Your guide to the pension freedoms

What does the pension freedoms mean?

In a nutshell: more choice for you

Back in the day you had very little choice when it came to what you did with your pension savings. That all changed in 2015 when the government introduced new legislation called the pension freedoms.

The short version is: since the introduction of the new legislation, anyone with a qualifying pension can choose exactly when and how quickly they would like to take their pension savings once they reach 55[1].

This means there are potentially lots of options open to you, the bones of which we cover in this guide. **So keep reading, and if you have any questions just give us a call on 0800 304 7288.**

Taking pension money early is not right for everyone as it will leave you worse off in retirement. That's why it makes sense to get help from a regulated specialist.

We are authorised and regulated by The Financial Conduct Authority.

[1] The normal minimum age at which most people can access their pension savings is rising to 57 in April 2028.

How do other people use these pension freedoms?

It varies enormously. We see people taking the 25% tax free cash amount for all sorts of things: from paying off their mortgage or clearing other debt before retirement to starting a business. Sometimes people completely cash in smaller pots of a few thousand pounds to pay for things like weddings or house deposits for their children.

Then you have those looking to semi-retire who want some money now and a small income to top up their salary, with a view to retiring fully in later life. It all depends on what is right for you, and that is why our advice is individually tailored to suit what you are looking to do and why.

Am I eligible?

You must be 55 or over. Usually, there are huge tax penalties for accessing your pension savings before you are 55 so beware of anyone who suggests you can do this.

Then you just need the right sort of pension. Any private pension and most employee schemes are fine. We also advise on final salary pensions. For most people, it is not a good idea to transfer out of these schemes because you will be giving up a guaranteed income for life.

The pension freedoms do not apply to unfunded schemes including NHS, teachers, armed forces, civil servants, firefighter and police schemes. The State Pension is also ineligible.

The pension freedoms are all about choice – including when, and if, you use them.

What are my options?

This is just a quick overview to keep things easy to digest. If you would like to know more about each option in depth, please just give us a call.

1 Taking it all in one go

In our experience, people with larger pots tend not to choose this option. Why? Because only the first 25% is tax free. The rest is taxed as income. So, if you are a lower-rate tax payer, this option could push you into a higher tax band with consequences beyond just the loss of your pension money.

We find that the vast majority of people who choose this option have pension pots worth less than £30,000. Even then you need to be careful. One of the things we can advise on and manage for you is the most tax-efficient way to take your whole pension pot, if that is what you are looking to do.

Make sure you understand your likely tax bill – we can explain the impact.

2 Taking the 25% tax-free cash

You can take 25% of your pension tax free (or less than 25% if you want) and then choose what to do with the rest of it: leave it invested for the future or take a taxable income now.

Any money you take from your pension now will clearly affect the size of your future income. We can talk you through all the pros and cons, helping you to make the right decision.

3 Taking lump sums

The technical name for this is Uncrystallised Funds Pension Lump Sum (or UFPLS). What UFPLS allows you to do is take multiple lump sums from your pension over time, with 25% of each lump sum being tax free and 75% of each lump sum being taxable as income.

Why might this be useful? If you didn't want to take a large tax-free amount in one go then you could use UFPLS to effectively provide your regular income (or to top it up) with only 75% being taxed as income. For some people, this could be enough to keep them in a lower tax bracket. Each lump sum has to be considered separately, however, and hence taking a regular income using this method can become complex to manage.

Think carefully...

- Taking your pension benefits early will reduce your income at retirement
- All tax treatments mentioned in this guide, including the 25% tax-free amount, depends on your circumstances and may be subject to change in the future

What about taking a regular income?

