



INVESTMENT QUORUM

UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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Retirement options

What can you do with your pension pot?

When the time comes to access your pension, you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them.

There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options.

This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last.

ANNUITIES – GUARANTEED INCOME FOR LIFE

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life – an annuity. There are different lifetime annuity options and features to choose from that affect how much income you may receive. You can also choose to provide an income for life for a dependent or other beneficiary after you die.

FLEXIBLE RETIREMENT INCOME – PENSION DRAWDOWN

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown plans, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

This option normally means you take up to 25% of your pension pot, or of the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income.

You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a lifetime annuity, your income isn't guaranteed for life.

SMALL CASH SUM WITHDRAWALS – TAX-FREE

This is an important consideration for those weighing up pension options at age 55, the earliest age at which you can take up to 25% of your pension pot tax-free. You should ask yourself whether you really need the money now. If you

can afford to leave it invested until you need it then it has the opportunity to grow further.

For each cash withdrawal, the remaining counts as taxable income and there could be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die.

There are also more tax implications to consider than with the previous two options. So, if you can, it may make more sense to leave it to grow so you can enjoy a larger tax-free amount in years to come. Remember, you don't have to take it all at once – you can take it in several smaller amounts if you prefer.

COMBINATION – MIX AND MATCH

Of all the pension options, if appropriate to your particular situation, it may suit you better to combine those mentioned above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income drawdown scheme that allows you to



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decide how much you can afford to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later in life.

THE VALUE OF RETIREMENT PLANNING ADVICE

There will be a number of questions you will need answers to before deciding how to use your pension savings to provide you with an income. These include:

- How much income will each of my withdrawals provide me with over time?
- Which withdrawal option will best suit my specific needs?
- How much money can I safely withdraw if I choose flexi-access drawdown?
- How should my savings be invested to provide the income I need?
- How can I make sure I don't end up with a large tax bill?

HOW MUCH ARE YOU SAVING FOR YOUR RETIREMENT?

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting ready to retire. Working closely with you, we will identify what you want from your pension and develop a structure that meets your requirements. To find out more, contact us to discuss your options.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME

COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

