

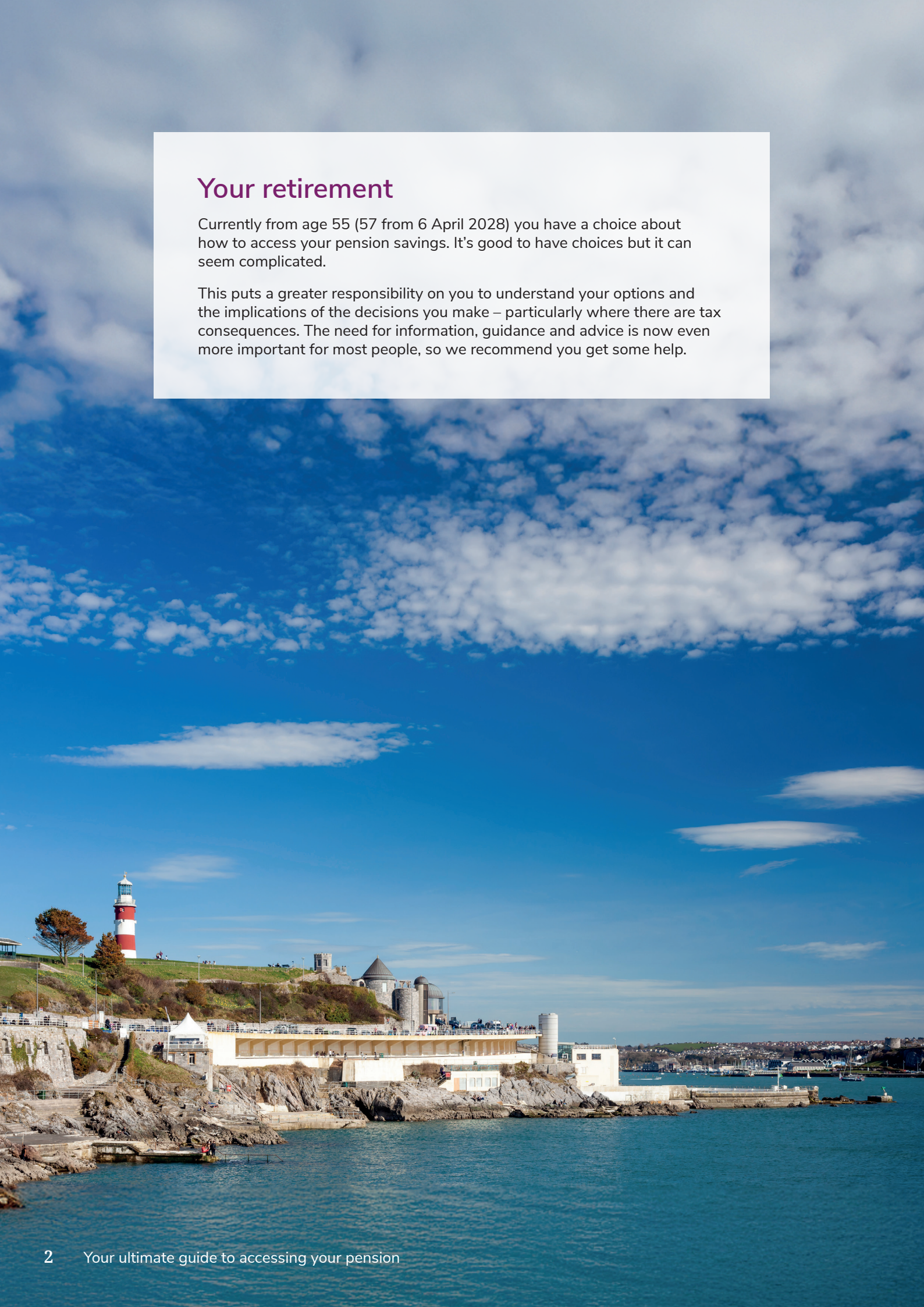
Your ultimate guide to accessing your pension



Your retirement

Currently from age 55 (57 from 6 April 2028) you have a choice about how to access your pension savings. It's good to have choices but it can seem complicated.