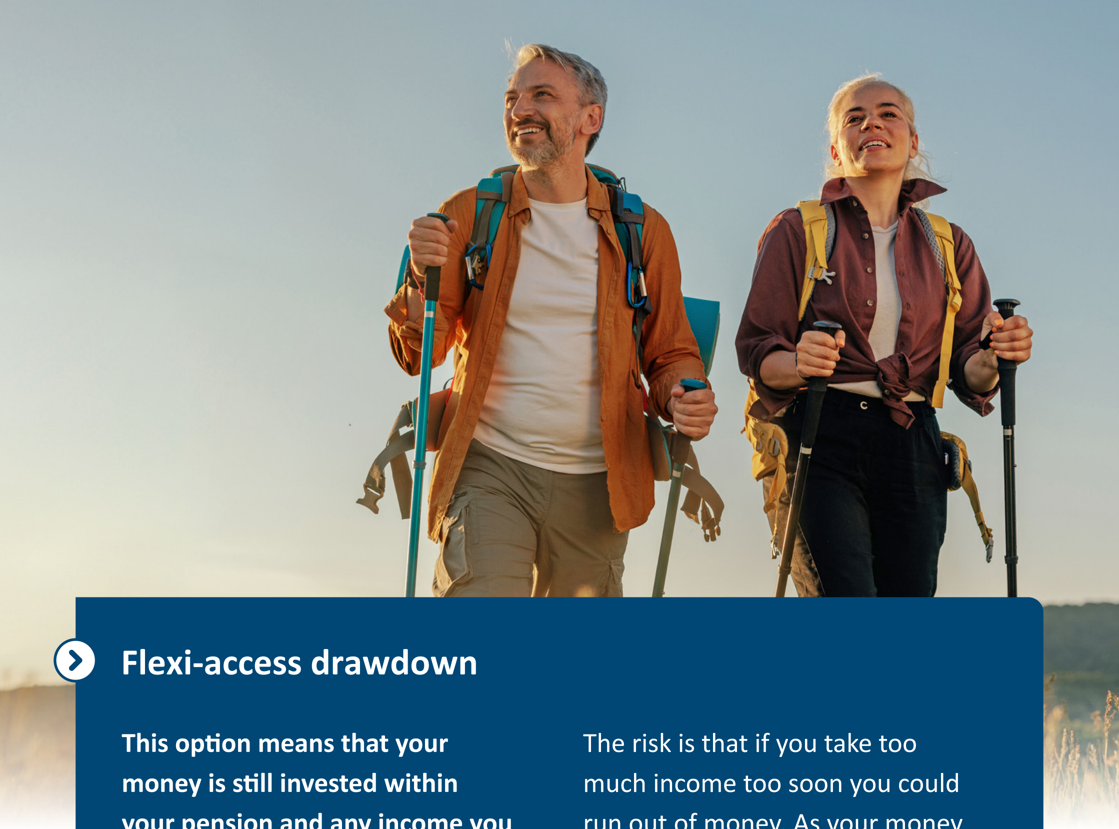
Current rules mean you have more choice than ever before when it comes to when and how you take a regular income from your pension. This flexibility goes hand-in-hand with our changing attitudes towards retirement.

Annuities

The big draw with an annuity is that of certainty. You sell your pension to an insurance provider in return for a specific guaranteed income for life, no matter how long that may be.

The drawback is that you no longer own a pension pot and if your circumstances change, you cannot turn to your pension pot for help. You also therefore cannot leave your pot to your children. If inflation rises significantly in the future, the true value of the income you receive will be diminished in real terms.

You can take your 25% tax-free cash at the start with an annuity. You can also buy an annuity with just part of your pension (for example, to cover the basics) and keep the rest in drawdown. Or you could choose to go into drawdown initially and then purchase an annuity later in life when there are fewer unknowns and the annuity income you receive may be higher. We can help you make the best decision based on your needs now and in the future.



Flexi-access drawdown

This option means that your money is still invested within your pension and any income you take comes directly from it. This means you can vary the amount of money you take whenever you like. There are also specific death benefits associated with it, such as beneficiaries being able to take an income or lump sum tax free if you die before the age of 75.

The risk is that if you take too much income too soon you could run out of money. As your money is invested, the value of these investments could also go up or down. So, you have to consider how much income you want to take, how long you are likely to need an income for, and how well your investments are performing. This is something we would help you with.

