Helping you prepare for your retirement

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You're nearing retirement, which means you can now access your pension savings and it's time for you to consider what to do next. Whether it's revisiting old passions or looking forward to enjoying new freedom, we're here to help you understand what you can do with your pension, to achieve the lifestyle you want.

While it can seem like a lot to think about, spending a little time understanding your options could help you make the best decisions when you are ready to retire.

Financial advice is a key component of retirement planning. Getting things right from the outset is critical to ensuring maximum tax efficiency and longevity of your pension fund.

Contents

Your pension options

These days you have lots of freedom over what to do with your pension savings. You don't have to choose just one. You can combine these options in different ways to meet your needs.

Some of the options may not be available under your policy. You may have to transfer your pension savings to another policy, to access the full range of options. Burlington Financial will confirm what options are available to you.

Leave them for now

If you don't need to take your pension savings yet, you can leave them for now. You can keep them invested and make a decision when you're ready to retire.

Guaranteed income for life – an annuity

The amount of regular income you could receive depends on a number of factors. See page 3 for details.

Take it all in cash

You can take some or all of your pension savings in a lump sum.

Flexible access to your pension savings

You can take a part of your total pension savings whenever you like and leave the rest invested.

Ask us if in doubt, and we can advise on the right decision for you.

Leave them for now

Take your time and access your benefits when you need them

- You can normally access pension savings from age 55 (in 2028, this will be changing to 57) but you don't have to.
- Burlington Financial will check you're not losing any valuable guarantees or benefits by leaving your pension savings for now.
- It will mean your pension savings have the potential to grow over time, however investments can go down in value as well as up.
- You can continue to pay into your pension until age 75.
- You need to consider whether your current investments are likely to meet your retirement needs.

Guaranteed for life – an annuity

Certainty on the income you receive for the rest of your life

- You can normally take up to 25% of your retirement savings as a tax-free cash lump sum and use the rest to buy a guaranteed income for life (an annuity).
- The income you receive from an annuity will be taxable as income.
- The amount of regular income you'll receive from an annuity depends on your age and where you live. It will also depend on a number of different factors, including your health and lifestyle (for example if you're married, or a smoker, or have a health condition).
- If you choose for your annuity to be paid to a dependant after your death or to be guaranteed for a set period of time then the income you receive will be lower. The starting level of income will also be lower if you want your annuity to increase each year.
- Speak to Burlington Financial to understand what income you might receive.

Take it all in cash

Take your entire retirement savings as a lump sum

- You can access all your retirement savings as cash.
- If you reach age 75 with pension savings that you haven't used to provide retirement benefits, a Lifetime Allowance test will apply to these 'uncrystallised funds'. Please see page 9 for more information.
- Taking money this way may impact how much tax you have to pay. Please see 'What about tax?' on page 8.
- Once you take your retirement savings in this way the total amount you or anyone else can pay into your other pensions, without paying a tax charge, is currently £10,000 each tax year (although the Government may change this in future). This is called the Money Purchase Annual Allowance (MPAA).
- Remember, taking it all as a lump sum may leave you with insufficient money to support you in retirement.

If you have pensions with lower values (sometimes called 'small pots') you may benefit from two pension tax advantages when you take them all as cash.

- You might be able to use this option if you have small pension pots worth up to £10,000 each. Whether you can do this depends on HM Revenue & Customs' (HMRC) rules around the type of pension you have and your personal circumstances. You will need personalised advice to establish if you can use this option.
- 25% is tax-free, the remainder will be taxable as income in the tax year of payment. Please see 'What about tax?' on page 8.
- Taking money this way doesn't limit the total amount you or anyone else can pay into your other pensions (without paying a tax charge) to £10,000 each tax year, as is the case above. This is provided that the Money Purchase Annual Allowance doesn't already apply to you.
- In addition, taking money this way doesn't use up any of your Lifetime Allowance. Please see page 7 for more information.

Flexible access to your pension savings

Keep your pension savings invested and have flexibility over what to do with your retirement savings – taking what you need, when you need it. That's called Flexi-access Drawdown.

