HOW TO USE THE MONEY **IN YOUR PENSION POT**

ReAssure

CONTENTS

IF YOU ARE **RETIRING SOON...**

The pension savings you have built up won't automatically provide you with an income. This booklet contains information about the different ways you can convert your pension savings into an income and the options available from your ReAssure pension.

Making sure you achieve the type of retirement you have always wanted depends not only on how you have planned your finances, but also on when and how you choose to use the money you have saved to provide an income.

Creating an expenditure plan over the forseeable future will be important. This means determining the amount of money you will need to meet day-to-day living costs and how you use your savings to provide it. Equally you will need to look at how you meet the costs of the additional things you may want to do, such as holidays and hobbies.

Putting a plan into place will help you focus on what you may need from your savings to deliver the outcomes you want.

With some advice and careful planning you can maximise your retirement income.

It is important that you understand the options available to you, both through ReAssure and the wider market, as the decisions you make at this stage could influence your income for the rest of your life.

Reading this brochure will give you some background knowledge so that you can discuss all your options with your financial adviser. With the right information and advice you will be able to decide the best way for you and your family to benefit most effectively from your hard-earned pension savings.

There may be words or phrases in this booklet that you're not familiar with, so we have included a pensions jargon buster at the end.

THINGS **TO CONSIDER**

There are many factors you will need to consider before making a decision about what to do with your pension savings.

It may be useful to discuss the following questions with your financial adviser.

1. Should I continue contributing to my pension?
2. Do I need to combine my pension savings into one pension plan?
3. How do I trace pension savings I may have lost track of?
4. When do I need to start drawing income from my pension savings?
5. What if I want to carry on working?
6. What's the best way to take pension income now?
7. How can my other investments help me achieve a higher pension income?
8. Can I leave my pension savings to my loved ones if I die?
9. How can I protect my pension income against future inflation?
10. Can I keep my pension income options open?

Pension wise
Get to know your options

Converting pension savings into retirement income can be complicated. A financial adviser will help you understand your options and how the changes in pension rules from 6 April 2015 may benefit you.

If you do not wish to use a financial adviser, you can seek tailored guidance on how to make the best use of your pension savings from 'Pension Wise', a free and impartial service from the Government. It is available online, face-to-face, or over the phone. To find out more go to **pensionwise.gov.uk.** or call **0800 138 3944**. The service will provide you with guidance, but not the advice that can be provided by a financial adviser.

YOUR OPTIONS **AT A GLANCE**

The different ways you can take an income from your pension are summarised below.

Further details about each of the options can be found later in this brochure. This does not mean that you must make a choice now. Depending on your circumstances, deferring taking income from your pension savings may be the best option for you.

Normally you can use your pension savings to provide an income on or after age 55. Once you have taken the tax-free amount to which you are entitled, you will need to pay tax on the income you receive.

DON'T FORGET TO SHOP AROUND

Different firms have different products that may provide an outcome that is better suited to your needs. It is always best to shop around to make sure you get the best deal even where your only requirement is to buy an annuity.

1

Tax-free lump sums

(See pages 6-7, 14 and 16)

You will usually be allowed to take up to 25% of your pension pot as a tax-free lump sum. Some people may be able to take more or less than this.

You will be able to take the balance of any pension savings as a lump sum, although this part of your savings will be taxed in the same way as earned income. Depending on your other income and the size of the savings involved, this could mean you are subject to a higher or additional rate income tax charge.

The more of your pension savings you take as a lump sum, the less remains to provide you with an income in retirement.

You could instead use the balance of your savings to provide income in other ways. This could be through the use of an annuity or drawdown as explained below, or by taking a series of lump sums over different tax years to reduce the amount of tax you will pay.

2

Lifetime annuity

(See page 10-11)

Your pension can be used to buy an annuity, giving you a regular income for the rest of your life. It is now possible, as a result of the Government reforms, to buy an annuity that can reduce in certain circumstances and can be guaranteed to provide an income for a specific minimum period of time, regardless of how long you live.

Although an annuity may be the right choice under some circumstances, no one is obliged to buy an annuity.

3

Drawdown pension

(See page 12)

Drawdown allows you to take an income from your pension pot while leaving it invested.

Drawdown gives you the flexibility to use the money remaining in your pension pot to buy an annuity at a later stage. Depending on the level of drawdown income you take and the rate of growth of the invested funds, the income from that annuity may be less than if you had taken one earlier.

There are two types of drawdown: capped, which has a set annual withdrawal limit, and flexi-access, which doesn't.

Capped drawdown ceased to be an option for newly-started withdrawal arrangements after 6 April 2015.

The more of your pension savings you take as a lump sum, the less remains to provide you with an income in retirement.