This puts a greater responsibility on you to understand your options and the implications of the decisions you make – particularly where there are tax consequences. The need for information, guidance and advice is now even more important for most people, so we recommend you get some help.

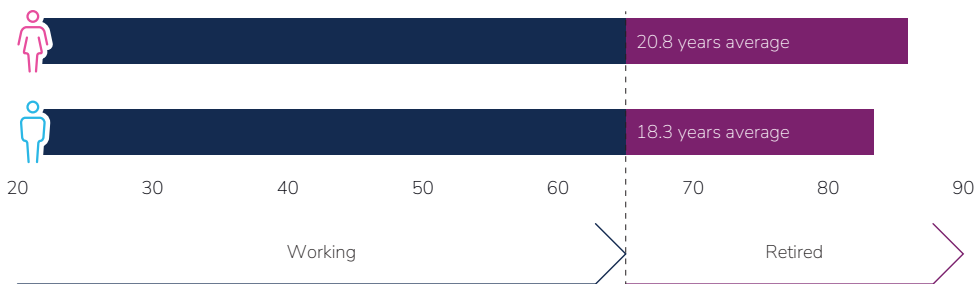


Key considerations

Before looking at the various pension savings options, there are a number of key considerations to think about and explore.

People are generally living longer and spending more time in retirement

This means your savings will need to provide you with an income for longer, so the earlier you put financial plans in place the better.

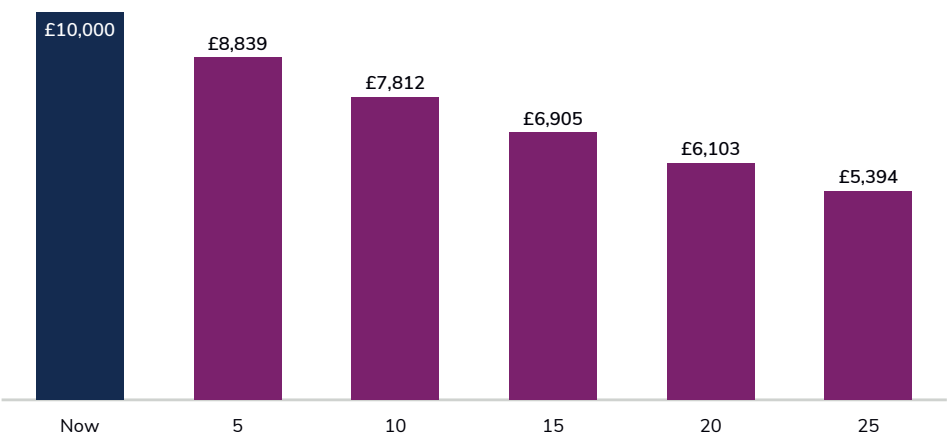


On average, men retiring at 65 can expect to live another 18.3 years in retirement and women retiring at 65 can expect to live another 20.8 years in retirement.

Source: Office of National Statistics, National Life Tables, UK 2020-2022 (January 2024).

Impact of inflation

With a potentially longer retirement to sustain your income over, the effect of inflation could have a significant impact on your retirement income.



Assuming 2.5% annual inflation, £10,000 today could be worth just £5,394 in 25 years' time.

This is just an example, as inflation could be more or less. The example also assumes that the sum has not grown over time as no interest has been added.

Retirement is changing

Retirement may not be a one-off event, as many people continue to work full or part-time, not just for an income, but to keep their minds and bodies active and healthy. This could influence when you might want to start or increase your retirement income.

Your income and cash needs

It's important to consider your lifestyle during retirement and the amount of income you will need to fund this.

Equally important is to think about special events that might require additional funds every now and then. You may want to plan for these in advance.