- You can normally take 25% of your retirement savings as a tax-free cash lump sum.
- Remember what you take after your 25% tax-free cash will be taxable as income.
- The remainder is held in a Flexible Access Drawdown Plan, where it will have potential to grow over time.
- You can then set up a regular income, when you're ready (you don't have to take any income) or you can take lump sums when you need them, or a combination of the two.
- There will be a Lifetime Allowance test when you set up your drawdown plan, and a second test at age 75. The Lifetime Allowance is the total amount you can build up in all of your pensions without incurring a tax charge.

Or there's Phased Retirement

- With Phased Retirement each time you take an amount from your pension savings. 25% is tax-free and the remainder will be taxable as income.
- This means the rest will continue to be invested and have potential to grow.

Once you take your savings in either of these ways, the total amount you or anyone else can pay into your other pensions, without paying a tax charge, is currently £10,000 each tax year (although the Government may change this in future). This is called the Money Purchase Annual Allowance.

Your retirement checklist

There are some key things you should consider as you approach your retirement date.

6 months before retirement

- Get advice from Burlington Financial before you decide what to do with your pension savings.
- Burlington Financial will consider any valuable guarantees you could be giving up based on your choice(s).
- Burlington Financial will shop around with multiple providers to ensure you get the best retirement deal for you.
- Decide what's going to work best for you - will you keep working, or do you want some money now and take some later?
- Workout how much income you need and when you need it. Also include any income from your State Pension (however this won't be payable until your late sixties). To see how much State Pension you're due to get, use the Government's calculator **www.gov.uk/state-pension-age**
- Burlington Financial will help you to track down any lost pensions.

6 weeks before retirement

- In conjunction with Burlington Financial, make your final decisions and implement your retirement plans.

What do I need to consider?

Depending on what you want to achieve in retirement, you should consider what you've got and how your pensions work.

Below are some key things you should be considering:

Do my pensions have any guarantees that I could lose if I change my retirement date?

Some pensions have valuable features or benefits which are only available at your selected retirement date. If you don't take these benefits at your selected retirement date or change this, you could lose these features or benefits.

If you have a guaranteed annuity rate it could be extremely valuable, in some circumstances, it could almost double your income

Burlington Financial will consider any valuable features carefully.

What if I am invested in With Profits?

If your pension is in a With Profits Fund. and you take your retirement benefits on a date other than your selected retirement date, under certain circumstances a Market Value Reduction **MAY** apply. This is a deduction that **MAY** be made on withdrawals or fund switches from With Profits funds.

Why is it important to shop around?

It's really important to shop around if you're looking at a guaranteed income for life or want to access your retirement savings more flexibly.

Burlington Financial will consider a number of things, including:

- The value of your retirement savings
- Whether you'll be taking a tax-free cash lump sum
- Your personal circumstances – are you married, have a partner or dependant? If you smoke or have medical conditions.
- Would you like your income to increase over time to reduce the possible impact of inflation? Remember, this will only apply if you choose a guaranteed income for life (an annuity).

As independent financial advisers Burlington Financial has access to multiple providers.

We will research the market on your behalf and recommend providers and solutions that will meet your needs in full.

Will this be your only source of income?

As you've got flexibility in how you can take your retirement savings, it's a good idea to work out what you may need to live on and whether you can afford to retire.

That's why the Pension and Lifetime Savings Association has developed Retirement Living Standards, to help you picture what kind of lifestyle you could have in retirement.

The standards show you what life in retirement can look like at three different levels (minimum, moderate and comfortable), and what a range of common goods and services would cost for each level. Explore the website to picture what life in retirement could look like for you. **www.retirementlivingstandards.org.uk**

Remember, these figures aren't set in stone. Use them as a guide to help you work out what you may need from your own retirement. Remember to include what you may get from your private and State Pension versus costs in retirement.

Do you have any other private or company pensions?

If you have other pensions, or if you're already taking an income from a pension, Burlington Financial will consider how much they are worth before deciding what to do.