> "Although the tax-free amount is described as a lump sum, you don't have to take it all at once."

TAX-FREE **LUMP SUMS**

From age 55 you can normally take up to 25% of your pension value as a tax-free cash lump sum.

With the tax-free cash sum available to you, have you considered how best to use it? For example you could use it to provide tax-free income before you draw on the rest of your pension savings. Although the tax-free amount is described as a lump sum, you don't have to take it all at once. For example you could take it in regular instalments, as part of drawing down your pension savings, to reduce any income tax payable on your income. Your financial adviser can explain how this works.

Normally you will be entitled to take 25% of your fund as tax-free. However, if you had pension benefits built up prior to April 2006 ('A-Day') then you may have a form of protection which means that your tax-free cash entitlement is not 25%. In addition, you may find that this restricts some of the options you can use to take the rest of your pension. Your adviser or pension provider will be able to supply more details.

Can I delay taking tax-free cash from my ReAssure pension?

Collective Retirement Account

If you have a Collective Retirement Account, there generally is no maximum age restriction on when you can take your tax-free lump sum.

The only exception is where you are taking your lump sum in regular monthly instalments. These instalments must cease when you reach 75, but you will still be able to use any remaining tax-free cash entitlement in other ways. For example, using drawdown, lump sums or 'small pots' payments (See page 16).

Any transfer payment that holds a tax-free cash entitlement for you from another pension scheme that you wish to add to your Collective Retirement Account must be received by ReAssure no later than five working days before your 75th birthday.

All other pension contracts

If you have an ReAssure Life Limited pension contract, you must take your tax-free lump sum before your 75th birthday as your contract will cease at that time.

Alternatively, before age 75, you can transfer your pension savings to another pension product, such as our Collective Retirement Account, which does not have this maximum age restriction so that you can take your tax-free lump sum at a later date.

The rules of some pension schemes may require you to take your lump sum before age 75. You should check with the pension provider to see what they allow.

TAX-FREE **LUMP SUMS**

ADVANTAGES

A lump sum can be used to pay off any debts e.g. your mortgage.

It is an immediate lump sum which you can invest or use as you wish.

It is tax-free.

It can be taken as a regular, or irregular series of payments that are not subject to income tax

DISADVANTAGES

When you take money from your pension the remaining amount available to provide you with an income during your retirement is reduced.

A LIFETIME ANNUITY
WHAT IS A LIFETIME ANNUITY?

An annuity has for a long time been the most common way of converting pension savings into pension income.

REASSURE DOES NOT PROVIDE ANNUITIES

If you decide an annuity is the right option, your financial adviser will be able to research the market and offer you an annuity from another company. Not all companies offer the full range of annuities – your financial adviser will be able to help identify the most suitable annuity for your needs and the best rates available. It is always a good idea to shop around to get the best deal.

Buying an annuity means exchanging all or part of your pension for a guaranteed regular income, which will be paid for the rest of your life by the annuity provider of your choice.

Regardless of the options available for taking withdrawals from your pension savings, an annuity could still be the most suitable choice for many people. In addition, as a result of the pension rule changes, different types of annuities are becoming available.

The increase in choice may not be available immediately. You may want to use part of your savings to fund your immediate income needs and then review what choices are available to you later.

You will have to pay tax on your annuity income in the same way as paying tax on a salary. Typically you would take your tax-free lump sum before buying an annuity.

There are a variety of annuity types available. They are explained in more detail on the following pages.

ADVANTAGES

Guaranteed income for life (or, for a period of your choosing that will allow income payments to continue after you die).

The option to guarantee income for a surviving spouse/civil partner/ dependant (depending on the product chosen).

The option to take escalating income to offset the effects of inflation.

The potential to choose an annuity where future income can decrease in certain circumstances, perhaps if you are due to receive income from other sources in the future that will meet your needs at that time.

In some cases the ability to link your annuity to the performance of a portfolio of funds in order to provide potential for investment growth.

Enhanced annuity rates are available for those with lower than average life expectancy because of poor health or certain lifestyles.

DISADVANTAGES

Limited opportunities to control your level of income.

Once an annuity is purchased it cannot be changed.

Inflation may outstrip the value of the income, even if you take an escalating income option.

Purchasing an annuity is an irreversible decision.

If you select an investment-linked annuity then the maximum future payments you can make to a pension scheme will be restricted.

WHAT TYPES OF **LIFETIME ANNUITY ARE AVAILABLE?**

There are different types of lifetime annuity available to suit your needs.

The basic types are detailed on these pages. It is important to note that different options will have different effects on the income provided. If you do decide to buy an annuity, it is an irreversible decision (subject to any cooling-off period).