Planning for your dependants

Do you want to be able to provide for loved ones after you die? You may wish to consider whether you would like to provide an income and/or a cash amount.

Tax efficiency and planning

Government legislation means you now have more flexibility on the amount you can withdraw from your pension. Up to 25% of the withdrawal will normally be tax free, with the balance being taxable when taken as a lump sum or income. This may affect the rate of income tax you pay when added to any other income for that tax year. It's therefore important to consider how and when you take your income to ensure you are doing this in the most tax-efficient way possible. You should also consider the impact of your tax-free cash on any means-tested benefits that you may be eligible for.

State pension

To claim any state pension once you have reached State Retirement Age you need to have made National Insurance (NI) contributions for a minimum of 10 years. To receive the maximum rate you will need to have made full NI contributions for 35 years.

In our experience, we have found that the state pension will only cover the basic financial needs for many of our clients. We recommend that you request a personalised pension forecast from the Department for Work and Pensions. This will give you an understanding of the amount of state pension you will receive.

Your health

Your health may influence what you choose or need to do with your money. Additionally, if you or your loved ones have (or have had) certain health or lifestyle conditions, you could get a higher income through what's known as an enhanced annuity.

Your attitude to investment risk

Some of the options available to you will carry some investment risk. So an important part of the planning process is to explore your attitude to risk and your capacity to cope with any drop in value of your cash or income, if investment performance was to fall. We can't predict the future. Past performance isn't a guide to future performance.

Do your current pension savings offer important guarantees?

Some older style pensions may come with important and valuable features that could, for example, give you a higher guaranteed income.

This information is based on our current understanding of current law and HM Revenue & Customs practice in the UK, which may change. Tax rules can change and the impact of taxation and any tax relief depends on your circumstances, including where you live.

Make sure you're able to spot a pension scam. If you're approached out of the blue about an investment or business opportunity you should check they're authorised to give advice on pensions. In the worst case, if you fall for a scam, you could lose all your money.

You can find out more about pension scams and how to protect your money, by contacting the Pensions Regulator at pension-scams.com, and from the government's guidance service Pension Wise, moneyhelper.org.uk/pensionwise or calling them on 0800 280 8880.

Your retirement income options

This guide gives you more information on what we consider are the five main pension savings options:

- Leave it alone – leave your pension savings where they are for the time being.
- Take all of your pension savings as cash.
- Take some of your pension savings as cash.
- Get a guaranteed income for life (also known as an annuity).
- Tax-free money first and taxable money when you need it (also known as 'drawdown').

Your income requirements and amount of pension savings, together with your answers to our key considerations, make your individual circumstances unique.

The following guide sets out the main retirement income options. Following discussions with you, we will advise what is suitable – which could be a combination of these options.

When deciding what to do with your pension savings, it's important to remember that each option might have different tax implications and pension providers offer different products with alternative options or features (including the product terms, rates, funds or charges) that might be more appropriate for your individual needs and circumstances.

This is why it's important to shop around – so that whatever you decide to do – whether that's a guaranteed income for life (also known as an annuity), tax-free money first and taxable money when you need it (also known as drawdown) or something else, it's the right decision for you.

For some products, like annuities, it's important to compare the options so you can get the highest possible income. Your or your partner's health and lifestyle can increase the amount of income you or your partner can get. Different providers might use different criteria to assess your or your partner's health and lifestyle conditions. This is known as an enhanced annuity.

We recommend you use Pension Wise, a free and impartial government guidance service from MoneyHelper, to help you understand your options at retirement. You can speak to them on **0800 280 8880**, and book an appointment to meet with someone in person. And, you can visit moneyhelper.org.uk/pensionwise. You can also speak to a financial adviser.

1. Leave it alone – leave your pension savings where they are for the time being

If you're not ready to access your pension savings – you can leave your money where it is.

Your savings would stay within your tax-efficient pension while you keep your options open and can make a decision at a later date.

You could also choose to add to your pension savings during this time if your pension plan allows this. You should bear in mind that some pension plans will only run until your 75th birthday. If you do choose to do nothing, we recommend you review your terms and conditions or speak to your provider.



Advantages

Tax-efficient growth potential

Usually Inheritance Tax (IHT) friendly for dependants

Potentially higher income/cash amount when you take it later

Gives you more time to decide what to do

Guaranteed income (annuity) rates could increase in the future

Disadvantages

No income from your pension

Guaranteed income (annuity) rates could fall in the future

If you choose a guaranteed income (annuity) at a later date and the rates are lower than they are now, your total return could be less

If you want to buy a guaranteed income (annuity) at a later date, be aware that many annuity companies have a maximum entry age of 75 years

Investment risk – the money in your pension savings can go down as well as up so you might not get back the amount you put in. It is important to keep reviewing your options on a regular basis

2. Take all of your pension savings as cash

You can take all your money from your pension savings in one go. The first 25% you take will normally be tax-free and the rest will be added to your income and taxed at the relevant rate for that year. It is important to consider that you could lose 20%, 40% or even 45% to income tax*, if it pushes you into a higher tax bracket especially if you're still earning.

While having a cash lump sum may be appealing for some, it is also important to think about whether you can fund your retirement for the rest of your life. Depending on what you choose to do with this money, there are no guarantees that your money will last. You should also consider where would be a good home for the money you are moving out of your tax-efficient pension savings, if you don't need to use it immediately.

If your pension is less than £10,000 there are additional ways you can take your money. Please speak to an adviser or your provider if this is the case.

*This may be different for the Scottish Rate of Income Tax. Please check with a financial adviser.



Advantages

You get immediate access to your full fund

You can choose where you want to put your money and the investment risk you want to take

You can plan – you know exactly what you have

Disadvantages

Normally 25% is tax-free, the remaining 75% is liable to tax – which could move you into a higher tax bracket for that year, especially if you're still working

When money is paid as a cash lump sum we have to use an emergency tax rate. It means you could end up paying too much tax, which you will need to claim back from HM Revenue & Customs. Also, if you invest it elsewhere, you may have to pay additional tax on any new investment

By taking all of your pension savings, you could run out of money in the future and have to rely on another source of income in retirement

Inflation could have a significant impact on the purchasing power of your money

The amount you can contribute to your pension without a tax charge could be less

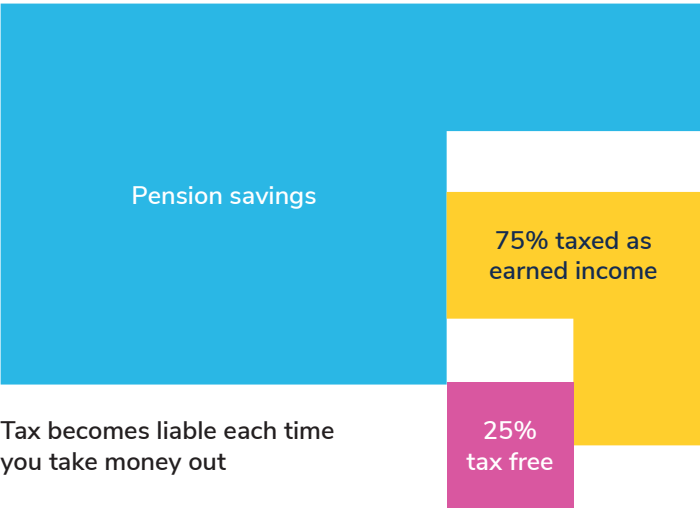
You could lose some or all of your state benefits

3. Take some of your pension savings as cash

You can take a number of cash lump sums from your pension. You can do this as and when you need. As long as you keep the rest of your money in your pension savings, it'll stay invested.

It is important to know that not all pension plans allow this, particularly older pensions.

