up of your contribution, your employer's contribution and the tax relief, added together. The minimum will start at two per cent and increase to eight per cent over the next few years.

MINIMUM THAT HAS TO BE CONTRIBUTED BY YOUR EMPLOYER

As part of the overall percentage, the government has also set a minimum percentage that has to be contributed by your employer. This will start at one per cent and increase to three per cent over the next few years.

These minimum percentages do not apply to all of your salary. They apply to what you earn over a minimum amount (currently £5,035) up to a maximum limit (currently £33,540). This is sometimes called 'qualifying earnings.'

So for example, for someone who earns £18,000 a year, the minimum percentages are calculated on the difference between £18,000 and £5,035, which is £12,965.

CONTRIBUTE MORE THAN THE MINIMUM

Your employer can choose to pay more into your workplace pension than the minimum required. If so, you can choose to reduce your own contribution. But the overall contribution must still meet at least the minimum level set by the government. You can also choose to increase your contribution.

Tax relief on pension contributions

Encouraging people to invest more towards their retirement

The aim of tax relief is to encourage people to invest more towards their retirement and rely less on the state for income after they stop working. Those who receive below a certain threshold in pension income – currently £137.35 if you are single or £209.70 if you have a partner – receive a top up through a means-tested benefit called pension credit. The more people that save for themselves, the fewer who will need to claim pension credit.

HOW TAX RELIEF ON PENSION CONTRIBUTIONS WORKS

The way you receive tax relief on pension contributions depends on whether you pay into an occupational, public service or personal pension scheme.

OCCUPATIONAL OR PUBLIC SERVICE PENSION SCHEMES

Usually your employer takes the pension contributions from your pay before deducting tax (but not National Insurance contributions). You only pay tax on what's left. So whether you pay tax at basic, higher or additional rate you receive the full relief straightaway.

If you're a GP or dentist and contribute to a public service scheme you are taxed as self-employed for part of your earnings so should claim tax relief through your Self assessment tax return.

PERSONAL PENSION PLANS

Every pound you pay into a private personal pension scheme is matched with tax relief by the government – effectively any Income Tax you have paid on that pound is paid into your pension fund. This means that for every £80 a basic rate tax payer puts into a pension scheme, the government pays £20.

Even those who don't pay tax but are still contributing to a pension (maybe because their partner is providing the money) can still receive tax relief at 20 per cent on contributions up to £2,880 a year: the government tops this amount up to a total of £3,600.

If you are a higher rate tax payer, you can claim additional tax relief through your Self assessment return. The relief ranges from 1 per cent to 20 per cent more, depending on how much you earn above the higher rate tax band and how much you contribute to your pension. If some of your contribution comes from earnings that have been taxed at 40 per cent, then you will get 40 per cent tax relief. But if some comes from the 20 per cent tax band, you will get the lower rate of relief on that part.

Likewise, the highest rate taxpayers who pay 50 per cent income tax on the top slice of their earnings – anything over £150,000 – can benefit from between 1 per cent and 30 per cent additional tax relief.

You can put 100 per cent of your annual earnings in a pension if you can afford it, and will receive tax relief on up to £50,000 of contributions in the current tax year, meaning someone earning £200,000 would receive £25,000 from the government towards their pension.

RETIREMENT ANNUITIES

Unlike personal pension providers, most retirement annuity providers - personal pension schemes set up before July 1988 - don't offer a 'relief at source' scheme whereby they claim back tax at the basic rate. Instead you'll need to claim the tax relief you're due through your tax return, or if you don't complete a tax return by telephoning or writing to HM Revenue & Customs (HMRC).

EFFECT OF PENSION CONTRIBUTIONS ON AGE-RELATED ALLOWANCES

If you receive an age-related Personal Allowance or Married Couple's Allowance HMRC will subtract the amount you contribute plus the basic rate tax from your total income and use the reduced figure to work out the value of your allowances. This may have the effect of increasing these allowances if your income was above the relevant 'income limit' that applies.

WHAT HAPPENS IF YOU DON'T PAY TAX?

If you don't pay tax you can still pay into a personal pension scheme and benefit from basic rate tax relief (20 per cent) on the first £2,880 a year you put in. In practice this means that if you pay £2,880 the government will top up your contribution to make it £3,600.

THERE IS NO TAX RELIEF FOR CONTRIBUTIONS ABOVE THIS AMOUNT

Tax relief if you put money into someone else's pension scheme

You can put money into someone else's personal pension - like your husband, wife, civil partner, child or grandchild's. They'll get tax relief won't affect your own tax bill. If they've got no income, you can pay in up to £2,880 a year - which becomes £3,600 with tax relief.

If the pension scheme rules allow it you may also be able to put money into someone else's occupational or public service scheme. You'll not get tax relief on your contribution but the other person can get relief either through their tax return or by making a claim to HMRC.

LIMITS ON TAX RELIEF

You can save as much as you like into any number and type of registered pension schemes and receive tax relief on contributions of up to 100 per cent of your earnings (salary and other earned income) each year, provided you paid the contribution before age 75.

But the amount you save each year toward a pension from which you benefit from tax relief is subject to an 'Annual Allowance.'

ANNUAL ALLOWANCE

For money purchase schemes, it's the limit on how much can be paid by in total by you and your employer in a tax year

For final salary and career average schemes, the limit is on the value of the increase in your pension built up in a tax year

THE ANNUAL ALLOWANCE FOR THE TAX YEAR 2012/13 IS £50,000.

Contributions paid in excess of the allowance or the value of pensions that accrue in excess of the allowance give rise to a tax charge at the individual's own marginal rate.
For each scheme, the Annual Allowance is not applicable in the tax year that retirement benefits are drawn.

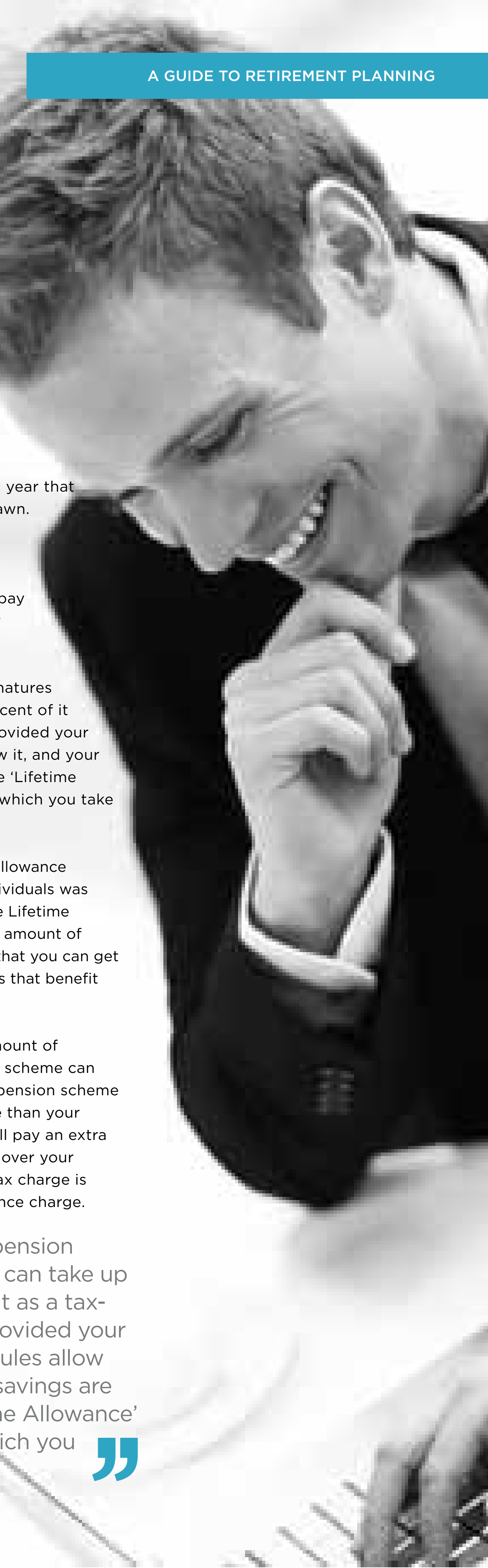
OTHER PENSION TAX ADVANTAGES

The pension fund doesn't pay tax on any capital gains or investment income.

Also, when your pension matures you can take up to 25 per cent of it as a tax-free lump sum, provided your pension scheme rules allow it, and your total savings are within the 'Lifetime Allowance' for the year in which you take your benefit.

For 2012/13, the Lifetime Allowance for pension savings for individuals was reduced to £1.5 million. The Lifetime Allowance is the maximum amount of pension and/or lump sum that you can get from your pension schemes that benefit from tax relief.

There is no limit on the amount of benefits that your pension scheme can pay you. However, if your pension scheme gives you benefits of more than your Lifetime Allowance you will pay an extra tax charge on the amount over your Lifetime Allowance. This tax charge is called the Lifetime Allowance charge.



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A GUIDE TO RETIREMENT PLANNING

Saving for your retirement

The sooner you start saving for your retirement the more secure your future will be

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.

HAVING A PERSONAL OR OCCUPATIONAL PENSION

The sooner you start putting money into your own personal or occupational pension, the more time you have for it to build up.

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

STATE PENSION

The Sate Pension is paid to those who are eligible, over State Pension age and who have claimed it. You may be eligible for the following types of State Pension:

BASIC STATE PENSION ADDITIONAL STATE PENSION

For men born before 6 December 1953, the current State Pension age is 65.

For women born after 5 April 1950 but before 6 December 1953, their State Pension age is between 60 and 65.

INCREASE IN STATE PENSION AGE TO 66

Under the Pensions Act 2011 women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018 the State Pension age for both men and women will start to increase to reach 66 in October 2020.

These changes affect you if you're:

- A woman born on or after 6 April 1953
- A man born on or after 6 December 1953

The current law already provides for the State Pension age to increase to:

- 67 between 2034 and 2036
- 68 between 2044 and 2046

> "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."

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

Personal pension plans

Providing retirement benefits based on the accumulation of a 'pot' of money

A personal pension plan is a type of defined contribution arrangement. This scheme provides retirement benefits based on the accumulation of a 'pot' of money, accumulated through the investment of contributions paid by both the employee and the employer. It is essentially an investment policy that provides an income in retirement. It is available to any UK resident who is under 75 years of age.

The policyholder contributes to the plan, the money is invested and a fund is built up.

The amount of pension payable when the policyholder retires is dependent upon:

- The amount of money paid into the scheme
- How well the investment funds perform
- The 'annuity rate' at the date of retirement (an annuity rate is the factor used to convert the 'pot of money' into a pension)

The policyholder can retire at any age after 55 (subject to plan restrictions). When the policyholder does retire, they can generally take up to 25 per cent of the value of their fund as a tax-free lump sum. The remainder of the fund can be used to buy an annuity with an insurance company.

WOULD A PERSONAL PENSION PLAN BE GOOD FOR YOU?

Your decision will largely depend on how much you can afford to save for your pension and how much you will get from other pensions.