Your financial adviser will search the market to find the best annuity for you. If you do not use a financial adviser, you should compare annuity quotations from a number of annuity providers as they may offer different levels of income depending on the size of annuity, type of annuity, your lifestyle and health conditions.

Single-life or joint-life annuities

A single-life annuity pays you an income just for your lifetime and ceases on your death.

A joint-life annuity will pay you an income for your lifetime and, on your death, will continue to pay out to your spouse, civil partner or dependant.

If you are not married, but have a partner, check they are eligible to receive the annuity. Joint-life annuities pay out a lower income than single-life annuities. Usually, the amount paid out to your husband, wife, civil partner or dependant is a reduced income – a half or two thirds for example.

Before making any decision you should consider what income your spouse or partner will have if they live longer than you.

Level or escalating annuities

You can choose whether you want your single or joint-life annuity income to stay at the same level or to increase each year (known as 'escalating').

A level annuity pays the same amount of income throughout your life. In other words, it does not increase in line with inflation. You will get more money to start with than with an escalating annuity, but it will buy you less in the future because of inflation (see page 18).

An escalating annuity will normally start paying a lower level of income than a level annuity and will gradually build up. There are two main choices: an annuity that escalates by a fixed rate, for example 3% each year, or one that increases each year in line with inflation (the Retail Price Index).

If inflation stays low, it can take as long as 20 years or more for an annuity linked to the Retail Price Index to pay out as much as a level annuity. But if you don't have an escalating annuity, even low levels of inflation can, over time, significantly reduce your standard of living. For example, £10,000 today will, in 10 years, only buy the same as £7,374 if prices increase at 3% each year.

Investment-linked annuities

This type of annuity invests the value of your pension pot in investments such as stocks and shares. It offers potentially higher income, but also involves some risk that your income could go down as well as up in line with investment performance.

If you are likely to continue paying into a pension plan then an investment-linked annuity may limit how much you can contribute in future. This limit, known as the money purchase annual allowance (MPAA) is £4,000 in the 2019/20 tax year.

Annuity protection lump sum death benefit

This is a way of ensuring that if you die, your annuity may provide a lump sum. A lump sum equivalent to the value of the pension you used to buy the annuity, minus the income you've already been paid, may be paid to your estate or beneficiaries. If you die aged 75 or older, the tax charge would be at the marginal income tax rate of each beneficiary who receives part of that payment.

In other words the amount they receive would be treated as income and subject to income tax. This could have the effect of putting them into a higher tax bracket.

Should you die prior to age 75 then payment to each beneficiary will be tax free.

A guarantee period

If you die shortly after buying an annuity, it will not have paid out much and the beneficiaries of your estate will get nothing back. To guard against this, you can choose an annuity with a guarantee period.

You can guarantee your lifetime annuity for a specific number of years. Historically the maximum guarantee period was limited to 10 years. It may now be possible to guarantee the period of payment of the annuity for longer.

The longer the period of guarantee, the lower the initial annuity income available to you will be.

If you select a guaranteed period of payment, the annuity will continue to pay the income for that time even if you die before then.

After your death, the income will be paid to your partner or to another dependant. If you do not include a guaranteed period, and your annuity is set up on a single-life basis, the income payments will stop when you die.

If you choose a joint-life annuity, a guaranteed period may not be as useful, as you will have already arranged for a proportion of your annuity to continue to be paid on your death.

You may also be able to benefit from the following

- You may qualify for a higher annuity income if you have a lower than average life expectancy, for example if you are overweight or a smoker or if you have done certain manual jobs or live in a particular part of the country.
- If you have a health problem that threatens to shorten your life you may be eligible for an enhanced annuity that pays a higher income than a standard one.
- Shop around for the best deal.

DON'T FORGET THAT YOU CAN SHOP AROUND

Different annuity providers will offer different annuity rates, so it's a good idea to shop around for the one that best suits your needs and circumstances.

DRAWDOWN **PENSION**

What is a drawdown pension?

A drawdown pension allows you to take taxable income direct from your pension while keeping it invested in a favourable tax environment. Drawdown is available from ReAssure as well as other providers.

All income drawn will be subject to income tax in a similar way to a salary.

ADVANTAGES

- You can retain control of your pension and the investments you hold in it.
- You can take an income, or choose not to, as required.
- If you die the rest of your pension savings can either be used to provide pension benefits for your dependants or other beneficiaries or be paid out as a lump sum on which a tax-charge may apply.

DISADVANTAGES

- No guarantees of future income.
- Your income may not be sustainable.
- Your savings remain invested so their value may go down as well as up, affecting how much you can withdraw.
- If you take high levels of withdrawals you may find it harder to recoup any investment losses.

Flexi-access Drawdown

Flexi-access drawdown gives you complete freedom to use some or all of your pension savings to provide an income, without restriction on the amount you can withdraw each year. It can be in the form of:

- regular monthly income payments either linked with payments of tax-free cash, or from the amount remaining after taking tax-free cash from your savings
- one-off payments, or
- a combination of these as meets your needs

You can even take all of your pension savings in one go, although this could have significant tax implications. Any income you do take will be subject to income tax in the same way as a salary.

As soon as you take any income from a flexi-access drawdown arrangement, the amount that you can contribute to any money purchase pension savings prior to your 75th birthday will be restricted to an amount known as the money purchase annual allowance (MPAA) which is £4,000 in the 2019/20 tax year.

Capped drawdown

If you started to draw income from your pension savings before 6 April 2015 and were not eligible to use what was known as flexible drawdown, your withdrawals would be by an arrangement known as capped drawdown. This involves a limit (or 'cap') on the amount of income you can draw down.

You can continue to draw income under capped drawdown rules as long as the annual amount of income you draw from your savings is within the limits (the 'cap') set by these rules.

Any withdrawal that exceeds the cap will trigger a switch into flexi-access rules, and will limit any future pension contributions to £4,000 a year. See the Flexi-access Drawdown section for more details.

This cap is reviewed every 3 years prior to when you reach age 75, and then annually from each pension year that starts after you reach age 75.

Depending on the way in which your provider offers this facility, the maximum annual income can be altered more frequently either:

- by asking for an annual review of the maximum available, or
- if you started drawing income under these rules on or after 6 April 2006, by adding untouched savings to drawdown

Drawing income under capped drawdown limits does not restrict the additional amount of pension contributions you can contribute before you reach age 75. The standard annual allowance, currently £40,000, still applies. Full details of what is the annual allowance are provided on page 22.

Depending on what your provider will allow, you can elect to convert your capped drawdown arrangement to flexi-access drawdown so that you have complete freedom as to the level of income you are able to take.

If you have an ReAssure Collective Retirement Account or Personal Pension Income Plan and are currently drawing income under capped drawdown rules you will be able to convert those arrangements to flexi-access drawdown at any time.

The Collective Retirement Account also offers capped drawdown clients the ability to review their capped drawdown maximum income through annual reviews,or, by adding untouched savings to those accounts where capped drawdown started on or after 6 April 2006.

How can I opt for a drawdown pension?

Since April 2015, any new drawdown pension must be in the form of a flexi-access drawdown. We can provide a flexi-access drawdown pension through the ReAssure Collective Retirement Account.

However not all pension schemes offer this option, particularly if you are currently in an employer's pension scheme. If you are in such a scheme and you want to use income withdrawal, you may first have to transfer your pension to another scheme. This could be with us or another suitable provider. You should contact your financial adviser to discuss the implications of this before making a decision.

You should review your income withdrawal plan each year with your financial adviser to check that the investment performance is sufficient to provide the income you're taking from it. You can stop taking withdrawals at any time and use your remaining value of your pension to buy an annuity. (See pages 8-11).

What will happen to the rest of my pension if i die?

When you die, the rest of your pension savings can be paid to your estate or to a person either you or your pension provider has chosen. The rules of your pension will say who is allowed to be a beneficiary.

There might be a tax charge depending on how old you are when you die and how much you have saved into your pension.

DEATH BEFORE 75

<75

If you die before 75 there is no income tax charge due. This means that any beneficiary taking a lump sum won't have to pay income tax when they receive their payment, and any beneficiary who takes payment in the form of a drawdown policy or an annuity won't have to pay income tax when they take income.

75>

DEATH AFTER 75

If you die after 75, any person that gets a payment will have to pay income tax like they would on a salary. Any company, trust or charity that gets a payment will have to pay 45% tax.

What will my ReAssure pension contract allow?

If you have a Collective Retirement Account and started taking capped drawdown income before 6 April 2015, you can continue to do so. If you were not in capped drawdown by that date, flexi-access is the only drawdown facility available. There is no maximum age at which you can start income withdrawals through either option and there is no age at which you must stop.

If you have a ReAssure Personal Pension, a ReAssure Executive Pension or a Buyout Bond, you can set up a flexi-access drawdown pension with ReAssure. Please talk to your financial adviser for more details.

PHASED **RETIREMENT**

Phased retirement can be a useful way to plan your finances, for example if you want to ease back from work gradually and start to replace your earnings with pension income. There are several ways you can use your pension savings to create a phased income.

1

LUMP SUMS

you can take part or all of your pension savings as a lump sum (see also 'Small pots' on page 16). You will receive part of the payment tax-free (usually 25%) and the remainder will be subject to income tax in the year it is paid.