State Pension and benefits

The State Pension is the main source of retirement income for a lot of people in the UK however, this won't be payable until your late sixties. It is paid by the Government and the pension you're entitled to (once you reach State Pension age) will depend on how much you have paid in National Insurance Contributions in your working life.

You can choose to defer the State Pension to a later date.

To see how much State Pension you're due to get, use the Government's calculator **www.gov.uk/state-pension-age**

If you receive state assisted benefits and you start taking income or a lump sum from your pension savings it may affect these benefits. You should check this before you take any pension benefits.

What about tax?

Most people still need to pay tax when they retire. You can normally take up to 25% of your retirement savings tax-free. Once you've had your tax-free amount, any money taken from your retirement savings is added to any other income you get in the tax year you take it.

This includes paid work, taxable income from any other sources including pensions and your State Pension. If at the end of the tax year, you've either under or overpaid on tax, it's your responsibility to sort it out with HMRC.

The tax treatment depends on your individual circumstances. Your circumstances and tax rules may change in the future.

How long can I leave the value of my plan?

Depending on the type of plan you have, you may need to use the value of your plan to take benefits before your 75th birthday at the latest. Some pension providers may allow you to keep your pension savings invested after this age. If you have a plan that doesn't allow you to invest after you've turned 75, you may need to transfer your plan before your 75th birthday to do this.

What if I decide to take part of my pension savings?

The following important points should be considered for both Flexible Access and Phased Retirement:

- Unlike an annuity, these options will not provide you with a guaranteed income for life. You could run out of retirement savings if you withdraw too much or if your investment performs badly. Burlington Financial will regularly review the value of your pensions and recommend changes if necessary.
- If you need to transfer to a new pension to access benefits, the charges under this new plan may be higher or lower than the pensions you already have.
- Once you take your retirement savings in this way the total amount you or anyone else can pay into your other pensions, without paying a tax charge, is currently £10,000 each tax year (although the Government may change this in the future). This is called the Money Purchase Annual Allowance (MPAA).

Think about your dependants – what happens with your pension savings if you die?

You should discuss the impact of your options with Burlington Financial. If you die before you've taken everything from your pension pot, its value will normally be paid to your beneficiaries. They can normally choose to take the value of the pension as an annuity, a lump sum or a beneficiary drawdown. Whether you die before or after age 75 will determine the type and amount of tax your beneficiaries will pay.

You should let your pension provider know who you would want to leave your pension to in the event of your death. It's really important to keep this information up to date as your wishes and circumstances change. However for some pensions it may need to be paid to your estate, rather than your beneficiaries, so Inheritance Tax may apply.

The Financial Conduct Authority does not regulate Estate and Tax planning.

Attention!! – Pension Scams

Unfortunately pension scams are on the increase in the UK and are a threat to your retirement savings. If you are taken in by a scam you could lose your entire pension fund, which would be very difficult to get back.

There are a few simple signs that will help you spot a scam and avoid being ripped off:

1. You are contacted out of the blue.
2. You receive an offer that's too good to be true.
3. Offering access to your pension before age 55.
4. You are expected to invest in an unusual asset.
5. You're asked to withdraw money first.
6. You are told to act quickly for the best deal.

We'd like to reassure you that you are safe in our hands

Burlington Financial is authorised and regulated by the Financial Conduct Authority and through our association with Sense Network you may be confident that our recommendations meet all of the rigorous requirements of the Financial Conduct Authority.

Check out our listing on the Financial Conduct Authority – Financial Services Register at **www.fca.org.uk/firms/financial-services-register** or simply scan the QR code.

Get in touch to see how we can help you with your retirement plans

Visit our website **www.burlington-financial.uk**

Send us an e-mail **enquiries@burlington-financial.uk**

Or call us on **01262 674988**

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A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. The tax implications of pension withdrawals will be based on your individual circumstances.

PLEASE NOTE: This guide is for general information only and does not constitute advice. The information is aimed at retail clients only. It is based upon our interpretation of current HMRC guidance and tax legislation, which may change in subsequent finance acts. It is not an offer to purchase or sell any particular asset and it does not contain all of the information which an investor may require in order to make an investment decision. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles.