A GUIDE

The pension options explained

A guide to help you understand your current options and what to do next

Countrywide Assured

The purpose of this guide

This guide aims to support and help you understand the different ways you can access your retirement savings. It's designed to give you a complete view so you can make an informed decision. For example, taking your money as a guaranteed income or a series of lump sums – this guide covers these options and others in more detail.

This is just one example of why it's important to prepare now and give some thought to the pension options available.

We understand that finding the time to review your options now may not be a high priority, given the likely demands on your time. But taking the time now to consider your options could make a world of difference to your future retirement outcomes.

What's not covered?

Background to the pension changes

You can find details in the Money Helper guide **'Your pension: your choices'** and on the government website **gov.uk/government/news/pension-reforms-eight-things-you-should-know**

Financial advice

This guide is designed to help you understand the pension options available to you and doesn't provide any recommendations or advice. Everyone's circumstances are unique, so it's important to get financial guidance or advice and independent help that is relevant to you – see pages 24 and 25 for further information and support.

I KNOW I NEED TO DO THIS – TIME TO PUT THE KETTLE ON AND GET STARTED!

Contents

Please bear in mind that what follows isn't advice or a recommendation; that's best left to a financial adviser. If one is needed, please visit **unbiased.co.uk** where you'll find details of independent financial advisers (IFAs) in your area.

How to use this guide

This guide is designed to help you get the information you need easily and quickly. It's divided into three key areas, each with its own dedicated colour so you can identify which section is relevant to you in the run up to your retirement.

You'll see we've colour-coded the different pension options too and used icons throughout the guide to highlight key information or warnings – see the key below for more details.

Our aim is to keep things simple. But there are some things we cannot avoid, such as widely-used pension terms, which are underlined, and you'll find definitions of these terms on page 26 – should you need them.

Key:

A quick guide to the icons used throughout this brochure.

- i Important information
- ? Help and support
- Warning
- Shop around

1 Prepare
How is your checklist shaping up?

2 Getting the facts
Using facts to maximise your pension options.

3 What's next?
Need more help or advice?

DO I NEED TO RETHINK MY RETIREMENT DATE?

Have you thought about what your retirement will look like?

See page 05

Have you taken into account the impacts on your retirement income?

See page 06

Could you spot a pension scam?

See page 07

Are you working towards a specific retirement date?

See page 08

I WANT TO MINIMISE THE AMOUNT OF TAX I MIGHT PAY

You'll need to work out the value of your retirement savings.

See page 09

Make sure you know what happens to your money if you die before touching retirement savings.

See page 11

Understanding the ins and outs of your six pension options?

See page 10

Key dates you need to know leading up to your retirement.

See page 21

Why shopping around and getting guidance or advice is critical.

See page 24

Making the most of Pension Wise, a free service offering free impartial guidance for everyone aged 50 and above.

See page 24

Help and support.

See page 25

Understanding the jargon – check out our definitions of key pension terms.

See page 26

WHERE DO I START?

Preparation – things to consider

Thought about what your retirement will look like?

Today's financial situation

Retirement conjures up thoughts about the future, and for some, this may seem a long way off, and yet a person's financial situation today will have a bearing on future income needs.
For example:

- Are there existing debts and loans to be cleared? Will they be settled before retirement?
- Are there other financial commitments to consider, such as supporting dependants or other family members?

I ADDED EVERYTHING UP AND IT WAS BETTER THAN I THOUGHT.

What are your retirement plans and expectations?

What will your retirement look like?
Is it a case of covering day-to-day expenses alone or does this stretch to travel plans and possibly supporting others financially? And what about any unexpected costs?

How much to live on and for how long?
The first step to addressing this question is to make a list of all likely outgoings over a year taking into account any of the other factors described above.

The next step is to ask yourself if you want the same income each year or prefer to have some income flexibility. How will your money keep pace with increases in the cost of living each year?

In short, you need to think about income for the short term and for the rest of your life, including future long-term care.

Are there any health issues to take into account?
Will this mean retiring earlier than expected? A difficult question, but is health likely to affect life expectancy? It is hard to think about these questions but essential when calculating likely income needs during retirement – see pages 12 and 13 for details of different types of income.

Assessing the value of retirement savings

You need to gather information about all existing pensions and other retirement savings. For example:

- **Pension(s) with Countrywide Assured?**
  If you receive Annual Statements for your policy, this is a good source of information. If not, please visit **countrywideassured.co.uk** for details or call us using the telephone number shown at the top of the letter accompanying this guide.
- **Other personal pensions with other providers or company pensions?**
  Request a current valuation and potential income forecast from your pension plan. Use the Pension Tracing Service to track down any forgotten company pensions.
- **Retirement Living Standards** can help you picture what kind of lifestyle you could have in retirement. Find out if the future you want will be the future you are on track to get.
  Visit **retirementlivingstandards.org.uk**
- **State Pension**
  Will you be entitled to a State Pension? How much is this likely to be? Find the answers to these questions and more.
  Visit **gov.uk/check-state-pension**

  The Future Pension Centre also offers info and forecasts for the State Pension.
  Visit **gov.uk/future-pension-centre**
- **Other types of retirement savings:**
  Don't forget to factor in ISAs and other investments, including property, that you're planning to use to fund your retirement.

Pension Tracing Service
This is a free service to trace forgotten personal and company pensions. It provides current addresses of all providers online, by phone or in writing.
Visit **gov.uk/find-pension-contact-details**

Potential impacts on retirement income:

1 Charges

Watch out for the effect of charges. It can make a big difference to the income and return from retirement savings especially if early retirement is on the horizon.

You may be charged for taking your pension early or leaving it untouched. Either way, it will depend on the terms and conditions of your pension plan so check the details carefully. Check your latest pension statement for information about charges.

Each pension option has its own particular charging structure so check with the provider before making any decisions.

> Some pension providers do not offer all of the options available which could mean transferring your pension to another pension provider or looking for income solutions elsewhere. So check the fees, including ongoing charges, and shop around.

It's worth getting a quote for an annuity, even if you're only mildly interested in this option, because knowing what income you could expect may affect how you choose to access your retirement savings – especially as the amount is based on factors such as your postcode, as well as health and lifestyle.

> **TOP TIPS: Shop around**
> It's a common recommendation to shop around when it comes to day-to-day purchases and utility services, and the same goes for pension and investment products. It really does pay to shop around not least because charges vary, especially if you're aiming for flexibility and/or there are more complex issues to consider.

2 Income Tax

There's no escape from income tax even in retirement. In most cases, retirement income is taxable but this will depend on your individual circumstances. The good news is that pensions savings are not taxable while you leave them untouched.

The question is how much tax? This will depend on the total amount of income and the tax rate in any given tax year. It's deducted by the pension provider through PAYE (Pay As You Earn), just like a salary.

If you opt for a single lump sum or one-off payments, you may unexpectedly find that emergency tax is applied to each withdrawal.

Similarly, lump sum payments could move you into a higher tax bracket and may initially increase the amount of tax you pay.

If the money is withdrawn in sums over a number of different tax years, there may be less tax to pay compared to taking all the money in one go.

For more information about tax, please see pages 14 to 16.

> If you take your pension savings as a lump sum this could put you in a different tax bracket and increase the amount of tax you pay. Tax treatment will depend on your individual circumstances and may be subject to change in the future.

> **TOP TIPS: Get tax advice**
> If your financial circumstances are complex we strongly suggest you get tax advice. This will help make sure you're benefiting from all the tax advantages available to you which means more money in your pocket.

3 Inflation

The impact of rising prices or inflation affects our spending power. It's one of the biggest concerns facing those approaching retirement.

The rate of inflation reflects changes in the general price level of goods and services. So the higher the rate of inflation, the fewer the goods and services you'll be able to buy in the future.

In May 2024, inflation fell to 2.0% (the Bank of England's target) for the first time since July 2021. Consumer prices increased by 20.8% in total between May 2021 and May 2024. This means that even though inflation is back to around 2%, households are still facing much higher prices*.

*Source: Commons Library, Parliament (19/05/25)

Inflation during your retirement

It's also important to consider inflation during retirement, as small increases in prices every year can add up. For example, £1,000 in ten years' time with inflation at 2% each year, would only be worth £820 in today's money. That's a drop of nearly 20%. So if your retirement income is fixed at a certain level, you'd need to take around a 20% cut to your lifestyle over 10 years and throughout your retirement.

So if you're thinking about using your pension to fund an income, make sure you allow for the effects of tax, charges and inflation when calculating how much you'll need in retirement now and in future years.

Pension scams: A real threat

It's a sad fact that many people have lost their retirement savings to pension scams. These scams are a real threat, not least because those involved appear highly plausible and effective in persuading people to part with their retirement savings.

What is a pension scam?

When someone tries to steal a person's retirement savings by making untrue or exaggerated claims, such as accessing a pension before age 55 and/or promising highly attractive investment returns.

How to spot a scam?

The fraudsters' methods are highly sophisticated and convincing. They make contact not just by phone but also email and texts, and even door-to-door. Glossy brochures and impressive websites also add to the scammers' credibility.

Typical characteristics to look out for:

- Out-of-the-blue contact
- Claiming exaggerated investment returns
- Demanding a quick decision
- Avoiding call-backs.

Typical phrases used:[3]

"It's for a limited time only."
"We guarantee a return of 8%."
"We've found a legal loophole."
"It's free!"
"You can take your pension before you're 55."

Ways to check against fraud

1. Check the Financial Conduct Authority (FCA) register: it holds details of companies authorised by the FCA to give advice or offer regulated financial products. Make sure the company in question is on this list.
   Visit **fca.org.uk/register** or call the FCA on **0800 111 67 68**.

2. Check the FCA ScamSmart warning list:
   fca.org.uk/scamsmart
   Bear in mind, it only details those scams the FCA has identified. There may be other schemes out there that have yet to be discovered.

3. Check and verify information: for example, these government-backed websites provide a wealth of information and helpful services:

   Pension Wise:
   moneyhelper.org.uk/pensionwise

   Money Helper:
   moneyhelper.org.uk

It may be tempting to rely on your family and friends for help and advice and while this is understandable, there are better ways to check if a company and pension offer are legitimate or bogus.

According to data from the UK's national reporting centre for fraud and cybercrime, Action Fraud, in 2023 there were **559** reports of pension fraud totalled **£17.7m**.[1]

Data from the City of London Police's National Fraud Intelligence Bureau revealed that there were almost **100,000** victims of pensions and investment fraud between 2020 and 2023, with victims typically losing an average of **£26,773** to scammers.[2]

The Money & Pensions Service believes that only **1 in 5** financial scams are reported. During a 6-month period in 2021, reports of pension scams alone rose by **45%** and fraudsters stole over **£2m** from individuals in the UK.[3]

[1] *actionfraud.police.uk/news/protectyourpension*
[2] *which.co.uk/news/article/millions-are-targeted-by-pension-scammers-abAW63u18cLC*
[3] *maps.org.uk/en/publications/research/2023/pension-scams-in-the-uk-evidence-review#*

Preparation – things to consider

Have you set a retirement date?

Working towards a retirement date

The first question should be: have you set a specific retirement date? If so, is this the actual date or does it need to change?

Or is retirement likely to happen gradually? If you haven't set a date, do you need to? Do you need to decide now?

Currently, it's possible to tap into your retirement savings from the age of 55, although this will increase to 57 from April 2028. The State Pension will start at the State Pension Age. However, the start date and amount of State Pension is not as straightforward as it used to be because it's based on a person's year of birth. So if you're unsure about how much State Pension you're entitled to and at what age, you may want to use the government's online calculator to find out:

gov.uk/check-state-pension

Your pension with us

You may remember giving a retirement date when you started your pension. You'll find the date on your annual or pension statement against the entry 'your intended retirement date'. If for any reason you want to change this date, please contact us using the telephone number at the top of the letter accompanying this guide.

What are the implications for taking your pension savings...

...before your intended retirement date?

It's possible to start benefiting from your pension before age 55 if you are unable to work because of health issues. Whatever the reason, tapping into pension savings sooner means they have to stretch even further to potentially fund a longer retirement. There's also the impact of income tax and inflation to think about.

If the plan is only to use part of your pension savings, it's still possible to keep saving towards retirement – see pages 09, 16 and 18 for more details.

...on your intended retirement date?

If you have a retirement date in mind, make sure you're familiar with your pension options so your retirement savings are aligned, and on track, especially if you're considering retirement income options. For example, do you know how much income you'll need? If so, does it match what you might get?

The short of it is, a review of your plans and intended retirement date is always a good idea and don't forget to allow for the effects of income tax and inflation.

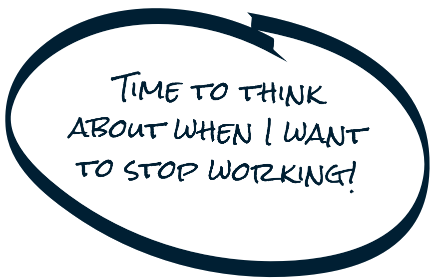
...after your intended retirement date?

If you're thinking about putting off your retirement date until a later one or until your retirement savings have reached a certain amount, or, you just want to leave it untouched for as long as possible, your pension savings will continue to benefit from tax-friendly investment.

If you do decide to build up your pension savings further, you can add up £60,000, known as 'Annual Allowance', or 100% of your taxable salary, whichever is lower, each year until you're 75. This is the maximum amount you can save in a pension in a tax-efficient way.

But pay attention to the ongoing investment charges. Are they likely to wipe-out any potential growth? How much of your retirement savings is being used to pay for charges? If they're too high, you may want to switch to a cheaper option. Make sure you get advice before taking any action. For more on the effect of charges on your retirement savings, see page 06.

Research has shown that most people underestimate their own life expectancy and their income needs later in life, including possible long-term health care needs. So it's important to make provision for later life.



Getting the facts

Assessing your retirement savings

You'll need to work out the value of your pension savings – including any company pension schemes, private pensions and investments. To do this, gather all your latest statements and if any are missing, request a valuation from the pension and/or investment providers or schemes.

If you're planning ahead, it may help to look at the forecast figures for your pension. You'll find these in your annual statement – see the page headed 'Illustration Summary'. Or you can call us, and any other pension provider, for a current forecast. Do bear in mind these forecast figures are a guide and are not guaranteed.

Check

Are there any special conditions relating to a pension policy? For example, are there restrictions or charges that may come into play for any of the pension options, including transferring money to another provider?

Or do you have pensions with other providers that have any type of guarantee, such as income or fund value, based on your current chosen retirement date? What happens to this guarantee if, for example, you access your pension before your specified retirement date? Or you transfer it to another provider?