2

PHASING INTO INCOME DRAWDOWN

you can from time to time move your pension savings into income drawdown whilst taking a tax-free lump sum (usually 25%) at the same time.

3

PHASING THE PURCHASE OF ANNUITIES

rather than buying a single annuity when you retire, you can purchase a series of annuities from time to time whilst taking a tax-free lump sum (usually 25%) each time you do so.

Your financial adviser will be able to provide you with further information about the best way to phase your retirement.

WHAT WILL MY REASSURE PENSION CONTRACTS ALLOW?

All the options on this page are available from the Collective Retirement Account.

Provided you take the whole of your policy or plan in one go, lump sums are available under all other ReAssure pension contracts. None of the other options are available under these contracts.

If you feel an option described on this page would suit your needs, transferring your pension savings into a different contract, such as our Collective Retirement Account, could enable you to access that option. Please talk to your financial adviser.

DEFER TAKING **PENSION BENEFITS**

If you wish, you can delay taking retirement benefits to a later date.

Your pension can remain invested until you decide to take retirement benefits. Pension rules do not oblige you to take benefits by a certain age, although many pension schemes have contract terms that restrict when you must take your benefits. You can continue to contribute to a pension contract to build up additional funds to provide your retirement income and receive tax relief up to age 75. Depending on how you decide to use your savings to provide you with retirement income, the amount that can be contributed to any money purchase savings may be restricted to a limit known as the money purchase annual allowance (MPAA) which is currently £4,000 a year.

If you die before taking retirement benefits (including any tax-free amount) your pension savings can be used to provide an income for whoever you choose. This could include your spouse, civil partner, other individuals who are financially dependent on you, or any other individuals, such as adult children. Alternatively, it could be paid out to them as a lump sum. See Page 13 – What will happen to any savings in drawdown if I die? To understand whether any tax may apply.

What will my ReAssure pension contract allow?

Collective Retirement Account

For the Collective Retirement Account, there is no maximum age at which you need to start taking your benefits. The minimum age is 55.

You can make contributions up to five working days before age 75.

All other pension contracts

With all ReAssure pension contracts except the Collective Retirement Account, you have to start taking your retirement benefits before age 75. Alternatively, before age 75, you can transfer your pension savings to the Collective Retirement Account, or another pension product that does not have this maximum age restriction, so that you can take your retirement benefits at a later date.

You can normally make contributions up to age 75 regardless of your selected pension age.

> “You can continue to contribute to a pension contract to build up additional funds to provide your retirement income and receive tax relief up to age 75.”

'SMALL **POTS**'

If you have any pension plans below the value of £10,000, you can take up to three of such small plans as cash lump sums over your lifetime, even if the total value of all your pension schemes is greater than £30,000.

Up to one quarter of the lump sum(s) may be paid tax-free and the remainder will have basic rate income tax deducted. You will have to pay any higher or additional rate tax through your self assessment return.

Your provider will ask you to complete a declaration to confirm you've complied with the rules relating to 'small pots'.

