



Pension  
freedoms,  
retirement and  
your options

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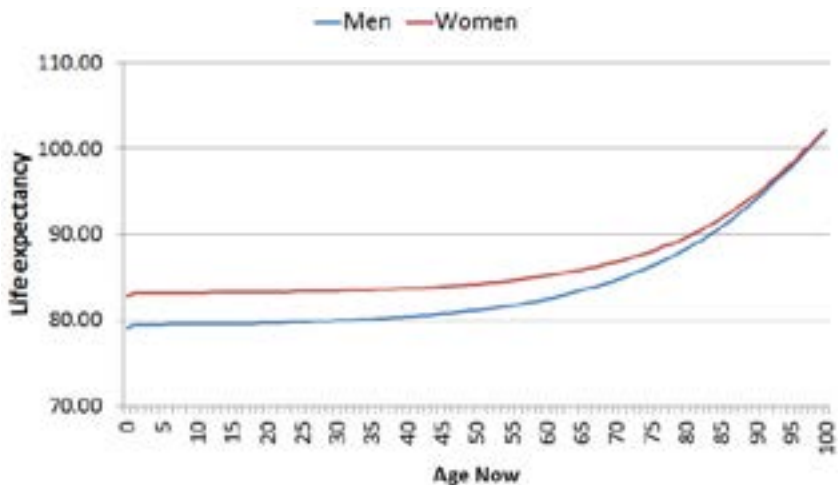
If you're over 55 – happy birthday! That means you can access your pensions thanks to George Osborne's Pension Freedom legislation that began in April 2015.

Decisions you make now have a long-lasting effect on your retirement, your quality of life and the legacy you leave behind, so it's time to take stock of all your options and get professional advice on what's right for you.

## We're all living longer

Pension freedom means you have more choice, but you also need to make your money last longer.

If you're 55 today, you can expect to live to 81 if you're male and 83 if you're female. For many people that is nearly 20 years of retirement. That means you need to fund your lifestyle using a combination of your **personal pension** and **state pension** so you need to plan carefully to make sure the funds don't run out.<sup>1</sup>



<sup>1</sup> [http://www.riskprediction.org.uk/index\\_lifeexp.php](http://www.riskprediction.org.uk/index_lifeexp.php)

<sup>2</sup> <https://www.gov.uk/new-state-pension/what-youll-get>

# What you need to beware of

## The New State Pension

Whether or not you're entitled to the New State Pension depends on your National Insurance record. You could receive up to **£168.60 a week** or **£8767.20 a year** (correct for 2019/20 tax year<sup>2</sup>). Most people supplement their retirement with a personal pension, but you should be aware that when withdrawing your personal pension, it is added to your state pension allowance and is subject to taxation at your marginal rate.

You're advised to check the government website gov.co.uk to see when you can start to receive the state pension. Your financial adviser can ensure you stay within tax brackets with careful planning.



<sup>3</sup> <https://www.moneyadvice.service.org.uk/en/articles/the-lifetime-allowance-for-pension-savings>

## The Lifetime and Annual Allowance

The lifetime allowance is a limit on the value of payouts from your pension schemes – whether lump sums or retirement income – that can be made without triggering an extra tax charge. The limit for most people in the 2019/20 tax year is £1,055,000.<sup>3</sup>

The annual allowance is a limit to the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension scheme each year, for tax relief purposes. The annual allowance is currently capped at £40,000 although a lower limit of £4,000 may apply if you have already started drawing a pension and applies across all of your schemes.<sup>4</sup>

If you think you may be in breach of either the lifetime or annual allowances, please speak to your financial adviser immediately.

## The taxman

The most important thing to bear in mind when accessing your pensions is that 25% of your total fund can be withdrawn tax-free, but everything else is taxed at your marginal rate.

So if you're thinking of withdrawing more than 25%, then you are likely to face 20%, 40% or even 45% tax on those withdrawals, eroding years of pension savings in a moment, which can't be reversed.

## Scammers

Unfortunately we live in a world where people will try to capitalise on this legislation to induce people to make high risk investments or try to defraud them out of their savings.

Working with an independent financial adviser means you are working with a regulated adviser with proper recourse for you if things go wrong.

This way you don't need to take your chances with a smooth talking salesperson who doesn't care if you make bad decisions.

<sup>4</sup> <https://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-and-tax/the-annual-allowance>

# Your pension options

Your options	An annuity	Take the whole pot	Take lump-sums	Flexi-access drawdown
Tax-free cash?	Up to 25% of fund	Up to 25% of fund	25% of each withdrawal	Up to 25% of fund
Regular income?	Yes	No	No	Yes
Guaranteed income?	Yes	No	No	No
Can I run out of money?	No	Yes	Yes	Yes
Will my tax rate go up?	Unlikely, as income is planned in advance	Likely	Depends on the size of lump-sums	Unlikely, as income is planned in advance
Can unused funds be used to provide an inheritance when I die?	Depends on the plan	No	Yes	Yes



# Annuity

*“I want a retirement income guaranteed for life”*

Annuities provide guaranteed regular retirement income and allow you to budget effectively. Annuities are the traditional option for retirement – but no longer the only choice. There are lots of different types of annuities and choosing the most appropriate one will depend on:

- your circumstances (including if you’d like a joint annuity with your partner)
- your health (even if you suffer from a minor ailment like asthma, you could receive higher monthly payments with an Enhanced Annuity)
- your attitude to risk
- whether you wish to pass any funds to your family when you die

Most ‘traditional’ annuities don’t allow unused funds to be used as inheritance, but now annuities can be arranged with additional features.