It's not always easy to spot or work out whether any special features may have an impact. So it makes sense to check with the provider(s) before committing to a particular option.

As a Countrywide Assured client, you'll receive all the information you need before your intended retirement date to help you understand your pension options – including your plan charges. If you can't wait until then, please get in touch.

Accessing pension savings after age 55

The pension options are available to everyone over the age of 55, this will increase to 57 from April 2028. But that doesn't necessarily mean that by drawing on your pension savings you have *fully* retired. You may want to continue working and contributing to your retirement savings.

These payments can be regular and/or occasional, and will continue to benefit from tax relief. For example, you may choose to make regular payments into a pension plan and/or add the odd lump sum from a bonus or inheritance, during any tax year.

Accessing our State Pension

Your State Pension age is the earliest you can start receiving your State Pension. Currently, the State Pension age is 66 for both men and women., but will gradually increase again from 6 May 2026.

The first rise will be to 67 years for those born after 1960. For people born from 6 April 1977, the State Pension age will rise to 68 years.

Check your State Pension age -
gov.uk/state-pension-age

Dipping into pension savings from age 55 could reduce your Annual Allowance from £60,000 to £10,000 (2025/26). The lower allowance is known as the 'Money Purchase Annual Allowance' (MPAA) – see page 26 for a definition. We'll let you know in advance if this affects you – so too will other pension providers. For further details visit **moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/money-purchase-annual-allowance-mpaa**

Tax and taking lump sums from your pensions from 6 April 2024
There is a Lump Sum Allowance (LSA) relating to tax-free lump sum withdrawals from a pension(s), usually 25%. It is unlikely to affect policyholders with a total pension value, excluding the State Pension, of less than £1,073,100.

The allowance is **£268,275** (25% of £1,073,100). If the total amount of lump sum withdrawals exceeds the allowance, the excess will be taxed at your marginal rate.

Tax and taking lump sums and death benefits from 6 April 2024
There is a Lump Sum and Death Benefit Allowance (LSDBA), which limits the tax-free lump sums that can be paid during your lifetime and on death. Any lump sum allowance used during your lifetime will reduce the LSDBA available on death. For most people, the lump sum and death benefit allowance is **£1,073,100**.

However, if you have lifetime allowance protection, the above allowances may be different. For any lump sums withdrawn before 6 April 2024 without taking up the 25% tax-free option, you can ask for a **transitional tax-free amount certificate (TTFAC)** to reflect the actual tax-free cash taken.

For more information, see page 26.

Pension Tracing Service
This is a free service to trace forgotten personal and company pensions. It provides current addresses of all pension providers online, by phone or in writing.
Visit **gov.uk/find-pension-contact-details**

State Pension (online calculator)
To work out when and how much State Pension may be payable at State Pension age visit
gov.uk/check-state-pension

Options in brief

It's possible to access pension savings in a number of ways and to use a mix and match approach:

A

Leaving your pension where it is

Accessing your pension savings beyond your intended retirement date.

Full details on P11

B

Taking an income from your pension

Use some or all of your pension savings to buy what's known as a 'lifetime annuity', a regular income which will be taxable. A combination of income and a tax-free lump sum – usually up to a quarter of your pension – is possible.

Full details on P12 & 13

C

Taking your pension money as one lump sum

As a general rule, a quarter of the lump sum will be paid tax-free while the rest will be taxed.

This option is either an 'Uncrystallised funds pension lump sum' or 'Small lump sum'. Pensions with a value below £10,000 may be classed as a Small lump sum, depending on certain criteria.

Full details on P14 & 15

D

Taking your pension as a number of lump sums

You can leave your pension savings where they are and take lump sums from it when you need to.

Full details on P16 & 17

E

Using pension savings to fund a flexible income

Also referred to as 'flexi-access drawdown'. In general, you can take a quarter of your pension as a tax-free lump sum and use the rest to generate flexible income through alternatives to the 'lifetime annuity'.

Full details on P18 & 19

F

Taking a mix and match approach

As the heading suggests, it's possible to use one or more of the options above to shape your finances for retirement.

Full details on P20

i

It's important to get **financial guidance or advice** before choosing one or more of these options.

Pension Wise, a government sponsored service, offers a free appointment to help people aged 50 or over understand what to do with their pension savings, visit **moneyhelper.org.uk/pensionwise** or call **0800 011 3797**.

If you want advice but don't have an independent financial adviser, visit **unbiased.co.uk** to find one near you.

For information about other services and support available, see pages 24 to 25.

I DIDN'T REALISE I COULD MIX AND MATCH. BETTER GIVE PENSION WISE A CALL.

A Leaving your pension where it is

It may be possible to delay taking money out of a pension beyond the retirement age agreed with a pension provider and/or company scheme. The benefit of this option is the potential for continued tax-friendly growth by way of both investment and ongoing pension contributions. For employees, this means companies can continue paying into the company pension scheme too.

What we offer for this option

We don't place an upper age limit on accessing your pension. If you don't take your benefits at your original retirement age, we'll defer them to age 75 and in five-year periods after that. If we do, don't worry, you don't have to wait until then to access your pension. You can do so at any point.

Leaving a pension untouched doesn't mean it has to stay with your current provider. You can transfer your money to another company and, as with most insurance cover or utility services, it pays to shop around. The rates, charges and conditions will vary, especially if you need some flexibility. So we strongly suggest you do your research and get guidance or advice before making a decision.

For more details about shopping around see the Money Helper guide 'Your pension: your choices'. If you've any questions about your retirement savings with us then please get in touch.

If you have a pension policy with another provider, look out for any guarantees that come with your pension. It's a guaranteed amount the pension provider may have quoted as minimum income based on a pre-intended retirement date. Leaving a pension untouched beyond the specified retirement age may affect this figure. Be sure to get a revised quote (or quotes) for a selection of possible retirement dates.

1. There may be additional charges or a loss of guarantees for leaving a pension untouched beyond the agreed retirement age. Check with the pension provider before making a decision to leave it where it is.
2. There's no guarantee that pensions savings won't drop in value. Like most investments, their value can go down as well as up and customers may not get back the amount originally invested.

Lucy (61)

Lucy loves her therapy work too much to stop. (She planned to retire at 60!) So it's business as usual for her. "I'm not ready to retire, besides, I still feel I've a lot to offer."

Lucy's arranged to meet her adviser again in a few more years.

This is a hypothetical case study created for illustrative purposes only.

What happens if you die without accessing your money?

Before the age of 75?
Currently, provided the pension provider makes a payment to your nominated beneficiary within two years of your death, your beneficiary will not pay income tax on your pension savings.

You may need to think about inheritance tax (IHT) planning too. Most pension schemes are held in trust for IHT reasons. If you are concerned about inheritance tax, do get independent financial advice – see page 24 for sources of information.

After 75?
The money paid to a beneficiary will be taxable at their rate of income tax. Pension providers will deduct an Emergency tax on HMRC's behalf. This could amount to 40% or 45% being deducted from a lump sum payment. A tax rebate may be payable if too much tax has been paid.

However, the death benefits from some pensions are paid to the estate whether you die before accessing your money at any age.

Tax treatment will depend on your individual circumstances and may be subject to change in the future.

In October 2024, the government announced that inherited pensions will no longer be exempt from inheritance tax from April 2027.