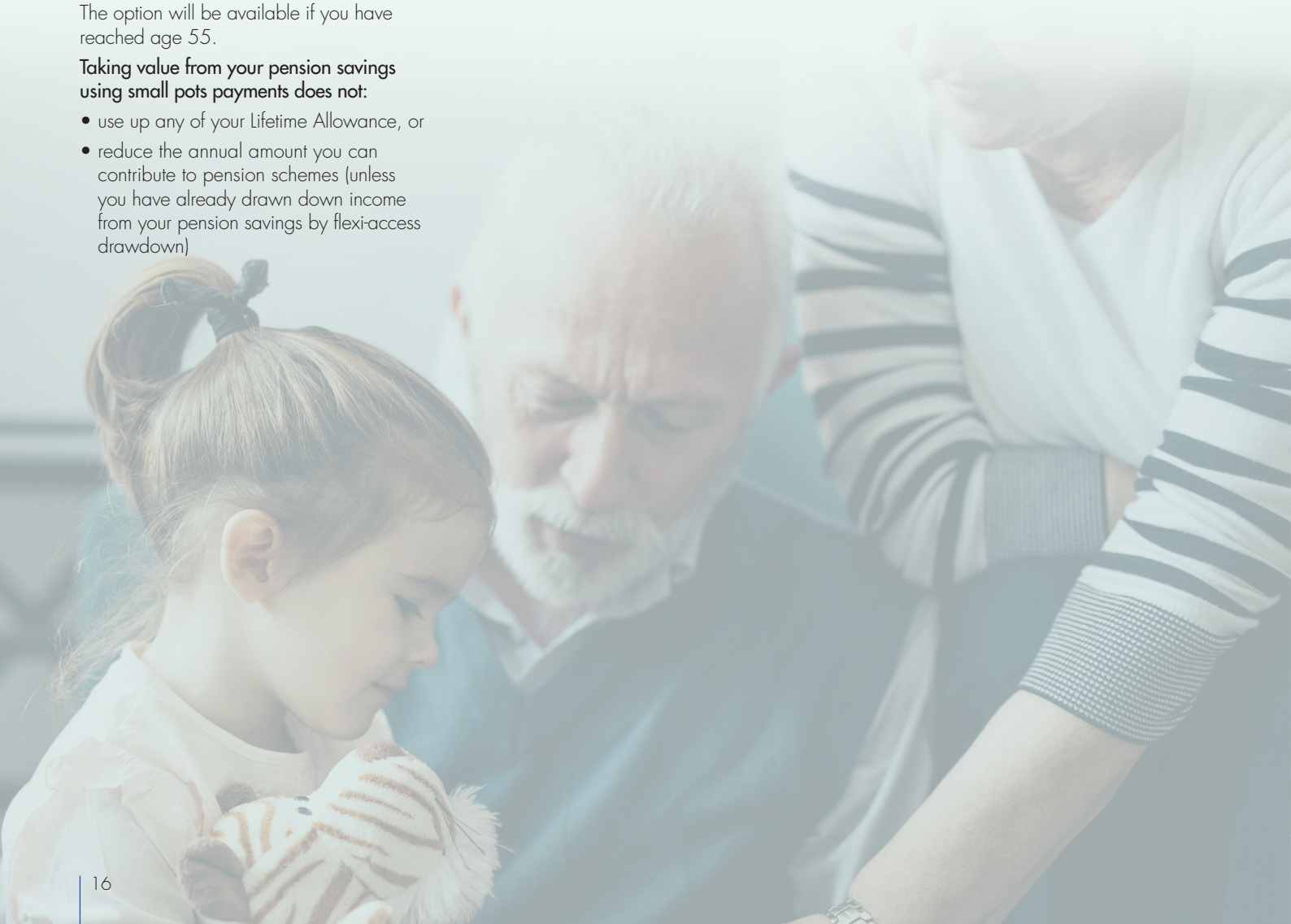
The option will be available if you have reached age 55.

Taking value from your pension savings using small pots payments does not:

- use up any of your Lifetime Allowance, or
- reduce the annual amount you can contribute to pension schemes (unless you have already drawn down income from your pension savings by flexi-access drawdown)

The ReAssure Collective Retirement Account can provide this option. It is not suitable for anyone who has Enhanced Protection or Fixed Protection 2012, 2014 or 2016, or who is going to apply for Fixed Protection 2016. It is also not suitable for anyone with a protected retirement age or a protected tax-free cash amount.

For all other ReAssure pensions, the availability of this option depends on the type of plan you have with us. We can let you know whether you are able to use this option if you contact us.



YOUR STATE **PENSION BENEFITS**

KEY QUESTIONS

- How much state pension will you receive?
- When will your state pension be paid?
- What are the options to defer your state pension?

If you are entitled to receive a state pension, you can claim it when you reach the state pension age or possibly defer it beyond state pension age.

How much you receive will depend on how much National Insurance you have paid.

On request, the DWP will calculate in today's money an estimate of the state pension you may get when you apply for it.

State pension

The maximum weekly basic state pension is £168.60 (2019/20 tax year). You do not receive it as an automatic right. How much you get depends on your National Insurance contribution record. Generally, you will receive a full basic state pension if you have paid full rate National Insurance contributions for 30 years.

If you do not have sufficient National Insurance contributions to qualify for the full state pension it may be possible to pay additional contributions to make up the shortfall. Further information is available from HM Revenue & Customs by telephoning **0845 915 5996**

How to claim the state pension

Usually you will be sent an invitation to claim your state pension four months before your state pension age. If you are less than four months away from state pension age and have not received your invitation you should call the State Pension Claim Line on **0800 731 7898**.

For general queries about state pensions and benefits you can call the Pensions Advisory Service on **0845 601 2923**.

State pension age

Since 2010, the state pension age for women has been increasing from age 60.

In 2018 the state pension age began to rise and from October 2020 it will be 66 for men and women. The Government has also made plans to further increase the state pension age for everyone after 2026.

To find your state pension age please go to www.gov.uk/calculate-state-pension.

Deferring your state pension

If you wish, you can put off claiming your state pension when you reach state pension age. You may wish to do this if you are still working and don't require the income from your state pension immediately. Deferring your state pension allows you to build up extra benefits. The extra benefit can take the form of extra state pension or a taxable lump sum payment. The options available to you when you finally claim your state pension will depend upon the length of time you defer claiming your state pension.