You can take your 25% tax-free cash at the start with income drawdown and then choose how much (if any) income you subsequently take, and you can vary it or purchase an annuity with it at any time.

Why should I get financial advice?

What do advisers do?

A good adviser, as well as being highly qualified, needs to be an expert in all the financial products that are available to meet your needs, the rules and restrictions around them, and the value they give you.

They should be adept at understanding your circumstances and drivers, your future goals and your current needs.

Our job is to gather all this information together, make a recommendation that is in your best interests, explain everything clearly to you, and then make it happen if you agree to it. When we consider your best interests, we have to take into account the effect of any fees being charged, including our own, before making our decision. We also have to believe it is the right thing for you to do.

What are the advantages?

Pensions are complex products that, by their nature, tend to involve a range of investments, each of which will also be complex. We have enough knowledge to make a properly considered and educated recommendation for you.

You will find that certain products are only available through advice. And with more widely-available products we can often negotiate preferential rates simply due to our size.

Through us you will have access to redress through the Financial Ombudsman Service should our advice be unsuitable for you. The ombudsman can, for example, insist that advisers pay suitable compensation should something be wrong with the advice given. This alone is a major plus over doing it yourself.

Can I buy complex financial products myself?

In many cases, yes you can if you are confident enough. There are a number of pension products and decisions that do require regulated financial advice, however.

Please, please remember that you are putting your money, and sometimes your life savings, at risk when you do this.

Many people (including ourselves, as you might expect) feel much more comfortable with the peace of mind and protection that comes through getting professional financial advice.

Have a question?

We are just a phone call away and are happy to talk through your options and answer any questions you may have.

0800 304 7288

What you can expect from Pension Access

- Friendly staff who are happy to hear from you
- The highest level of pension qualifications
- A no obligation pension check
- Impartial advice in your best interests
- An evidence-based investment philosophy
- Ongoing advice and management of your pension
- We make the process easy for you

A different way of doing things

Our team of experienced and expert financial advisers are helping thousands of clients each year to unlock the potential in their pensions. We currently manage over £½ billion of our clients' savings for them.

For more information please call:

0800 304 7288

pensionaccess.co.uk

- We adopt a frank approach and love plain English, so you always know exactly where you stand and how your pension is performing
- Our service approach means we can take on more clients, putting us in a much stronger position to negotiate discounts
- Our evidence-based approach to investing means we can target market-beating performance through discipline, structure and diversification rather than speculation

Frequently asked questions

How do I know I can trust you?

We are authorised and regulated by the Financial Conduct Authority. Our company number on their register is 754580. This means we must follow strict rules to ensure everything we do is in our clients' best interests. We are rated 4.77 out of 5 on reviews.co.uk where 97% of people would recommend us.

Our customers say **Excellent** ★★★★☆ REVIEWS.io

Am I making a commitment if I return your form?

No. Returning the form is simply you saying to your current pension provider "You have my permission to share with Pension Access information about my pension." It means we can then properly analyse what you have got. It does not commit you to anything or means we can make any changes to your pension.

Why do you need to know my NI number and date of birth?

Before your current pension provider will share information with us, they need to make sure they have got the right person. That is why they need to check your National Insurance number and date of birth.

How much will this cost me?

In many cases, a fee is only due if you are happy with our advice and then instruct us to transfer money from your pension to your bank account. The fee ranges from 1% to 7%, depending on the size and complexity of your scheme. Generally, there is the option for the fee to be taken from your pension, so there would be no extra money for you to find.

What our clients say

Our clients trust us to look after more than £½ billion of their pension savings. Here is what they say about us:

"The service was spot on and they helped me to unlock my pension in a time of need."
Mark, Kent

"You did exactly what you promised. I'm over the moon! Thank you so much for sorting my pension."
Mark, Tipton

"I needed to release some funds from my pension for some home improvements. They sorted the whole process quickly and professionally. Excellent service."
Jeremy, Walsall

"I received very good advice. It's very refreshing to get good, honest advice without having to pay a fee upfront."
Caroline, Ipswich

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HRC Harbour Rock Capital