B Taking an income from your pension

It's still possible to use pension savings to 'buy' an income. It's called an 'annuity'. It comes in different shapes and sizes depending on a person's individual circumstances. Some annuities last for life and don't run out. But what's common to all is regular income.

In general, the amount of income from an annuity will depend on the options you choose. For example, if you decide you want your spouse to receive an income from your annuity after your death, this could mean you'll receive a lower income initially than if your income were to stop in the event of your death.

This option still offers the opportunity to have up to a quarter of the pension money as a tax-free lump sum and to use what's left to buy an annuity.

> **i** For those with occupational pension plans, the tax-free lump sum option could exceed 25% of your pension savings, so check with your pension provider. We will let you know if this applies to your occupational pension plan with us.

AND it's also possible to buy one annuity, by combining all your existing pension savings, which is likely to attract a higher income than buying lots of individual ones.

Do bear in mind that an annuity cannot be undone once it's been set up.

'Level' income

This is an annuity that offers a fixed income, i.e. the amount of income remains the same. This type of annuity doesn't take into account the effects of inflation – see page 06 to find out more about these effects on your retirement income.

Escalating income

It increases over time with the aim of keeping up with inflation i.e. the increasing price of goods and services. The income starts off at a lower level and increases by a chosen amount each year.

'Lifestyle', 'Underwritten', 'Enhanced' or 'Impaired'

Designed for income seekers who may have a shorter life span due to, for example, a medical condition, or lifestyle factors, such as smoking.

Consequently, this type of annuity tends to pay a higher amount of income.

'Single life'

As its name suggests, this annuity provides a guaranteed income for one person, for life.

'Joint life'

For income seekers who want to provide income for a beneficiary following their death. This type of guaranteed income is lower initially when compared to single life annuities, but your beneficiary will receive ongoing income for life. You can choose the level of income paid to your beneficiary.

'Value protection'

For those who want to protect their pension savings by up to 100%, should they die before benefiting from the full value of their pension savings. This option means the beneficiary will receive a lump sum once all income payments including tax, have been taken into account.

I CAN'T 'UNDO' AN ANNUITY ONCE IT'S SET UP. SO I NEED TO GET SOME ADVICE.

B Continues overleaf...

Getting the facts

Options in full

Performance-based income

This is an investment-linked annuity where the income varies according to how well or otherwise the investments perform. In short, if the investment changes in value, so too will your annuity income.

Fixed or Guaranteed term

Known as a 'fixed-term annuity' or 'Annuity with a Guaranteed Period', it provides a fixed monthly, quarterly or annual income for a specified term, typically 5 to 10 years. However, some annuities offer between 3 to 25 years.

This type of annuity also gives you the choice of a cash sum at the end of the term, known as a 'maturity value'. You can specify how much you want back, or the provider(s) will calculate this for you depending on how much income you want and your pension amount.

Also, some annuities offer a joint fixed term income so that if you die during the term the income is paid to your beneficiary until the end of the term.

Only a few providers offer fixed-term guaranteed income annuities with varying rates, so we recommend you get a quote from all of them.

This option still offers the opportunity to usually have up to 25% of the pension money as a tax-free lump sum and to use what's left to buy an annuity.

Impaired or Enhanced and Investment-linked or Flexible annuities

If you are eligible for this type of annuity, it pays to shop around as not all annuities are the same and different options are available.

Advantages of an annuity

- Lifelong regular income with a guarantee that the money will last as long as you live.
- The option to provide an income for a surviving spouse, civil partner or dependant, although this may vary depending on the annuity.
- The option to increase income to protect against future inflation.
- The option to decrease income if you are likely to receive income from other sources in the future.
- Potential to link an annuity to the performance of a portfolio of funds and take advantage of investment growth, although this may vary depending on the annuity.
- Better rates for those with lower life expectancy or certain lifestyles.
- No ongoing costs.

Disadvantages

- Options to control the level of income are limited.
- Annuities purchased cannot be changed at a later date.
- Inflation can erode the value of income over time.
- You are tied to the annuity rate at the time of purchase.

Tax and annuities

Just as income tax is deducted from earnings, income from an annuity is taxable too – that also goes for a joint life annuity.

Income seekers are free to buy an annuity from any provider so don't just accept your existing provider's product, especially as most people get a better retirement income from a different provider. Like most things in life, it pays to shop around.

It's a common recommendation to shop around when it comes to day-to-day purchases and utility services, and the same goes for pension and investment products. It really does pay to shop around not least because charges vary, especially if you're aiming for flexibility and/or there are more complex issues to consider. One of the useful comparison websites available for annuities is **comparison.moneyhelper.org.uk/en/tools/annuities**

MAYBE I'D DO BETTER WITH ANOTHER PENSION PROVIDER. I SHOULD LOOK AROUND.

We don't currently offer income for life products (annuities). See page 25 to find out more about annuities from other independent sources – such as the Money Helper booklet 'Your pension: your choices'.

This option still offers the opportunity to usually have up to 25% of the pension money as a tax-free lump sum and to use what's left to buy an annuity.

Marion 55 and David 59

"We had big travel plans for our retirement but then we got a health scare," says Marion. "David's heart was making mine skip a few beats. But thankfully he's fine now. So we're stepping up our plans and using most of our pension to create an income. It gives us peace of mind and besides, we're used to having salaries coming in."

Marion works for the NHS and David is self-employed. Marion has an NHS pension and David has been putting away money into a personal pension. They have some savings set aside for their travels. Their children are keen for them to go for it. "They tell us they'll get the house eventually. Cheeky!" adds David.

This is a hypothetical case study created for illustrative purposes only.

C Taking your pension money as one lump sum

This option is known as an 'Uncrystallised funds pension lump sum' but can be known as a 'Small lump sum' if certain criteria is met.

Should you take an Uncrystallised funds pension lump sum, this will reduce your Annual Allowance from £60,000 to £10,000 (2025/26). The lower allowance is known as the 'Money Purchase Annual Allowance' (MPAA) – see page 26 for a definition. We'll let you know in advance if this affects you – so too will other pension providers.

Pensions with a value of £10,000 or less can be taken as a Small lump sum without affecting your Annual Allowance. You can take up to three pensions as small lump sum payments.

You can take all of your pension savings in one go. Gone are the days of setting some aside to create a regular income. But if you choose this option there's no going back so you need to be sure this is the right option for you.

Your lump sum and tax

As a rule of thumb your lump sum will be 25% tax-free and the remaining 75%, will be taxed as shown in the diagram.

25% of lump sum
TAX-FREE

75% of lump sum
This will be taxable at the basic or higher rate of tax, or a combination of the two, and possibly an additional rate of tax, depending on both the amount and your income.

For customers living in Scotland, the Scottish rate of tax applies.

Advantages

- Provides a lump sum for you to use or invest as you like.
- Can be used to clear existing debts, for example pay off your mortgage.
- Can give you more flexibility over your money, which may be relevant if you have no dependants and have a secure source of income for your retirement.
- Guarantees the amount you will receive, which may be better for you if you suffer from health or lifestyle issues.

