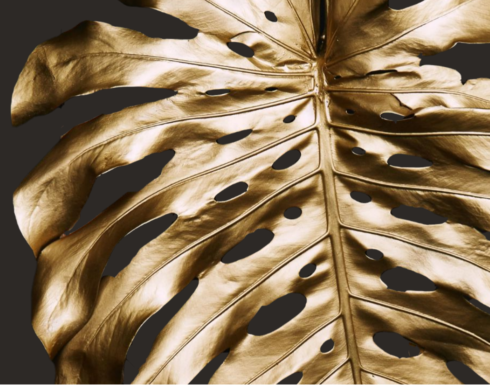

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

Planning How to Access your Pension

Pension freedoms have given those with personal pensions greater choice in retirement than ever before. However, with choice can come confusion, making advice in this area even more important.

FLEXIBILITY OVER HOW YOU DRAW AN INCOME OR WITHDRAW LUMP SUMS

How your future looks will ultimately be determined by the vehicle you choose to put in place for your retirement needs. As you approach retirement and start thinking about when and how to take your money, Investment Quorum will check what pensions you have and what they might give you. We may feel as though we are too often told that ours is an 'ageing population, but the fact is indeed that advances in medicine and generally improving living standards are combining to increase our life expectancy. The backdrop to this is a welfare state that is being stretched to its limits, including the state pension. We need to make our own provision if we are to have any chance of a comfortable retirement.

RETIREES NOW HAVE A WHOLE HOST OF NEW OPTIONS

The pension freedoms, introduced on 6 April 2015, have given retirees a whole host of new options. There is no longer a compulsory requirement to purchase an annuity (a guaranteed income for life for a fixed number of years) when you retire. The introduction of pension freedoms has brought about fundamental changes to the way we can access our pension savings. There is now much greater flexibility around how you take your benefits from Money Purchase Pension (Defined Contribution) schemes, which includes Self-Invested Personal Pensions (SIPPs).

HOW PENSIONS CAN BE TAKEN HAS BECOME DRAMATICALLY RELAXED

Since the rules governing how pensions can be taken have been dramatically relaxed, more people are using pension forms to access their retirement savings, but the amount they are individually withdrawing has continued to fall, according to the latest data from HM Revenue & Customs (HMRC). Pension freedoms have given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings.

WHAT ARE YOUR RETIREMENT OPTIONS?

LEAVE YOUR PENSION POT UNTOUCHED FOR NOW AND TAKE THE MONEY LATER

It's up to you when you take your money. You might have reached the normal retirement date under the scheme or received a pack from your pension provider, but that doesn't mean you have to take the money now. If you delay taking your pension until a later date, your pot continues to grow tax-free, potentially providing more income once you access it. If you do not take your money, we can check the investments and charges under the contract.

RECEIVE A GUARANTEED INCOME (annuity)

You can use your whole pension pot, or part of it, to buy an annuity. It typically gives you a regular and guaranteed income. You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into an annuity, providing a taxable income for life. Some older policies may allow you to take more than 25% as tax-free cash - we can review this with your pension provider. There are different lifetime annuity options and features to choose from that affect how much income you would get.

RECEIVE AN ADJUSTABLE INCOME (flexi-access drawdown)

With this option, you can normally take up to 25% (a quarter) of your pension pot, or the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income. You set the income you want, though this might be adjusted periodically depending on the performance of your investments. Unlike with a lifetime annuity, your income isn't guaranteed for life - so you need to manage your investments carefully.

TAKE CASH IN LUMP SUMS (DRAWDOWN)

How much and when you take your money is up to you. You can use your existing pension pot to take cash as and when you need it and leave the rest untouched, where it can continue to grow tax-free. For each cash withdrawal, normally the first 25% (quarter) is
tax-free, and the rest counts as taxable income. There might be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option, your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income, and it won't provide for a dependent after you die. There are also tax implications to consider that we can discuss with you.

CASH IN YOUR WHOLE POT IN ONE GO

You can do this, but there are certain things you need to think about. There are clear tax implications from withdrawing all of your money from a pension. Taking your whole pot as cash could mean you end up with a large tax bill - for most people, it will be more tax-efficient to use one of the other options. Cashing in your pension pot will not give you a secure retirement income.

MIX YOUR OPTIONS

You are not limited to just one option. Instead, you can mix them over time or over your total pot when deciding how to access your pension. You can mix and match as you like, and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish, and get tax relief up to when you are 75.

THINK CAREFULLY BEFORE MAKING ANY CHOICES

These pension flexibilities may mean more options for retirees, but they also are very complicated, so it's important to think carefully before making any choices that you can't undo in the future. Withdrawing unsustainable sums from your pensions could also dramatically increase the risk of you running out of money in your retirement. Talk to Investment Quorum IQ at a time that suits you to discuss your options.

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