Personal pension plans may be suitable for:

- People who are self-employed
- People who are not working but can afford to pay for a pension
- Employees whose employer does not offer an occupational pension scheme
- Employees who have the option to pay into an occupational pension, but choose not to
- Employees on a moderate income who wish to top up the money they would get from an occupational pension

A PERSONAL PENSION PLAN MAY NOT BE THE BEST CHOICE IF:

- Your employer offers an occupational pension scheme
- Your employer offers access to a stakeholder pension scheme, with an employer contribution

A GUIDE TO RETIREMENT PLANNING

Changes to State Pension age

Helping to manage the cost of State Pensions because of increasing life expectancy

In his Autumn Statement, on 29 November 2011, the Chancellor of the Exchequer, George Osborne announced that the State Pension age will now increase to 67 between 2026 and 2028. The government said it took this decision because of increasing life expectancy, to help manage the cost of State Pensions. If you were born in the 1960s, find out how you could be affected.

Under current legislation, State Pension age is planned to increase to:

- 66 between November 2018 and October 2020
- 67 between 2034 and 2036
- 68 between 2044 and 2046

The government has announced that the increase to 67 will now take place between 2026 and 2028.

This change to the timetable is not yet law and will require the approval of Parliament.

WHO IS AFFECTED BY THE ANNOUNCEMENT?

This will mean that people born after 5 April 1961 but before 6 April 1969 will have a State Pension age of 67.

People born after 5 April 1960 but before 6 April 1961 will reach State Pension age between 66 and 67 as shown in the table.

Under the Pensions Act 2007, people born after 5 April 1969 but before 6 April 1977 already have a State Pension age of 67.

For people born after 5 April 1968 but before 6 April 1969, their State Pension age would have been between 66 and 67.

Under the announcement these people will now have a State Pension age of 67.

CHANGES TO STATE PENSION AGE BEYOND 67

State Pension age is planned to start to increase to 68 from 2044 and this would affect anyone born after 5 April 1977.

The government is considering how the State Pension age could better reflect changes in life expectancy in the future. This is likely to mean that the existing timetable to increase State Pension age to 68 will be revised.

BASIC STATE PENSION - WHAT IS IT?

Anyone who has enough qualifying years from their National Insurance (NI) contributions record is entitled to some basic State Pension. You can receive a basic State Pension based on the qualifying years of National Insurance contributions (NICs) you have.

WHEN CAN YOU GET A BASIC STATE PENSION?

State Pension age is the earliest you can get a basic State Pension. You have to claim it. You can also choose to put off claiming (defer) and take your State Pension later. If you choose to defer you could receive an extra State Pension or a lump-sum payment as well as your State Pension when you do claim.

WILL YOU GET A BASIC STATE PENSION?

You can get a basic State Pension by paying or being credited with enough National Insurance contributions (NICs) towards qualifying years before State Pension age.

In 2012/13, you need to have £5,564 or more of such earnings if:

- You're an employee
- You're paying National Insurance Contributions as a self-employed person

HOW MANY QUALIFYING YEARS DO YOU NEED?

- The number of qualifying years you need for a full basic State Pension depends on your age and whether you're a man or a woman
- Men born before 6 April 1945 usually need 44 qualifying years
- Women born before 6 April 1950 usually need 39 qualifying years
- Men born on or after 6 April 1945 need 30 qualifying years
- Women born on or after 6 April 1950 need 30 qualifying years

ADDITIONAL STATE PENSION

An additional State Pension can give you extra money on top of your basic State Pension. It is also sometimes called the State Second Pension (it used to be called the State Earnings Related Pension Scheme (SERPS)). You may be entitled to additional State Pension if you're employed, looking after a child or caring for someone.

WHO GETS THE ADDITIONAL STATE PENSION?

You may be contributing to or receiving credits towards the additional State Pension if you're below State Pension age and you're:

- Employed and earning over £5,564 In 2012/13 (from any one job)
- Looking after children under 12 years old and claiming Child Benefit
- Caring for a sick or disabled person for more than 20 hours a week and claiming Carer's Credit
- A registered foster carer and claiming Carer's Credit
- Receiving certain other benefits due to illness or disability

If you're employed and have a pension then you may be 'contracted out' of the additional State Pension. This means you're unlikely to be contributing towards the additional State Pension.

HOW MUCH IS THE BASIC STATE PENSION?