Disadvantages

- Once you choose this option, you can't change your mind.
- This option does not provide a regular income for you – or in the event of your death, your spouse, civil partner or any dependants.
- Three-quarters (75%) of the lump will be liable for tax, which will be deducted by the pension provider using PAYE. See the next page for more details about the impact of tax.
- If you're thinking of using the lump sum to clear debts, or for a big-ticket purchase, this may leave you with a reduced amount to live on during retirement.
- You may be charged for taking the whole lump sum so check with your pension provider.
- This option could affect your entitlement to State benefits now and later in retirement. For more information, visit **moneyhelper.org.uk/en/benefits/problems-with-benefits/how-do-savings-and-lump-sum-pay-outs-affect-benefits**

C Continues overleaf...

What we offer for this option

You can usually take your pension as one lump sum. For some products this may be the only option available.

If you're considering other options, such taking a series of lump sums, taking a tax free lump sum and leaving the rest of your fund invested or drawdown, these may be available to you depending on the type of policy you have with us. If this is of interest, please get in touch so we can confirm your options.

Alternatively, you may wish to transfer your benefits to another provider who offers other pension flexibility options.

If you have pensions with other providers that have a built-in guarantee, withdrawing cash could see this benefit disappear. So please get guidance or independent financial advice before taking any further action.

FIND CALCULATOR!
CHECK PERSONAL ALLOWANCE
GOV.UK/INCOME-TAX-RATES

- Will you have enough to live on if you withdraw all the money from your pension savings?
- Once your pension savings have been emptied, there's no going back
- The amount of money that you take from your pension could affect any state benefits that you may be entitled to – for more information visit **gov.uk/browse/benefits**
- If there are any outstanding debts, creditors could have a claim on this money.

Dipping into pension savings from age 55 could reduce your Annual Allowance from £60,000 to £10,000 (2025/26). The lower allowance is known as the 'Money Purchase Annual Allowance' (MPAA) – see page 26 for a definition. We'll let you know in advance if this affects you – so too will other pension providers. For further details visit **moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/money-purchase-annual-allowance-mpaa**

Impact of tax

HMRC will add 75% of your cash lump sum to any income you've earned during a tax year. How much tax you'll pay will depend on the total of these amounts. This could mean that some of your money will be charged at a higher rate of tax.

We, along with other pension providers, are required by HMRC to deduct income tax before we make any lump sum payment to you. How much will depend on the size of your pension savings. You'll find some examples in the tables on the next page.

Do bear in mind that you may need to pay more tax if HMRC calculate you've not paid enough. Or you could receive a rebate if you've paid too much.

Tax treatment will depend on your individual circumstances and may be subject to change in the future.

Tax implications

The way in which your single lump sum will be taxed initially will depend on whether you are taking your pensions savings as an Uncrystallised funds pension lump sum or a Small lump sum.

Small Lump Sum
If your pension is taken as a Small lump sum, we, and other pension providers, will deduct tax on HMRC's behalf at the basic rate.

Table 1 shows examples of pension values up to and including £10,000 and the amount of tax that may be payable

Uncrystallised funds pension lump sum
If your pension is taken as an Uncrystallised funds pension lump sum, tax will be deducted using an emergency tax code.

Table 2 shows examples of pension values and the amount of tax that will be deducted.

Whatever the level of tax deducted from your lump sum, you'll either have to pay the shortfall to or receive a refund from HMRC once they have made their calculations.

If you need help understanding the implications of taking your pension with us as a single lump sum payment, please contact us using the telephone number shown at the top of the letter accompanying this guide.

(Table 1) For individual and/or company pension plans valued at £10,000 or less

Examples of the tax implications (2025/26) for customers based in England, Wales and Northern Ireland. Scotland's taxation differs to the rest of the UK.

Pension value	Quarter tax-free cash	Taxable cash	Amount of tax	Total cash from pension savings
£5,000	£1,250	£3,750	£750	£4,250
£7,500	£1,875	£5,625	£1,125	£6,375
£10,000	£2,500	£7,500	£1,500	£8,500

(Table 2) For individual and/or company pension plans valued at £10,001 or more

Examples of the tax implications (2025/26) for customers based in England, Wales and Northern Ireland. Scotland's taxation differs to the rest of the UK.

Pension value	Quarter tax-free cash	Taxable cash	Amount of tax	Total cash from pension savings
£15,000	£3,750	£11,250	£3,452	£11,548
£20,000	£5,000	£15,000	£5,128	£14,872
£30,000	£7,500	£22,500	£8,503	£21,497

*Source: HMRC PAYE tax calculator as at 20/07/23.

Do bear in mind these figures are only a guide because any tax owed will depend on your personal circumstances.

Diana and Peter (62 and 65)

"We want to help our children get on the property ladder so we're using some money for their deposit. They should be in a position to pay us back in a few years when we'll really need it," says Diana.

Peter adds "I got financial advice before going ahead because I wanted to check this was a tax friendly way of helping them. I didn't want them to end up with a tax bill either."

Diana and Peter have a number of pension plans and other retirement savings so they are using one of these to help their children. They got financial advice which we strongly recommend because everyone's situation is different.

This is a hypothetical case study created for illustrative purposes only.

D Taking your pension as a number of lump sums

It's possible to spread out withdrawals from pension savings over a number of years rather than take it all in one go.

It does mean that the rest of your pension savings continue to benefit from tax-friendly investment. There are tax advantages too because in any tax year, the level of income is more likely to stay within a lower rate of tax.

For those wishing to use some of their tax-free lump sum to provide income, do give some thought to where you put your money while it's giving you an income. For example, if you choose an investment fund, what level of risk are you prepared to take? Is the level of risk appropriate? What are the charges?

What we offer for this option

You can usually take a tax-free lump sum from your pension with us. The options for the remainder of your pension fund could be restricted to taking a one-off lump sum. If you are interested in withdrawing more than one lump sum from your pension, flexi-access drawdown may be available to you, depending on the type of policy you have with us. If you're interested, get in touch, so we can confirm your options.

Alternatively, you may wish to transfer your benefits to another provider who offers other pension flexibility options.

D Continues overleaf...

Advantages

- You can withdraw a lump sum as and when you need to.
- Your pension savings continue to benefit from tax-friendly investment.
- You can review your investments and options along the way.

Disadvantages

- Each lump sum withdrawal will reduce your pension savings and there may not be enough time to generate growth for withdrawals to support the rest of your life.
- This option does not provide a regular income for you or your dependants in the event of your death.
- Withdrawal charges will erode the rest of your pension savings.
- Lump sum withdrawals will be treated as income and added to other sources such as State Pension payments, other benefits and salary. Three-quarters (75%) of each cash sum withdrawal counts as taxable income and depending on the lump amounts withdrawn in a year, you may find yourself paying tax at a higher rate.

Tax implications

The tax treatment of multiple lump sum withdrawals works in the same way as taking pensions savings in one go. A quarter of the cash is tax-free and the rest will be taxed. But don't forget that any cash lump sums will be treated as 'income' by the HMRC and will also include any State Pension payments too.

The amount of State Pension you'll receive will depend on your National Insurance payment record. To find out more about your State Pension, visit the Government's dedicated website
yourpension.gov.uk

Obviously, each withdrawal reduces the value of your pension savings and ongoing growth is not guaranteed. Some providers may also set a minimum fund value to take a series of lump sums. There's also the impact of charges that needs attention too. So make sure all retirement savings are regularly reviewed and be prepared to move money around. This effort will help reduce the risk of running out of money.

Leaving a pension untouched doesn't mean it has to stay with your current provider. You can transfer your money to another company and, as with most insurance cover or utility services, it pays to shop around. The rates, charges and conditions will vary, especially if you need some flexibility. So we strongly suggest you do your research and get guidance or advice before making a decision.