The Department for Work and Pensions has put together a detailed guide about putting off claiming your state pension, and it can be obtained at https://www.gov.uk/deferring-state-pension

To obtain an estimate of your state pension call the State Pension Forecasting Team on 0845 300 0168 or visit www.gov.uk/ for more information.

FINALLY - **DON'T FORGET...**

The risk of inflation

You may live 40 years after stopping work. If you do, how will you ensure that your retirement income will continue to meet your needs over that period?

Over your lifetime you will have experienced the rise and fall of inflation. During the 1970s, for example, prices rose by more than 205%, and inflation ran at more than 24% in 1975. You may remember periods in your working life when you were receiving more than one pay increase in a year, just to keep up with increasing prices.

Even at lower levels, inflation can significantly reduce the buying power of your income over the years. For example, in twenty years' time, after allowing for inflation at 2.5% a year, £10,000 will only be worth £6,100 at today's prices. And, according to an inflation index published by Age UK, inflation for those who are retired is generally higher than for the general population.

The growth of your invested savings should provide some protection against inflation. However, it is a risk that needs to be managed to ensure that the income you wish to draw from those investments will continue for the remainder of your life. Your financial adviser will help you manage this risk.

What income tax will you pay?

You will need to pay tax on your retirement income, but once you retire your income tax rate will probably change.

Be sure you are getting the correct allowance and have the right tax code, so you are not paying more than you should.

When an income payment is first made from any income withdrawal option you select, the tax deducted will normally be on a 'month 1' emergency rate basis. This means that the amount of tax you pay on the first payment may not be correct.

If you are receiving regular ongoing income payments this will be corrected over the remainder of the tax year when we receive a tax coding from HM Revenue & Customs.

The exception to the requirement to use an emergency tax code is where the one payment is taken using the small pots rules (page 16), where 20%, basic rate income tax, is deducted.

If the payment you take is a one-off payment you will need to contact HM Revenue & Customs to arrange a rebate of any overpaid tax. Any income you take from your pension could also affect the tax rate you pay on any other income you may have, such as a salary.

The way income tax is charged on these payments means that if you want to receive a specific amount, you may need to use more of your pension savings at first to take into account the extra tax that may be deducted until HM Revenue & Customs provides the correct coding.

"Even at lower levels, inflation can significantly reduce the buying power of your income over the years."

Inheritance tax

If you have not done so already, it is important that you talk to your financial adviser about the potential effect of inheritance tax on your estate when you die and whether you can make plans in good time mitigate this.

Making a will

If you haven't already made a will, this is something you should do immediately. By making a will you decide how your assets are to be divided on your death. It will also provide certain inheritance tax benefits. If you already have a will, it is still a good idea to review it regularly.

Guaranteed annuity rates

Many older pension contracts include guaranteed rates of annuity that may be superior to those currently available on the open market. Make sure you are aware whether any of your pension contracts include such guarantees and the terms which apply before making any decisions. No ReAssure contract includes guaranteed annuity rates.

Tracing old pensions

If you believe you were entitled to a pension from a former employer you have lost track of, call The Pensions Tracing Service on **0845 601 2923** or visit **www.gov.uk**

If things go wrong

You should understand what you can do and what compensation you would be entitled to if things were to go wrong. All providers and regulated financial advisers will give you details of your rights.

Avoiding scams

The Government's introduction of greater flexibilities and freedoms for pension savings has led to an increase in con-artists trying to get hold of them dishonestly for their own benefit. If an investment opportunity appears too good to be true, it probably is, no matter how profitable it seems. If the product is not provided by a firm regulated by the FCA then proceed with extreme caution as you will have no regulatory protection if things go wrong.

Further information about what is called 'pension liberation' can be found at www.fca.org.uk/scamsmart

SEEKING GUIDANCE **AND ADVICE**

Next steps

Now you've read this brochure we strongly suggest you speak to your financial adviser about all the options available to you. Because the decisions you make at this stage will influence your retirement income for the rest of your life, it is vital you seek advice on what is best for you and your particular circumstances.