The following table gives a simple overview of the maximum basic State Pension you may receive.

Circumstances	Basic State Pension rate per week, for 2012/13
Single man or woman	£107.45
Married man or woman or civil partner (who qualify with their own National Insurance contributions)	£107.45
Married man, woman or civil partner (using his wife's, her husband's or their civil partner's National Insurance contributions record)	£64.40

DATE OF BIRTH	APPROXIMATE STATE PENSION AGE
6 April 1960 to 5 May 1960	66 years and 1 month
6 May 1960 to 5 June 1960	66 years and 2 months
6 June 1960 to 5 July 1960	66 years and 3 months
6 July 1960 to 5 August 1960	66 years and 4 months
6 August 1960 to 5 September 1960	66 years and 5 months
6 September 1960 to 5 October 1960	66 years and 6 months
6 October 1960 to 5 November 1960	66 years and 7 months
6 November 1960 to 5 December 1960	66 years and 8 months
6 December 1960 to 5 January 1961	66 years and 9 months
6 January 1961 to 5 February 1961	66 years and 10 months
6 February 1961 to 5 March 1961	66 years and 11 months
6 March 1961 to 5 April 1969	67 years

SERPS AND THE STATE SECOND PENSION

The additional State Pension has gone under different names in the past. You used to receive additional State Pension through the State Earnings-Related Pension Scheme (SERPS).

When entitlement to the additional pension is calculated, the earnings on which it is based are revalued in line with the growth in average earnings.

CONTRACTING OUT THE ADDITIONAL STATE PENSION

If you're an employee with annual earnings above a certain amount (£5,564 in 2012/13) - you may be able to choose to leave the additional State Pension.

CHANGES TO CONTRACTED OUT PENSIONS FROM 2012

The rules for contracting out of the additional State Pension changed on 6 April 2012. The changes mean that contracting out will not be possible through:

- A money-purchase (defined-contribution) occupational pension scheme
- A personal pension or a stakeholder pension

If you were contracted out through one of these schemes on 6 April 2012, you will have automatically been brought back into the additional State Pension. You'll have commenced building up additional State Pension from this time.

IF YOU ARE ALREADY CONTRACTED OUT

If you are already contracted out through either type of scheme, you will:

Be able to continue to make your own contributions to the scheme
Be able to continue to benefit from any employer contributions to the scheme
No longer be able to benefit from any rebate of National Insurance contributions

Contracting out through an occupational salary-related (defined-benefit) scheme will still be allowed. However, contracting out for these schemes will be reviewed in the future.

Is it time to get more flexible with your money?

Remove the cap on the retirement income you can take

Pension legislation is always on the move and keeping up to date with the latest changes could open up new opportunities for you in retirement. On 6 April 2011, the government announced that you no longer have to take pension benefits by the age of 75.

Previously, any tax-free cash lump sum had to be taken by age 75 and a pension set up at the same time. The only alternative was if you had a big enough fund to take an income directly from it (known as income drawdown).

The government's new rules affect benefits in personal pensions and money purchase occupational pension schemes.

GAINING MORE CONTROL

Many of these changes were designed to limit what the government clearly sees as over-generous tax relief concessions. But other changes have created the very appealing prospect, for people aged 55 or more, of gaining more control over when and how they can use their retirement savings.

Under the current rules, if you meet certain eligibility criteria, you can now take as much as you want from your pension, without the maximum income restrictions that apply to conventional drawdown arrangements. To be eligible for this facility – known as 'flexible drawdown' – you have to show that you already have a 'secure pension income' of £20,000.

ENHANCED DRAWDOWN FACILITIES

While, for many people, buying an annuity is likely to remain the most appropriate method of accessing their pension income, some will want to take advantage of these enhanced drawdown facilities.

Flexible drawdown could, for example, be used to meet one-off large expenditure items as they arise or to optimise your tax liabilities. It could also be a way to pass money through the generations, either by 'gifting' regular payments, for example into trusts, or as pension contributions to children using 'normal expenditure' rules so as to help avoid Inheritance Tax.