For more details about shopping around see the Money Helper guide 'Your pension: your choices'. If you've any questions about your retirement savings with us then please get in touch.

REMINDER: I NEED TO REVIEW MY PENSION FROM TIME TO TIME.

Richard (62)

"I like the idea of being able to take cash as I need it. I'll probably use most of it to restore my sailing boat." Richard adds "It's been a long-term project. I want the lump sums to keep me going until I'm ready to come back to dry land. My adviser suggested this was a tax friendly way for me."

Richard's worked for a number of companies over the years so he's built up a few pension plans. Richard's keen to set up an income eventually but for now, withdrawing lump sums as he needs them works for him.

This is a hypothetical case study created for illustrative purposes only.

E Using your pension savings to fund a flexible income

This option is also known as 'flexi-access drawdown' and offers an alternative to an annuity. It allows you to transfer all or some of your pension savings into an investment for the sole purpose of providing an income. It differs from an annuity in two key ways:

1. The income isn't guaranteed or payable for life.
2. You choose the level of income you need and when you need it, such as monthly, quarterly, annually or intermittently until the investment runs out.

Flexibility and control are the key benefits of this option:

i) You can still take up to a quarter of your money as a tax-free lump sum – in some cases, you can do this after transferring all or some of your money to a flexible income investment.

ii) You don't have to take any income straightaway.

iii) You can transfer your pension savings into a flexible income investment gradually.

iv) You can choose a selection of investments to match your income goals and level of risk – such as investing in funds or other assets.

v) You can review and adjust your investments depending on their performance.

vi) You can use all or some of your flexible income investments to buy an annuity or other guaranteed income product at a later date.

vii) If you decide to use only part of your money to provide a flexible income, you don't have to leave the rest where it is. For example, you can choose one of the other pension options, in effect creating a mix and match approach.

viii) Phased drawdown can be useful if you plan to gradually reduce your working hours and replace your earnings with pension income.

However, some providers may set a minimum fund value that you must have to take drawdown, and once your pension fund has been exhausted, no further benefits are payable.

Similarly, not all pensions offer this option, such as company schemes. If this applies to your employer pension, you may have to transfer this pension to another provider and scheme.

Overall, this option provides both flexibility and control: to be adaptable to potential changes in the future and to select, review and manage the investment products.

Tax implications

We, along with other pension providers, are required by HMRC to deduct income tax on any withdrawal payments outside of the tax-free lump sum. Tax will be deducted using an emergency tax code as we don't know your overall income. You'll either have to pay the shortfall to or receive a refund from HMRC once they have made their calculations.

Once you have started to take any money under flexi-access drawdown, this will reduce your Annual Allowance from £60,000 to £10,000 (2025/26). The lower allowance is known as the 'Money Purchase Annual Allowance' (MPAA) – see page 26 for a definition.

Flexibility and control does mean that careful planning will be essential, not least to make sure you set your income at the right level to make your investments last.

Our solutions for this option

Flexi-access drawdown
If you are interested in withdrawing more than one lump sum from your pension, flexi-access drawdown may be available to you, depending on the type of policy you have with us. If you're interested, get in touch, so we can confirm your options.

Capped Drawdown
This is only available to clients already in a capped drawdown arrangement. We have the facility for existing clients to transfer from capped to flexi-access drawdown without charge.

Capped drawdown does not trigger the Money Purchase Annual Allowance.

- Get guidance or financial advice to find out whether this option is right for you and your current financial arrangements.
- Pay attention to the set-up and ongoing investment charges. They could potentially erode any positive growth.

Not all flexible income investments are the same so do shop around.

E Continues overleaf...

Getting the facts

Options in full

Investment pathways

If you're considering flexi-access drawdown, and we've confirmed your policy is eligible for this option, we can suggest an investment for your remaining drawdown fund should you not have an adviser acting on your behalf.

We'll make sure the investment matches your intentions and has an investment strategy that aligns with your financial objectives. Please note that we do not make investment recommendations or give advice and are not responsible for any loss of investment value or poor investment performance.

The Investment Pathway options are:

- I have no plans to touch my money in the next 5 years.
- I plan to use my money to set up a guaranteed income (annuity) within the next 5 years.
- I plan to start taking my money as a long-term income within the next 5 years.
- I plan to take out all of my money within the next 5 years.

MoneyHelper is available to help with shopping around for pathway investments. You can access comprehensive information and things to consider alongside a drawdown comparator tool at **comparison.moneyhelper.org.uk/en/tools/drawdown-investment-pathways**

If this option is available to you, we will provide you with these options and more information in the next step if you inform us that you are considering taking your benefits in the form of flexi-access drawdown.

Advantages

- You maintain control of your pension fund.
- You decide if and when you want to take income.
- In the event of your death, any remaining pension fund can provide pension benefits for your dependants, other beneficiaries or be paid as a lump sum.
- If death occurs before age 75 benefits are usually tax free. Where death occurs on or after age 75 a tax charge or liability to income tax will apply on benefits paid.

Disadvantages

- Future income is not guaranteed.
- Your pension fund may not be enough to maintain your chosen level of income.
- There is the risk that the value of your pension savings can go up and down. If considering this option, you should think about how much you take out every year and how long the money needs to last. If too much money is taken too quickly, the available retirement income could fall drastically or even run out, especially if stock markets fall.
- Investment losses may be difficult to recover from over short periods particularly if a high level of income has been taken.
- Providers can charge for managing your pension fund via a flexi-access arrangement and whenever you require an income payment or annual or ad-hoc review. This can reduce the size of your pension fund and your money may run out.
- Taking money out of your pension could affect your eligibility for means-tested benefits.

Marie (58)

"I need to know exactly where I am money-wise," says Marie. "I feel better knowing I've an income to live on and some savings stashed away. My friends tell me to splash out a bit and maybe I will. But for now I'll probably work part time for a few years."

"I contacted Pension Wise who helped me understand my income options from different pension providers. I feel more comfortable knowing I'll be in control of my retirement income."

This is a hypothetical case study created for illustrative purposes only.

It's a common recommendation to shop around when it comes to day-to-day purchases and utility services, and the same goes for pension and investment products. It really does pay to shop around not least because charges vary, especially if you're aiming for flexibility and/or there are more complex issues to consider.

F Taking a mix and match approach

A mix and match solution covers all the bases in terms of cash lumps sums, lifetime income and continued growth of the pension savings. Clearly the size of the pension savings and how this is organised will determine the impact of charges and tax.

Not all providers can match the flexibility of a mix and match approach so there's some legwork to be done. As with all options, shopping around is essential as are regular reviews, not least because of the impact of charges over time. See page 24 to find out more about the mix-and-match approach from other independent sources - such as the Money Helper guide 'Your pension: your choices'.

There are some anomalies when it comes to tax-free lump sums. For example, transferring your entire pension savings into a 'flexi-access drawdown' scheme without taking a cash lump sum, doesn't mean that the tax-free lump sum is available at a later date.

NEED TO WRITE A FEW THINGS DOWN TO REMEMBER WHAT TO DO NEXT.

Jim and Moira (59 and 63)

"We've been lucky enough to inherit our parents' homes. So we got some advice on how best to add the money to our retirement savings," says Jim.