Taking some of your money as cash



Advantages

- You can take out some of your pension
- Keeps your options open
- Meets your short-term needs for a lump sum amount
- The money left in your pension savings stays invested – benefitting from potential investment growth
- The amount left invested is usually outside of your estate – Inheritance Tax (IHT)

Disadvantages

- Normally 25% is tax-free, the remaining 75% is liable to tax – which could move you into a higher tax bracket for that year
- When money is paid as a cash lump sum we have to use an emergency tax rate. It means you could end up paying too much tax, which you will need to claim back from HM Revenue & Customs
- By taking some of your pension savings, you could run out of money in the future and have to rely on another source of income in retirement
- Investment risk – the money left in your pension can go down as well as up so you might not get back the amount you put in. It is important to keep reviewing your options on a regular basis
- Not all pension plans allow this option
- Inflation could have a significant impact on the purchasing power of your money
- The amount you can contribute to your pension without a tax charge could be less

4. Get a guaranteed income for life (also known as an annuity)

This is a regular income guaranteed to be paid to you for the rest of your life and will be taxed in the same way as income you earn while working. You can normally take 25% of your money as a tax-free lump sum at the start.

There are also options such as a level annuity where your income will stay the same. Alternatively there are index-linked and escalating annuities, that can help protect against the effects of inflation, meaning that your income could also increase.

If you also want the peace of mind that your loved ones are still provided for after you die there are three options to consider:

- **Joint-life:** an income is paid to a dependant usually for the rest of their life, if you die before them.
- **Payment guarantee period:** chosen beneficiaries will be paid an income for the remainder of a set period if you die within that time.
- **Value protection:** a lump sum will be paid to your chosen beneficiaries if you or your spouse dies. This lump sum is a percentage of the annuity purchase price which is protected.

The effect of inflation on a guaranteed income for life

Inflation (the buying power of your money) could affect your income depending on the options you choose. Inflation reduces the real value of fixed annuity payments over time, making it harder for retirees to maintain their standard of living as costs rise. An index-linked annuity, for example, adjusts payments based on inflation (eg, CPI or RPI), helping to maintain purchasing power, but it starts with lower initial payments. In contrast, a level annuity provides fixed payments that do not change, offering higher initial income but reduced purchasing power over time.

Advantages

A guaranteed income for the rest of your life

As you have a known income, you can budget your spending against your income

No investment risk

You could receive a higher income if you or your partner (if you selected a joint life option) have certain medical conditions – this is known as an enhanced annuity

Some older types of pension plans have important income guarantees, which could give you a higher income. Please check with your provider

Disadvantages

Unless you take out an option to protect your loved ones, your money is generally lost when you die

Although an income is guaranteed, if you haven't selected an increasing income option, inflation could have a significant impact on the buying power of your money

The decisions you make at the start, about increasing income or providing for loved ones, cannot be changed later

You will receive a lower income amount if you select certain options

5. Tax-free money first and taxable money when you need it (also known as ‘drawdown’)

This option gives you the flexibility to manage how much money you take and when – while the rest of your money remains invested.

You can generally take 25% of your pension savings tax-free before you move it into taking taxable money (if you don’t take it when you move your money, you can’t take it at a later date). Once you start to access your money through this option, it will be added to your income and taxed accordingly at your current rate for that year.

There’s no guarantee that your money will last for life. It will depend on your chosen investment options and how much money you take out.



Advantages

You can take your money as and when you want – as regular income or individual withdrawals

Your income and cash does not die with you – it can be left for any beneficiaries

Inheritance Tax (IHT) friendly – you can plan to pass on your investment to loved ones, potentially tax free

Investment choice is tailored to your individual preferences

Your cash has the potential to grow and any growth can help protect your income from the effects of inflation

Keeps some of your options open and allows you to adapt to changing circumstances

You can control the tax you pay by considering the most appropriate times to withdraw your money

Disadvantages

Investment risk – the money in your pension savings can go down as well as up so you might not get back the amount you put in. It is important to keep reviewing your options on a regular basis

When money is paid as a cash lump sum we have to use an emergency tax rate. It means you could end up paying too much tax, which you will need to claim back from HM Revenue & Customs. The tax you pay will depend on your individual circumstances and rules can also change

By taking some of your pension savings, you could run out of money in the future and have to rely on another source of income in retirement

No guarantee on future level of income

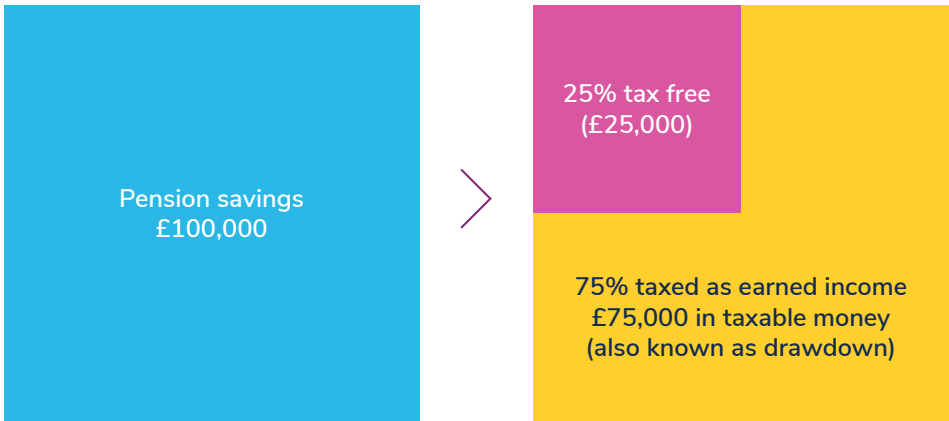
You could lose some or all of your state benefits

The amount you can contribute to your pension without a tax charge could be less



There are two main ways of using taxable money

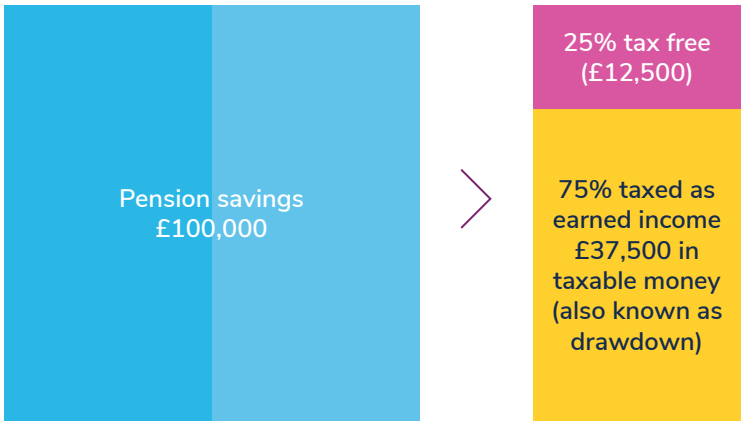
Moving ALL of your pension savings:



- Important points:
- Each amount taken out from this option will be taxed as earned income.
 - You can take money out whenever you want.

Moving SOME of your pension savings:

Move £50,000 into drawdown



- Important points:
- You can take the money from this option in parts or all at once.
 - Any remaining portion will stay invested.
 - Tax is liable only when you take money out – offering you control and efficiency in your tax planning.

The £50,000 remaining in your pension savings continues to benefit from growth potential over time. When you come to move more money out of your pension savings in the future, you will still be able to take 25% tax-free from each amount.

At a glance



Comparing your retirement income options

This information is a representation of the general tax implications of your investment-related pension savings options – Tax rules can change and the impact of taxation and any tax relief depends on your circumstances, including where you live.

Having looked at the options available it is now important to fully consider your circumstances and the income requirements that you expect to have in the years to come. A financial adviser can help guide you through everything you need to think about and provide you with advice on which options are right for you and your income needs.

	Leave it alone – leave your money where it is for the time being	Take all of your money as cash	Take some of your money as cash	Get a guaranteed income for life (also known as an annuity)	Tax-free money first and taxable money when you need it (also known as 'drawdown')
Can I take 25% of my money tax-free?	Not relevant	✔	✔	✔	✔
Do I have a secure income for life?	Not relevant	✘	✘	✔	✘
Could I run out of money?	Not relevant	✔	✔	✘	✔
What happens to my income when I die?	Not relevant	Not relevant	Not relevant	Your income stops unless you select a joint life option which would give your beneficiaries an income for the rest of their lives, or a payment guarantee period option which will provide an income until the end of the guarantee period	Income can continue, at the choice of the beneficiary
What happens to my money when I die?	Passes to nominated beneficiaries, normally at the discretion of the trustees	No money remains in the pension so it will depend what you have done with your money	Any remaining money passes to nominated beneficiaries, normally at the discretion of the trustees	No money remains unless you choose value protection option at outset, then potentially a lump sum may be payable to your beneficiaries	Passes to nominated beneficiaries, normally at the discretion of the trustees
Will I pay tax?	Not relevant	✔ The first 25% is normally tax-free with the remaining 75% being taxed at the relevant rate for that year	✔ The first 25% of each withdrawal is normally tax-free, the remaining 75% is added to income and taxed at the relevant rate for that year	✔ The income will be added to any other income you have and taxed at the relevant rate for that year	✔ Any amounts taken out will be added to any other income you have and taxed at the relevant rate for that year
Will my beneficiaries pay tax if I die before age 75?	✘ Any income or lump sum will normally be passed on tax free	It will depend on what you have done with your money. No money remains in the pension	Any money in pension savings will normally be passed on tax free	If you selected a joint life, payment guarantee period or value protection at outset, any income/payment guarantee period paid to your beneficiaries will be paid tax free	Any income or lump sum will normally be passed on tax free
Will my beneficiaries pay tax if I die age 75 or over?	✔ Any income will be added to their other income and taxed at the relevant rate	It will depend on what you have done with your money. No money remains in the pension	✔ Any income will be added to their other income and taxed at the relevant rate	If you selected joint life, payment guarantee period or value protection at outset, any income/lump sum paid to your beneficiaries would be added to their income and taxed at the relevant rate	✔ Any income will be added to their other income and taxed at the relevant rate
Can I change my mind after I have taken this option?	✔ You can decide which of the other options to take	✘	✔ With your remaining money you could get a guaranteed income for life or take taxable money when you need it (drawdown)	✘ Options selected at the start cannot be removed, and options not selected cannot be added	✔ This option is flexible and allows you to take out all or some of your money, or use it to buy a guaranteed income for life at any time
Am I protected from the impact of inflation?	Depends on your existing pension plan. Any investment growth may help protect you from the effects of inflation	It will depend on what you have done with your money. No money remains in the pension	It will depend what you have done with your money	You could select an inflation linked income option to help protect against inflation	Any investment growth may help protect you from the effects of inflation

How **we** can help you

Knowing how to access your pension in the most tax-efficient and right way for you can be difficult. As you can see from this guide there are lots of things to think about and lots of options. We can give you expert advice on the best way for you to take an income in retirement while making sure you get the most from your tax allowances and your loved ones are protected.

Everyone is different and there's no one size fits all, which is why our fully qualified financial advisers are passionate about getting to know you. They'll talk to you about your financial situation, your attitude to risk and your aspirations for the future. The answers to questions like these will enable us to create a tailor-made plan to help you achieve a more financially secure future.

Your first meeting won't cost you a penny. If you choose to go ahead with our recommendations we'll explain the costs involved to ensure you're comfortable before proceeding.



For further information and to find an adviser local to you, visit www.sandringham.co.uk

We're proud our customers rated us 4.9 out of 5 on VouchedFor.

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