Retirement Options

There are many different ways that you can use your personal pension savings to provide during retirement, whether to provide an income or otherwise. Information about the options available can be found below and in the Money Advice Service leaflet: “Your pension: it’s time to choose”:

https://masassets.blob.core.windows.net/cms/files/000/000/967/original/MAS0141_YPITTC_A_AW1_Dig.pdf

Note: this summary is intended for clients with “defined contribution” or “money purchase” benefits. Clients with “defined benefit” or “final salary” pensions should consult their pension scheme and take advice as necessary from an appropriately qualified financial adviser.

Postpone taking your retirement income

You can leave pension savings invested. This can be for a defined period or an open-ended decision. Subject to the assets held within the pension, leaving the money invested may allow for possible future growth, but may also expose the pension to the risk of falls. Equally, a fund largely in cash may not keep pace with inflation and may therefore see its purchasing power eroded over time. You should therefore consider carefully whether the underlying assets remain appropriate and in particular the continued validity of any “lifestyling” (a gradual move towards lower risk assets as the intended retirement date nears) should you decide not to take your pension at the previously intended time.

You should also ensure that you are aware of the tax consequences of monies remaining invested and ensure that you have determined how any pensions not accessed will be treated should you die before doing so. Generally, this involves the nomination of beneficiaries who may receive any such funds, subject to the discretion of the Scheme Administrator.

Buy a retirement income product

Various income retirement products are available but largely fall into two categories, annuities or products that keep your money invested.

Note: you can usually take up to 25% of your pension pot tax-free as a cash lump sum, using the remainder to buy a retirement income product. You do not however, have to do so and you may choose to purchase a retirement income product with the full amount. However, given the advantageous tax treatment available, you should consider carefully any decision not to utilise the cash lump sum.

You should ensure that you understand the consequences for you and your dependants of any decision you take, including the tax consequences and impacts on any benefits you might receive. You should consider the various sources of information and guidance available to you, and take advice from an appropriately qualified financial or tax adviser as necessary.

Lifetime annuities

A lifetime annuity is a financial product where you use all or some of your pension savings to buy a guaranteed income for the rest of your life. If you have built up more than one pension pot, you can combine them into one annuity.

Buying an annuity is a one-off decision and, under current pension rules, cannot be changed.

There are many different types of annuity, each designed to suit different personal circumstances. If you plan to buy an annuity, you should consider the following questions:

- Are you married or do you have a partner or another dependant? Will they need an income if you die first?

If so, you should consider a joint-life annuity, which continues to pay an income for both of your lives.

- Do you smoke? Are you on any medication or do you have a medical condition?

If so, you may be eligible for an enhanced annuity, which could pay you a higher level of income.

- Do you want your income to increase over time to help keep up with inflation?

If yes, you should think about an escalating annuity, which starts with lower income payments but increases over time, or adjusts to rise in line with a specified inflation measure.

LFSL does not provide any annuity products and you would need to transfer your pension plan to another provider if you decide that an annuity is the right option for you.

You should shop around to make sure that you buy the right type of annuity for you. The “Your pension: it’s time to choose” leaflet contains more information about the various types of annuity available, explains how annuity rates vary according to age and type of annuity and on how to collect different quotations from different annuity providers.

The Money Advice Service provides online annuity comparison tables on their website www.moneyadviceservice.org.uk/annuities. The tables compare the features and costs of various annuities based on your circumstances and the size of your pension pot.

Products that keep your money invested

Some retirement income products allow you to keep your money invested, giving the potential for your income to grow, but the income is not guaranteed and there is a risk that your income could go down.

Fixed term annuities

Fixed term annuities use part of your pension to provide income for a fixed period. Such short-term annuities can allow you to delay setting up a lifetime annuity and keep your options open. This could be beneficial if annuity rates rise or your personal circumstances change and you become eligible for an enhanced annuity. Equally, annuity rates can and do change. If rates fall and you need a regular, secure income when a fixed term annuity matures, you may not be able to buy a lifetime annuity at the same rate available at the time the fixed term annuity was purchased. Flexible investment-linked annuities provide an income for life but allow you to keep your money invested. The income paid depends on the performance of the investments.

LFSL does not provide any annuity products and you would need to transfer your pension plan to another provider if you decide that either a fixed term or flexible investment-linked annuity meets your requirements.

Take an Uncrystallised Funds Pension Lump Sum

It can be possible to take lump sums out of your pension savings without having to purchase an annuity or a drawdown product. 25% of each lump sum that you take will be tax-free and the rest is added to your other income for the year and taxed at your highest rate.

Not all providers are able to accommodate this choice. Whilst regulatory change introduced in April 2015 allows lump sums to be withdrawn directly from personal pensions, there is no obligation for providers to override their current specific scheme rules.

LFSL offers full Uncrystallised Funds Pension Lump Sum payments, allowing you to take all of your pension savings as a lump sum, subject to tax. Unfortunately, we are not able to facilitate partial lump sum payments. If you require a partial lump sum, you will need to transfer your pot to another provider who can offer this option.

Where to get further assistance

Please see our 'Sources of information and advice' document for more on the various sources of information and advice available to you. LFSL is not authorised to provide investment advice, but our customer services staff can assist you with information about the products offered by LFSL.

Link Fund Solutions Limited (LFSL) is authorised and regulated by the Financial Conduct Authority. Registered Office 6th Floor, 65 Gresham Street, London EC2V 7NQ. LFSL is a wholly owned subsidiary of Link Administration Holdings Limited. Telephone 0345 055 0606. Calls may be monitored and/or recorded to protect both you and us and help us with our training. Registered in England and Wales with registered no. 01146888

https://pensions.linkgroup.eu/