PAYING INCOME TAX

In moving money out of your pension fund before you die, you will be paying Income Tax on such payments but at a rate that is lower than the 55 per cent tax charge payable on a lump-sum payment from your pension fund when you die.

Another age-restricted benefit where the rules have been eased is the opportunity to take tax-free cash – typically a quarter of your pension pot – when you first start to take your pension benefits. Until April 2011, if you hadn't taken your tax-free cash by age 75, you lost the chance to do so. Now that restriction is removed too.

PENSION CONTRACT

Depending on your circumstances, all these changes may well sound like good news, but there's one important thing to be aware of. Just because the rules about when and how you take pension benefits have changed, it doesn't mean your pension contract will have changed as well.

If the terms of your contract have not been updated to reflect the new legislation, you could find that you can't take advantage of them. You could still find yourself obliged to buy an annuity at age 75. And if you haven't taken your tax-free lump sum at that age, you could still lose the opportunity to do so.

Self-Invested Personal Pensions

Taking more control over your pension fund investment decisions

If you would like to have more control over your own pension fund and be able to make investment decisions yourself with the option of our professional help, a Self-Invested Personal Pension (SIPP) could be the retirement planning solution to discuss.

MORE ACCESSIBLITY

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.

A fully fledged SIPP can accommodate a wide range of investments under its umbrella, including shares, bonds, cash, commercial property, hedge funds and private equity.

THOUSANDS OF FUNDS

You can typically choose from thousands of funds run by top managers 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 BENEFITS

There are significant tax benefits. The government contributes 20 per cent of every gross contribution you pay – meaning that a £1,000 investment in your SIPP costs you just £800. If you are a higher or additional rate taxpayer, the tax benefits could be even greater. In the above example, higher rate (40 per cent) taxpayers could claim back as much as a further £200 via their tax return. Additional rate (50 per cent) taxpayers could claim back as much as a further £300.

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

Helping you maximise your retirement income

Why your annuity will have to last you for longer

An annuity is an investment which will pay you an income for the rest of your life, no matter how long you live. This is achieved by handing over your pension fund to an insurance company in return for an annuity when you retire. The insurer then guarantees to pay you an income for the rest of your life via the annuity.

Increasing longevity means that your annuity will have to last you for possibly 20 or even 30 years of retirement, making decisions around inflation proofing your income very important.

DIFFERENT TYPES OF ANNUITY

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. The most important options are as follows:

SINGLE OR JOINT

A single life annuity pays a secure level of income, but stops when you die. If you are married, it is possible to have a joint life annuity. This means that annuity payments will continue to your partner if you die first.

You can choose how much income your partner will receive after you have died. For example, a 50 per cent joint life annuity means that when you die, your partner will receive 50 per cent of your pension until he or she dies. But be aware that buying a guarantee will reduce the income payment slightly.

GUARANTEE PERIODS

You can purchase a five or 10 year guarantee to ensure that if you die soon after annuity purchase, your spouse will continue to receive your annuity income for five or 10 years.

Buying a guarantee will reduce the income payment slightly, but this is a valuable option if you want peace of mind.

If you select a five year guarantee (which is the norm), and died two years after purchase, your estate would continue to receive an income for the next three years.

ANNUITY PROTECTION

It is also possible to buy a 'money back' or 'value protected' annuity. If you die before reaching age 75, and you have not received a certain amount of annuity payments by that time, the balance will be paid as a lump sum. This lump sum has the rather clumsy name of 'an annuity protection lump sum death benefit' and is taxable at 35 per cent.

At present the annuity protection option is only offered by a small number of annuity providers, mainly those which offer enhanced annuity rates.

ESCALATING ANNUITY

A level annuity pays the highest income at the start and does not increase in the future, whereas an escalating annuity starts at a lower level, but increases each year. The increases can be constant, for instance, increasing by 3 per cent each year, or the increases can be linked to changes in the retail price index, more commonly known as index linking.

It is only natural to want the highest income, but you should not forget the effects of inflation. An increasing annuity may start lower, but it will pay out more income in the future. The corrosive effect of inflation should not be underestimated.

ENHANCED ANNUITIES

If you are a smoker, in poor health or have a life reducing medical condition it is worth ascertaining whether you are eligible for an 'enhanced' annuity. This may pay a higher income because a medical condition, which is likely to reduce your lifespan, means that the insurer probably will not have to pay out for as long as for someone in good health.

There are three basic types of enhanced annuities:

LIFESTYLE ANNUITIES

These take into account certain behavioural and environmental factors, as well as medical factors to determine if you have a reduced life expectancy.

Any factor that may reduce life expectancy may be considered. These include smoking (10 cigarettes, or the equivalent cigars or tobacco, a day for the last 10 years), obesity/high cholesterol, hypertension/high blood pressure and diabetes.

IMPAIRED LIFE ANNUITIES

An impaired life annuity pays an even higher income for those who have significantly lower life expectancy. The insurer will require a medical report from your doctor (there is no need for you to have a medical examination).
Medical conditions such as heart attacks, heart surgery or angina, life threatening cancers, major organ diseases, such as: liver or kidney and other life threatening illnesses such as Parkinson's and strokes will be considered.

IMMEDIATE NEEDS ANNUITIES

These are designed for an elderly person who is terminally ill and about to enter a nursing home for the final years of their life. A lump sum payment will buy an immediate needs annuity, which guarantees payment of the elderly person's care until they die. These annuities are expected to normally pay out for around two to three years only.

WITH PROFITS ANNUITIES

With profit annuities pay an income for life, but the insurance company invests your pension fund in a with profits fund, (rather than fixed interest securities as happens with a conventional annuity).

A with profits annuitant therefore benefits from any future profits, but will also share in any of the losses in the with profit fund. You have to choose an 'Assumed Bonus Rate' (ABR) of say three to 5 per cent.

As a rule of thumb, if the bonus actually paid by the insurance company exceeds the ABR, your income will rise. If it is less than your chosen ABR, your income will fall. This means that you have to be prepared to receive a fluctuating income, so they are only suitable for people who can afford to take this risk.

With-profits annuities have the normal annuity options, namely single or joint life, and a choice of guaranteed periods and payment frequencies.

FLEXIBLE ANNUITIES

A flexible annuity combines the advantages of an income for life with the advantages of a certain amount of flexibility and control over income payments, investment options and death benefits.

When a traditional (non-profit) annuity is set up, the options selected cannot be changed at a later date even if your circumstances change. For instance, if it is a joint life annuity and your partner dies first, the annuity cannot be re-priced to reflect the higher rates for a single life annuity. But a 'flexible annuity' gives you income flexibility, investment control and choice of death benefits.

For more information on the benefits of shopping around before you purchase your annuity, we could help make the process easier – please contact us.

Getting the best annuity

How to substantially increase your pension income

The annuity market is very competitive and rates differ between annuity providers. You can substantially increase your pension income by purchasing your annuity from the company which pays the most income. This is called 'exercising the Open Market Option.'

INFORMING CUSTOMERS ABOUT BETTER ANNUITY OPTIONS

Thousands of people could end up with bigger pensions as new rules will force insurers to inform customers about better annuity options. The Association of British Insurers' (ABI) new code of conduct forces insurers to give more information about how consumers can 'shop around' for a better deal, while ensuring that those with health problems receive a higher income as a result.

BUYING THE WRONG TYPE OF ANNUITY

Currently, according to the ABI, more than half of all investors who buy an annuity – which pays a fixed income for life – simply buy the default annuity deal from their current pension provider. As a result many end up buying the wrong type of annuity or effectively locking into an uncompetitive pension deal for the rest of their lives.

Shopping around for the best annuity deal could increase the size of a pension by over a third. A recent report from the National Association of Pension Funds claimed that this was costing pensioners more than £1bn in lost retirement income.

BENEFITS OF SHOPPING AROUND

The new rules stop insurers from including an application form in the information pack sent to customers approaching retirement, making it less likely that people will simply buy the first annuity they see. These 'retirement packs' have been redesigned to place greater emphasis on the benefits of shopping around. Crucially, where insurers are selling an annuity to one of their existing customers, they will be required to ask about their circumstances and medical conditions before providing a quote.

Tracing a personal or occupational pension scheme

It can be easy to lose track of a pension if you change jobs through your working life

If you've lost the details of a pension the Pension Tracing Service may be able to help by providing your pension scheme's address. You can then contact the scheme and find your entitlement.

IT CAN BE EASY TO LOSE TRACK OF A PENSION IF YOU CHANGE JOBS THROUGH YOUR WORKING LIFE.

The Pension Tracing Service (part of The Pension Service) will try and help you trace a pension even if you're not sure of the contact details. It has access to information on over 200,000 pension schemes. The Pension Tracing Service will use this database, free of charge, to search for your scheme.

The Pension Tracing Service may be able to provide you with current contact details for a pension scheme. You can then use this information to contact the pension provider and find out if you have any pension entitlement.

INFORMATION TO GIVE TO THE PENSION TRACING SERVICE

You need to give the Pension Tracing Service what information you can. It will help if you can tell the Pension Tracing Service what type of pension scheme you are searching for. They hold details of two types of pension scheme: occupational pension schemes and personal pension schemes.

OCCUPATIONAL PENSION SCHEME

This is a pension scheme an employer offers to its employees. If you are trying to trace an occupational pension scheme, start by working out:

- Whether the employer traded under a different name
- The type of business the employer ran
- Whether the employer changed address at any time
- When you belonged to the pension scheme

> "If you've lost the details of a pension the Pension Tracing Service may be able to help by providing your pension scheme's address. You can then contact the scheme and find your entitlement."

A GUIDE TO RETIREMENT PLANNING

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 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.

OVERSEAS CONSOLIDATION

Most UK pension plan members are able to consolidate their benefits to other approved pension schemes. For those living overseas or those with overseas pension schemes, it may also be possible to transfer their benefits to pension schemes outside of the UK.

QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME (QROPS)

The procedure for overseas consolidation has been simplified significantly since April 2006. Now, as long as the overseas scheme is recognised by HM Revenue & Customs (HMRC) as an approved arrangement (known as a Qualifying Recognised Overseas Pension Scheme (QROPS)), the consolidation can be processed just like a transfer to a UK scheme.

A QROPS is a pension scheme set up outside the UK that:

- Is regulated as a pension scheme in the country in which it was established
- It must be recognised for tax purposes (i.e. benefits in payment must be subject to taxation)

UK schemes, when they receive an application to consolidate benefits overseas, must refer to the QROPS list. If the overseas scheme is included, the consolidation can proceed.

If the overseas scheme is not included, it can apply to HMRC for QROPS approval. If approval is not granted, the consolidation cannot proceed.

CONTRACTED OUT SCHEMES

There are further requirements if the consolidation payment includes a contracted out benefit (i.e. a Guaranteed Minimum Pension or Protected Rights). Before the consolidation can proceed, the UK scheme must:

- Obtain written confirmation from the member that they understand the risks in consolidating this type of benefit overseas because the overseas scheme may not provide the same degree of security or priority to the contracted out benefit
- Take reasonable steps to satisfy themselves that, where the overseas scheme is an occupation pension scheme, the member has entered the relevant employment
- Take reasonable steps to satisfy themselves that the member has received a statement from the overseas scheme showing the benefits to be awarded in exchange for the consolidation payment

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 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

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.

> "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."

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