

# Financial freedom

Deciding what to do with pension savings – even if you're still working

It might seem like a far-off prospect, but knowing how you can access your pension pot can help you understand how best to build for the future you want when you retire.

On 6 April 2015, the Government introduced major changes to people's defined contribution (DC) private pensions. Once you reach the age of 55 years, you now have much more freedom to access your pension savings or pension pot and to decide what to do with this money – even if you're still working.

Depending on the scheme, you may be able to take cash lump sums, a variable income through drawdown (known as 'flexi-access drawdown'), a guaranteed income under an annuity or a combination of these options. This means being faced with the choice of deciding how much money to take out each year and setting an appropriate investment strategy. It goes without saying that your income won't last as long if you take a lot of money out of the pension pot early on.

## WHAT ARE YOUR RETIREMENT INCOME OPTIONS?

There are many things to consider as you approach retirement. You need to review your

finances to ensure your future income will allow you to enjoy the lifestyle you want. You'll also be faced with a number of different options available for accessing your pension. Being faced with such an important decision, it's essential you obtain professional financial advice and guidance. We've provided an overview of the main options.

## KEEP YOUR PENSION POT WHERE IT IS

You can delay taking money from your pension pot to allow you to consider your options. Reaching age 55 or the age you agreed with your pension provider to retire is not a deadline to act. Delaying taking your money may give your pension pot a chance to grow, but it could go down in value too.

## RECEIVE A GUARANTEED INCOME FOR LIFE

A lifelong, regular income (also known as an 'annuity') provides you with a guarantee that the income will last as long as you live. A quarter of

your pension pot can usually be taken tax-free, and all the annuity payments will be taxed.

## RECEIVE A FLEXIBLE RETIREMENT INCOME

You can leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. A quarter of your pension pot can usually be taken tax-free, and any other withdrawals will be taxed whether you take them as income or as lump sums. You may need to move into a new pension plan to do this. You do not need to take an income.

## TAKE YOUR WHOLE PENSION POT IN ONE GO

You can take the whole amount as a single lump sum. A quarter of your pension pot can usually be taken tax-free – the rest will be taxed. You will need to plan how you will provide an income for the rest of your retirement.

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### TAKE YOUR PENSION POT AS A NUMBER OF LUMP SUMS

You can leave your money in your pension pot and take lump sums from it as and when you need until your money runs out or you choose another option. You can decide when and how much to take out. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. Each time you take a lump sum, normally a quarter of it is tax-free and the rest will be taxed. You may need to move into a new pension plan to do this.

### CHOOSE MORE THAN ONE OPTION AND COMBINE THEM

You can also choose to take your pension using a combination of some or all of the options over time or over your total pot. If you have more than one pot, you can use the different options for each pot. Even if you only have the one pot, it is possible to have a combination of guaranteed income for life with a flexible income.

### SIGNIFICANT EFFECT ON THE AMOUNT OF INCOME AVAILABLE

The earlier you choose to access your pension pot, the smaller your potential fund and income may be for later in life. This could have a significant effect on the amount of income available to you, meaning it may be less than it could have been, and it could run out much earlier than expected.

Taking an appropriate income or money from your pension is very complex. We'll help you access your options. Remember: if you choose to only withdraw some of your money, what's left will remain invested and could go down as well as up in value. You could also get back less than has been invested. Also, if you buy an income for life, you can't generally change it or cash it in, even if your personal circumstances change. And the inheritance you can pass on depends on what you decide to do with your pension money. ■

### EXPERT AND PROFESSIONAL ADVICE IS THE KEY

You don't have to do anything with your pension savings when you reach age 55. If you don't need the money yet, you can leave it where it is. But whatever your future plans are, it's essential to receive expert and professional advice. To review your situation and consider the ways we can to help you make the most of your retirement income, please contact us – we look forward to hearing from you.

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