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**Pension Guide**

## Your choices for taking your pension

**If you are in your 50s or older and have a personal or workplace pension plan, then this guide is for you. It will help you understand your options, so you can discuss them more confidently with your financial adviser.**

## Step 1: Understand your options

You can access your pension pot at any time after you reach the age of 55, or leave it invested. When you decide to access it, you have the option to take 25 per cent of your pot as a **tax-free lump sum**. After this you have a number of options for accessing your money. The main ones are:

- Withdraw the whole remaining pot as a **lump sum**
- Take a guaranteed income for life (an **annuity**)
- Decide how much income to pay yourself (**drawdown**)

It's often possible to take more than one option. Some providers offer **hybrid products** that combine some of the benefits (and drawbacks) of annuities and drawdown.

You can find out more about the available choices on the next page.

## Your main choices under pension freedom

Here are the broad options available to you for accessing your pension savings. Bear in mind that within options B and C there will be a huge range of different products available, some of which may be more suitable for you than others.

### A. Take the whole pot as a lump sum

It's possible to withdraw the whole pension pot as cash, to use as you wish. However, only the first 25 per cent is tax free (as described on the previous page). The rest is taxed at your marginal rate, so you could lose a large chunk of it. If you don't need to spend it immediately, it's highly advisable to consider one of the other options.

**Main advantage:** Simplicity. If you have several pension pots and some are very small, this option may make sense for those.

**Main disadvantage:** You could lose a large portion of your savings through tax.

### B. Take a guaranteed income for life

You can use some or all of your pension pot to buy an **annuity**. This is an insurance product that will pay you an income for the rest of your life. The annual sum is usually fixed, but you can also buy one that rises over time to fight inflation. An annuity can also provide benefits for loved ones after your death, although this costs more.

**Main advantage:** The money can never run out.

**Main disadvantage:** Once it's set up, you can't change the annuity in any way.

### C. Decide how much income to pay yourself

You can use your pension pot to set up a **drawdown** scheme. This invests your money in a portfolio of stocks (which is managed for you), with the aim of achieving growth to provide you with an income. You can then draw out as much money each year as you want. However, if you draw too much, or if the markets perform badly, then your fund can be depleted and may run out too soon.

**Main advantage:** You have full flexibility over how much you withdraw each year.

**Main disadvantage:** Your money is at risk from market falls, and could run out.

**Alternative option:** If you don't take a 25 per cent tax-free lump sum at the start, you can instead draw your pension in a series of lump sums, with 25 per cent of each being tax free. However, your existing pension fund may not be structured in the best way for this.

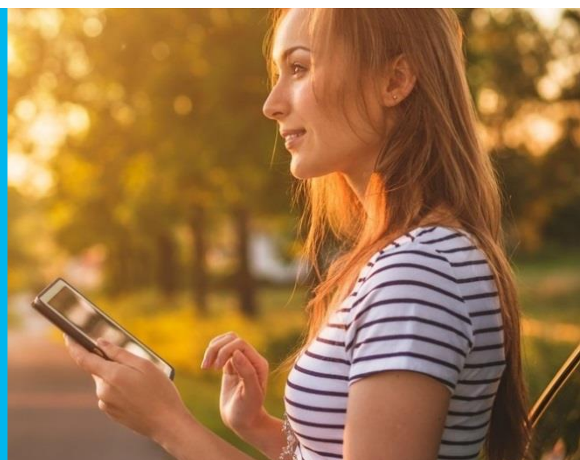
Remember that you can also explore other products that mix and match some of the benefits of the above options. A financial adviser can help you find out about these.

## Step 2: Seek advice

Now that you know the broad options available and their main pros and cons, you need to decide which will be best for you. In most cases there is a lot to be gained from taking financial advice.

**Good to know:** If you have a defined benefit (final salary) workplace pension, the options outlined in this guide will not be available to you. If you do want to access them, you will need to transfer to a money purchase pension. However, it is usually compulsory to seek financial advice on this issue, as such a transfer may not be in your best interests.

**An IFA can assess your financial situation to help you work out what income you will need and how much risk you can take. Your adviser can then identify one or more suitable options. Finally, the adviser can find you the best-value products from the whole of the market – this alone can make a difference of thousands of pounds over the course of your retirement.**



### How to find your adviser and achieve the best value

Taking advice on your pension choices could enable you to achieve a more comfortable retirement. In some circumstances an adviser can also help you improve your position in advance of retirement. You should always investigate to see whether it's worth taking advice or not, to ensure that you obtain value for money.

The best place to start is with a **free pension check** from a participating adviser through unbiased.co.uk. Then if you choose to proceed to formal advice, you will also receive £50 off your adviser's fee.

Use unbiased.co.uk to **find a qualified adviser near you**. Just enter your postcode and you'll see advisers listed in order of proximity. To find an adviser who specialises in pensions, you can narrow down your longlist using the filters.

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