

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 6 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



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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.

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.

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PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

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