You can also find guidance or assistance from the following organisations:

Finding a financial adviser	If you don't have a financial adviser you can find one in your local area by visiting www.reassure.co.uk/find-an-advisor
Pension Wise	Pensions changed in April 2015. If you're 55 or over and have a defined contribution pension, it's your decision how you take the money. Pension Wise is a free and impartial service backed by the Government to help you understand what your choices are and how they work. The service can be accessed at pensionwise.gov.uk and can be provided online, over the phone from the Pensions Advisory Service on 08001383944, or face-to-face from the Citizens Advice Bureau. This service will provide you with guidance as to the options available to you. It will not however provide you with the individual financial advice that your financial adviser can provide.
The Money Advice Service	They provide guidance on a whole range of financial issues. Visit www.moneyadviceservice.org.uk
The Pensions Service	They are part of the Department for Work and Pensions (DWP). The website www.direct.gov.uk/en/index.htm provides information about pensions and other pension benefits in the UK. They can also be contacted by telephone on 0845 60 60 265.
The Pensions Tracing Service	To trace lost pensions, call 0845 6002 537 or visit www.direct.gov.uk/en/index.htm
FCA scamsmart	If you've received unsolicited contact about an investment or pension opportunity check it out at www.fca.gov.uk/scamsmart
The Financial Conduct Authority	They are an independent body set up by the Government to regulate the financial services industry and protect consumers. Visit www.fca.org.uk or call 0845 606 1234.

PENSIONS **JARGON BUSTER**

Below is an explanation of some of the unfamiliar words and phrases you may have come across in this brochure, or in other pension communications.

Annuity	An insurance policy that provides an income for life.
Annuity rate	The basis for determining the amount of pension income you get from an annuity, which is dependent on several factors including your age, state of health and the type of annuity selected.
Annual allowance	The maximum that can be paid to pension schemes in any year is currently £40,000. If your "adjusted" income as defined by HMRC exceeds £150,000 your annual allowance will be reduced by £1 for every £2 of earnings to a minimum annual allowance amount of £10,000. Depending on how you take, or have taken income from your pension savings, the amount that can be paid to money purchase schemes may reduce to £4,000 (2019/20 tax year). Your financial adviser can provide more details.
Civil partner	The Civil Partnership Act 2004 grants civil partnerships and same sex relationships in the United Kingdom rights and responsibilities identical to civil marriage.
Defined benefit scheme	A scheme where retirement benefits are based on length of pensionable service with the employer and final pensionable salary (also known as final salary schemes).
Defined contribution scheme	A scheme where your pension contributions are invested, for example in the stock market. The value of your pension savings depends on the amount of contributions made and the growth of the investments you have chosen to hold in it. The savings built up are ultimately used to provide an income by flexi-access drawdown or from an annuity. The defined contribution scheme is also known as a money purchase scheme.
Dependant	Your spouse or civil partner, a child under age 23, or a child over age 23 who is dependent on you because of physical or mental impairment. A person who is financially dependent or dependent due to physical or mental impairment.
Drawdown pension	This allows you take an income from your pension, whilst keeping it invested.
HMRC (HM Revenue & Customs)	The government agency responsible for collecting taxes and paying tax credits.
Inheritance tax	Inheritance tax is the tax paid on your estate when you die. Your estate is everything you own when you die, minus what you owe. If the taxable value of your estate is over £325,000 your beneficiaries will need to pay the current 40% tax rate on anything above this amount (subject to any exemptions that apply). If you're married or in a civil partnership and your estate is worth less than £325,000, any unused inheritance tax allowance can be added to your partner's allowance when you die. This means their combined allowance can be as much as £650,000. An additional exemption relating to a main residence is being phased in from april 2017 to april 2020 bringing the combined potential inheritance tax allowance for a couple to £1 million.
Invested assets	Assets into which your drawdown pension savings or investment-linked annuity are invested to provide your retirement income.
Lifetime allowance	The lifetime allowance is a limit the government puts on the total amount of pension benefits that you can take from pension schemes without an extra tax charge. The standard lifetime allowance is currently £1,055,000 million and you use up this allowance gradually when you take money out of your pension(s).
Lifetime annuity	An insurance product that converts your pension savings into pension income that is paid for the rest of your life. The income is taxable.
Money purchase scheme	This is another name for defined contribution scheme (see definition in left hand column).
Occupational pension scheme	A scheme offered by some employers. There are basically two types – defined benefit schemes and money purchase schemes (both are defined on this page).
Pension income	Income you get from your pension pot by buying an annuity or taking income withdrawal. Pension income is taxable.
Personal pension	A money purchase pension into which you and your employer can contribute.
Phased retirement	A way of using parts of your pension at different times to provide income. By doing this you can convert it into pension income bit by bit.
State pension age	You can claim your state pension when you reach state pension age. Currently the state pension age is 65 for men. On 6 april 2010, the state pension age for women started to increase gradually from 60 to 65. The government started to gradually increase state pension age to age 66 for men and women from 2018, and beyond that age over the longer term.
Tax-free lump sum	You can normally take up to 25% of your pension savings as a lump sum tax-free payment (also known as a pension commencement lump sum or PCLS).

This document is based on ReAssure's interpretation of the law and HM Revenue & Customs practice as at August 2019. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

Your investment may fall or rise in value and you may not get back what you put in.

www.reassure.co.uk

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