"Yes, we've got retirement plans but nothing is fixed. We prefer to keep our options open which is why we've chosen both fixed and flexible income. It means we'll be able to have a minimum income and keep our investments going; drawing on them when we need to."

"It's a relief knowing we're making the most of the options available" adds Moira. "We've checked with our adviser that it's not costing us too much to do this. I can't wait to give up work."

This is a hypothetical case study created for illustrative purposes only.

Getting the facts

Are you aware of key dates leading to retirement?

The lead up to retirement

Here's what to expect and a timeline of what you need to do to be ready for your chosen retirement date.

i

When do you think you'll start using your retirement savings? Have you told us and your other pension providers?

Read this guide and the Money Helper guide. If anything needs further explanation, get in touch.

12 Months

Getting ready:
Assessing the value of pension savings so far is the first step.

When do you think you'll start using your retirement savings?

Action:
Read the annual statement(s) and guide to understand and make the most of all the available options.

Get in touch by using the telephone number shown at the top of the letter accompanying this guide.

WRITE MY RETIREMENT TO-DO LIST!

4-6 Months

You'll receive a letter from us to let you know your intended retirement date is close and that it's time to decide what's next.

If you need more help, or you're thinking about retiring early or putting it off for as long as you can, visit **moneyhelper.org.uk/pensionwise** Pension Wise is a government-backed service from MoneyHelper offering free pensions guidance to the over 50s. They will help you understand what your overall financial situation will be when you retire.

They will explain things clearly, avoid jargon and won't recommend any products or tell you what to do with your money. You can book a free appointment online, which will last around 45 to 60 minutes.

An independent guide produced by Money Helper, an independent body sponsored by the government, will land on your doorstep as well as this guide.

Action:
Pension Wise: visit **moneyhelper.org.uk/pensionwise** or **0800 011 3797**.

Need more information? Get in touch by using the telephone number shown at the top of the letter accompanying this guide.

8 Weeks

We'll send you a letter asking for your decision so we can send you the forms you'll need.

Action:
Get in touch by using the telephone number at the top of the letter accompanying this guide.

If you need any additional information, visit **countrywideassured.co.uk**

4 Weeks

If we don't hear from you, we'll send you another letter asking for your decision.

If you need any additional information, visit **countrywideassured.co.uk**

If there is no response to our letter, we will set your retirement date to 75 and keep your money invested.

Action:
Get in touch by using the telephone number shown at the top of the letter accompanying this guide.

Checklist:

Knowing what to do with a pension and when to do it is not only crucial when you retire but also *before* you retire. It's essential that you have all the facts and paperwork to hand and then make a plan. After all, you've paid into your pension for years and want to get the most out of it that you can. This checklist is designed to help you ask all the right questions and also point you in the right direction for information and help.

- ◯ **Set a retirement date?**
  If you have, make sure you tell us and any other providers.
- ◯ **Know how much your pension's worth?**
  If you don't know how much your entire retirement savings are worth, contact us or your other providers.
- ◯ **What income do you need?**
  Sit down and work out just how much retirement income you're realistically likely to need, not want.
- ◯ **Forgotten anyone?**
  Make sure you include everyone who you'll need to support financially.
- ◯ **Do you understand all your options?**
  Taking a lump sum or an income? If you're not sure, see pages 10 to 20 to see the options that could be available to you.
- ◯ **Know you can mix and match?**
  Find out whether your pension will allow you to take a lump sum and an income. See page 20 to find out more.
- ◯ **What are the tax implications?**
  Get to know how tax will impact each option. See pages 10 to 20 for more details.
- ◯ **Want to keep contributing?**
  If you want to continue putting money into your pension before taking any out, that's not a problem.
- ◯ **What happens if you live longer than expected?**
  It's important to plan for this possibility too.
- ◯ **What happens if you die before taking your pension benefits?**
  It's essential that you know what will happen to your money in the event of your death. See page 11 for more information.

Arranged an appointment with Pension Wise? No? Call: **0800 138 3944**

Need independent financial advice? Visit **unbiased.co.uk**

MAKE APPT WITH PENSION WISE.

What's next?

How to take your pension benefits

This is a step-by-step guide to taking your pension benefits if you do not have a financial adviser acting on your behalf. The process can be long as there are regulatory and legislative requirements we need to meet before making a pay-out.

START

We may have written to you because you're approaching your intended retirement date or you've called us because you want to take your pension benefits. We will send you a pack with details of your options.

We recommend you make a free appointment with government-backed Pension Wise to talk through your options to make sure you're making the most of your hard-earned money, taking into account the implications of tax and charges.

After your Pension Wise appointment and once you have decided on your options, please contact us again. We will need confirmation of your appointment.

If you decide to appoint a financial adviser after your Pension Wise appointment, your adviser will follow this process.

We will run through the appropriate risk warnings according to your chosen option.

If you choose to take **small lump sums**, you will receive general risk warnings for this option.

If you choose to take an **Uncrystalised Funds Pension Lump Sum (UFPLS)** from us, you will need to answer a few health and lifestyle questions.

If the **flexi-access drawdown**, is available to you, we will ask you what you want to do with the remainder of your pension benefits. There are three options available to you:

i) Investment pathways – we can suggest a fund that matches your financial aims – see page 19 for more details or

ii) you select your own funds or

iii) continue investing in your current fund, provided it is not closed.

We will send you the paperwork for your chosen option and, if necessary, any relevant quotes.

Complete and return the forms. We may need to contact you for more information.

Got any questions or need help with the forms? Speak to your adviser or call our Client Contact team.

Once the paperwork is processed, we will pay your pension benefits to you together with the relevant documents.

END

If you have a financial adviser or decide to appoint one after attending your Pension Wise appointment, they will follow a similar process on your behalf once your adviser has assessed your attitude to risk and investment objectives. Should you opt for the flexi-access drawdown, assuming this option is available to you, and your adviser contacts us, we will skip the warnings and investment pathways.

What's next?

Guidance, advice and useful services

Free guidance

Pension wise
Your money. Your choice.

As its name suggests, Pension Wise offers dedicated, impartial guidance on all things pension related. It's a service set up by the government to help people better understand their pension options following the 2015 pension reforms.

Their website not only offers invaluable information but also in a way that is clear, straightforward and helpful.
moneyhelper.org.uk/pensionwise

Free Pension Wise service

They offer free face-to-face, online and/or telephone appointments. It's available to everyone aged 50 or over no matter how large or small the amount of pension savings.

It may be a good idea to prepare for an appointment. See the Money Helper guide: 'Your pension: your choices'.

Independent financial advice

Getting up to date and independent advice could save you money in the long run. It's important to view an adviser's upfront fee alongside the potential long-term savings in areas such as tax and charges.

A pension expert will review existing pension savings and offer options that are personal to individual needs – a welcome benefit if there are complex circumstances to consider, such as health and/or dependants.

For many, getting independent advice takes away the fear of making the wrong decisions and the stress of shopping around.

Finding a local independent adviser is easy. Visit **unbiased.co.uk** where you'll find the UK's biggest selection of financial advisers, solicitors and accountants.

Every adviser listed on the website is qualified, regulated by the FCA and independent of product providers.

Other pension providers

If you hold pensions with other providers, they too are likely to have information and a customer helpline offering support.

Company pension

Your previous and current employers and/or company scheme administrators are potential sources of information and are likely to provide a customer helpline.