## Take your pension as one lump sum

*“I want to withdraw my entire pension”*

You don’t have to take your pension as regular income, you can choose to withdraw it and convert it to cash. You can take up to 25% of your total fund tax-free, but the rest is taxable and could push you into a higher tax band. Always consult an independent financial adviser before accessing your pension as you could face a tax bill and lose the tax-free advantage of pension savings.

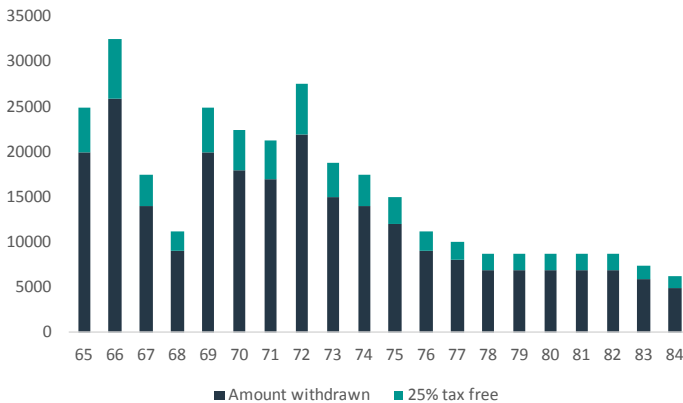
**Remember: if you choose this option it will be up to you to manage your spending and ensure that you have enough income to last for the whole of your retirement.**

# Uncrystallised Funds Pension Lump Sum

*“I want to withdraw lump sums”*

There are lots of different ways to take money from your pension. Some pension providers allow you to keep your pension pot invested, but take out lump-sums when you need them. You can access your pension all in one go taking 25% tax-free, or take multiple lump sums with 25% of each withdrawal tax-free.

This is known as UFPLS (Uncrystallised Funds Pension Lump Sum). Taking lump sums from your pension will reduce the size of your overall fund, and potentially lessen the amount you can take in the future.



Figures based on a £250,000 pension pot

Accessing pension benefits is not suitable for everyone. You should seek advice to understand your options at retirement. Levels and bases of and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor. Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means tested benefits. The Financial Conduct Authority does not regulate taxation advice.

From [which.co.uk](https://www.which.co.uk)

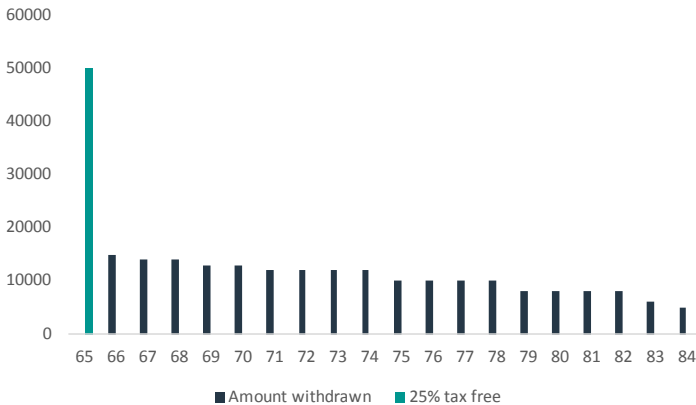


# Flexi-access drawdown

*“I want to take my money out as and when”*

With a flexi-access drawdown scheme your pension fund can remain invested in shares, bonds and so on, allowing you to draw regular income from it by cashing in some of those investments. Each time you move money into drawdown, up to 25% can be taken as a tax-free lump-sum. The remainder stays invested and taxable income can be drawn directly from the pension as you wish.

While you’ll be able to choose when and how much to take out of your pension, it will be up to you to manage your spending and ensure that you have enough income to last for the whole of your retirement. Unlike most annuities, the money that is left in drawdown when you die can be passed on.



Figures based on a £250,000 pension pot. This option typically results in a large lump sum released in the first retirement stage

# Why financial advice?

Independent financial advice means your unique situation (assets, liabilities, income, expenditure, life expectancy, lifestyle aspirations, family etc.) is analysed by an expert and an appropriate plan recommended. Our regular reviews mean plans are kept relevant so you can get on with living your life.

# How we get paid

Being independent means the only person who pays us is you. No kickbacks from providers. This means the only incentive we have to get your plan right is customer satisfaction.

# Why Wren Sterling?

We work with thousands of clients around the UK including employees from some of the UK's best known FTSE 100 companies to plan their investments, protection and financial affairs.

We advise on around £3bn of investments and we're the financial planning partner to 11 UK building societies and a bank.

In short, we've got the track record, scale, expertise and client commitment to say with confidence that you're in safe hands with us.

# Ask the experts

As recognition for our commitment to quality advice, Wren Sterling has been awarded the Pension Transfer Gold Standard.

This voluntary code of good conduct for pension transfer advice was designed to help you recognise good practice, ethical and professional standards when seeking financial advice on pension transfers.

While this accreditation emphasises the standards of service and advice we provide for Defined Benefit pension transfers, our clients can expect the same high levels of service no matter what their enquiry.



To discuss your pension options with a local financial adviser, please **arrange an appointment.**



The first appointment is always at our expense and can be conducted over the phone, at our office, your office or another convenient location.

## Where we are

We have advisers throughout the UK, based in **eight** regional offices including our head office in Nottingham.

- Glasgow 📞 0141 341 5240
- Halifax 📞 0333 0438900
- Nottingham 📞 0115 908 2500
- Warwick 📞 0333 043 9001
- Grantham 📞 01476 560 662
- London 📞 0370 1432 100
- Weybridge 📞 01932 481069
- Belfast 📞 0370 1432 100

## Need to speak to us?

✉ [contactus@wrensterling.com](mailto:contactus@wrensterling.com)

🌐 [www.wrensterling.com](http://www.wrensterling.com)

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