Shop around

It's a common recommendation to shop around when it comes to day-to-day purchases and utility services, and the same goes for pension and investment products. It really does pay to shop around not least because charges and penalties do vary, especially if you're aiming for flexibility and/or there are more complex issues to consider.

Pension savings have been hard-earned. So take the time to ask key questions. Here are a few to help get started:

- Will the company still be around in the future?
- What are the company's credentials?
- A company's offering a great rate but what's the impact of their charges?
- How easy is it to switch to another product? Are there any penalties for doing so?

Remember, there are pension scammers out there looking to steal pension savings. Be vigilant when shopping around. There's more information on pension scams in the Money Helper guide too – see 'Your pension: your choices'.

What's next?

Guidance, advice and useful services

Money Helper

This is an independent and impartial service set up by the government. It offers a wide range of information, advice, tools and tips on pensions and other topics, all designed to help people make 'informed decisions and plan for a better future'.

moneyhelper.org.uk
0800 138 7777

This guide is one of many available from Money Helper: 'Your pension: your choices'.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

Retirement Living Standards

The Pensions and Lifetime Savings Association (PLSA) can help you picture your future with their Retirement Living Standards. The standards show you what life in retirement looks like at three different levels. Now, more than ever, there is more information, more choices, and more responsibility for your retirement savings. Find out if the future you want will be the future you are on track to get.

retirementlivingstandards.org.uk

Questions about tax?

Further information on the tax implications of pension options and how to reclaim any overpaid tax:

Pension Wise
moneyhelper.org.uk/pensionwise

Money Helper
Guide: 'Your pension: your choices.'
moneyhelper.org.uk
0800 011 3797
and for the self employed:
0345 602 7021

Future Pension Centre
gov.uk/future-pension-centre
0800 731 0175

HMRC
gov.uk
0300 200 3300

Consult a tax adviser
unbiased.co.uk

Citizens Advice Bureau
For help with understanding your personal tax situation and to find a tax adviser.
adviceguide.org.uk

Money Advice Retirement Adviser Directory
moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser
0800 011 3797

Definition of key terms

Annual Allowance
It's the maximum amount you can save towards your pension in any tax year and across all pension plans. The limit for the tax year 2025/26 is £60,000 or 100% of your taxable salary, whichever is lower. This applies to most people. For more information visit moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/the-annual-allowance

Annuity
It's an insurance product which provides a guaranteed income at retirement either for life or a set period. See pages 12 and 13 for more information on other types of annuity. For more on annuities visit moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/annuity-options-and-shopping-around

Defined contribution pension
This type of pension is made up of money paid in by you and/or your employer, which is placed in a variety of investments, including shares. The value and size of your pension is based on the amount of money saved and the performance of the investments. Pensions include company, personal and stakeholder pensions. It's also referred to as a 'money purchase' scheme.

Flexi-access drawdown
It's a method of creating a retirement income that offers an alternative to an annuity. It means you can keep your money invested while taking an income from it. It works by investing your retirement savings in funds designed to generate an income for you. But unlike the annuity, the income is not guaranteed.

What it does offer, as its name suggests, is the flexibility to make changes to your income levels and/or switch to alternative income options in the future.

Inflation

The rate of inflation reflects changes in the general price level of goods and services. There are two key measures of inflation: the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). The rates are often expressed as a percentage. For example, if the CPI is 4% next year, it means the cost of goods and services will be 4% more expensive compared to this year. So an item you can currently buy for £100 will cost £104 next year and if inflation continued at 4%, the price would rise to £148 after 10 years.

Lump Sum Allowance (LSA)

Lump sum withdrawals are usually 25% tax free up to the tax-free lump sum allowance of **£268,275**. Any withdrawals over this allowance will be liable to tax at the policyholder's marginal rate. This is only likely to affect those with a total pension value of more than £1,073,100, of which the LSA is 25% (£268,275).

For lump sums taken from a pension(s) before 6 April 2024, a transitional tax-free amount certificate (TTFAC) is available. For more details, visit **moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lifetime-allowance-for-pension-savings**

Lump sum and death benefit allowance (LSDBA)

The lump sum and death benefit allowance relates to the payments that use up the lump sum allowance (LSA) **AND** other tax-free payments, such as serious ill health lump sums and certain non-taxable lump sum death benefits. For most people, the lump sum and death benefit allowance is £1,073,100, of which the LSA is 25% (£268,275).

The LSDBA is the maximum tax-free lump sum that a policyholder and their beneficiaries can receive from their total pension(s). Policyholders or their beneficiaries are unlikely to be affected by the LSDBA if the total value of their pensions (excluding the State Pension) is less than £1,073,100. This includes any withdrawals that have or are yet to be made.

For more details, visit **moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lifetime-allowance-for-pension-savings**

Money Purchase Annual Allowance

This relates to a 'defined contribution pension' see the definition above. Once you access your defined contribution pension, it could reduce your Annual Allowance from £60,000 to £10,000 (2025/26). It's this lower allowance of £10,000 that is known as the 'Money Purchase Annual Allowance' (MPAA). It means that you'll benefit from tax relief on the money you put into your pension of up to 100% of your taxable earnings or £10,000, whichever is lower. But for this to happen, you will need to access your defined contribution pension in a particular way, known as 'flexible access'. Examples are taking a lump sum of £10,000, or more, or by flexi-access drawdown. For more information, see the Money Helper guide or visit **moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/money-purchase-annual-allowance-mpaa**

Money Purchase Scheme

See 'defined contribution pension'.

Small lump sum

If you choose to take a pension as a one off lump sum and the value is £10,000 or less, this can be taken as a small lump sum which doesn't affect your Annual Allowance. Small lump sums are taxed using basic rate tax rather than emergency tax. You can take up to three pensions as small lump sum payments.

Stakeholder pension

This is a form of defined contribution personal pension which offers lower levels of charges. It also accepts flexible regular savings and if you don't want to choose the investment funds, they offer a 'default' fund option. For more information on this type of pension visit **moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/stakeholder-pensions**

Transitional tax-free amount certificate (TTFAC)

From 6 April 2024, the LSA and LSDBA replace the former Lifetime Allowance (LTA). The certificate is a way of managing and providing proof of any lump sum withdrawals prior to this date, which may affect the current level of allowances available. However, it may be possible to increase the tax-free allowances until April 2025.

For more details, visit **moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lifetime-allowance-for-pension-savings**

Uncrystallised funds pension lump sum

Uncrystallised funds pension lump sums (UFPLS) are a way of taking pension benefits from money purchase pensions without going into drawdown or buying a lifetime annuity. Under this option, you can take your uncrystallised pension funds in one go, or as a series of lump sums.

Free guidance

Pension Wise is a useful, free source of independent guidance on how to use pension savings. Not only does their website offer a wealth of information but also for those aged 50 and over, Pension Wise offer free face-to-face, online and/or telephone appointments.

No matter the size of your pension savings, make the most of this invaluable service.

moneyhelper.org.uk/pensionwise
0800 011 3797

See the Money Helper guide for further information about this service.

Pension wise
Your money. Your choice.

Independent financial advice

Getting up to date and independent advice could save you money in the long run. It's important to view an adviser's upfront fee alongside the potential long-term savings in areas such as tax and charges.

Finding a local independent adviser is easy. Visit **unbiased.co.uk**.

Any questions?

Call us using the telephone number shown on the top of the letter accompanying this guide.

Or go to
countrywideassured.co.uk

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