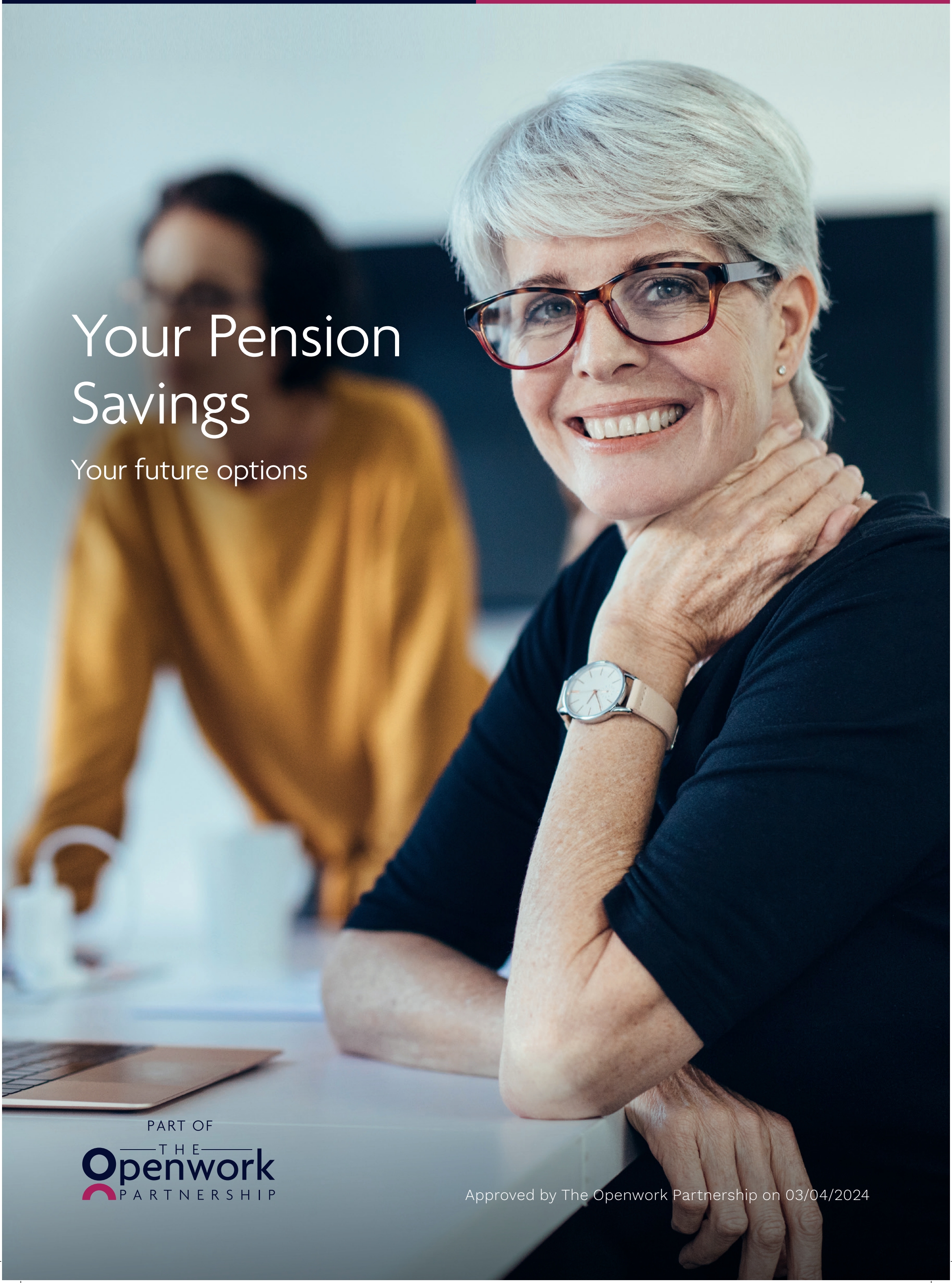


Your Pension Savings

Your future options

PART OF THE Openwork PARTNERSHIP

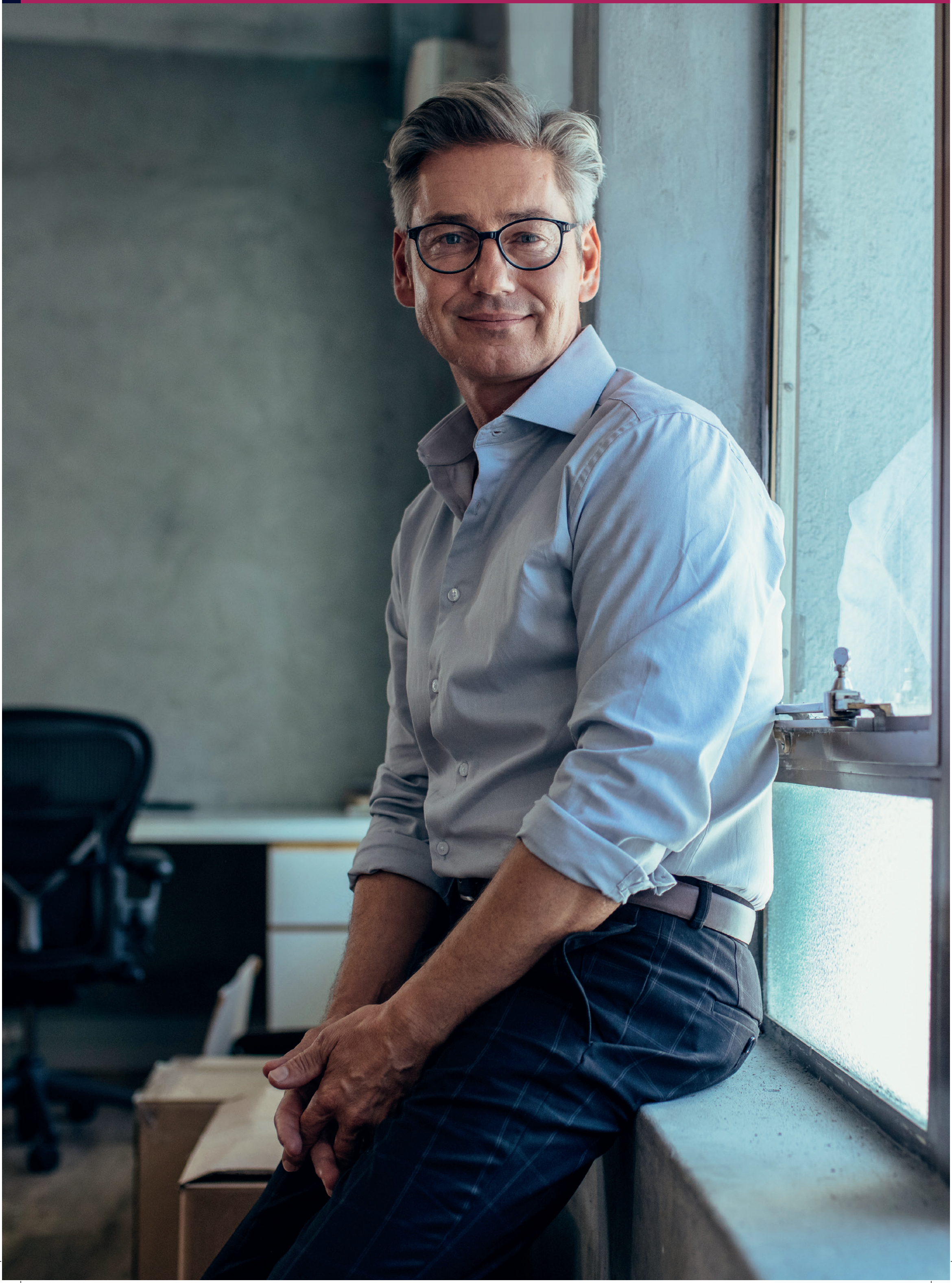
Approved by The Openwork Partnership on 03/04/2024

Your Pension Savings – Your future options

You have now reached a stage in your life where you are considering your retirement options. How you might retire, and how your pension savings can fund that retirement. Retirement is changing and the way you access your money in retirement needs to reflect this. Nowadays, there are many options available to retirees. It's important to understand the options now available to you and whether your existing plan can meet your needs. Your Financial Adviser can help you carefully consider whether the options you need are available from your current plan and if not, what you can do about it and how much it will cost.

Pension Freedoms Explained

In April 2015, the Government introduced "Pension Freedoms" which gave you greater freedom and flexibility over how to access your pension savings. Anyone now aged 55 (moving to aged 57 on 6 April 2028) and over can take either a partial or whole lump sum from their pensions savings. No tax will be paid on the first 25%, and the rest regardless of how and when it is taken is taxed as if it were a salary at your income tax rate. There are now essentially four main ways for you to access your pension savings.



Four main ways for you to access your pension savings

1. Buy an Annuity

You can convert your pension pot into a taxable income for life by purchasing an annuity. There are different annuity options that would determine the level of income you would get. Not all annuities provide death benefits, so you may not be able to pass your pension pot on to your beneficiary.

2. Flexi-Access Drawdown

Your pension pot is invested, but you are able to withdraw an income as and when it suits you. This provides you with flexibility to set the income you want. However, the level of income, or how quickly your fund becomes depleted can be dependent on the performance of your investment, and unlike with an annuity, your income isn't guaranteed for life.

3. Take it all out as cash

You can cash-out all your pension savings. You can normally take 25% tax free and you pay income tax at your marginal rate on the rest. This could cause a larger tax bill the following tax year.

4. Take part of it out as cash

You can cash-out part of your pension savings. You can normally take 25% tax-free of the amount you take with the rest taxed at your marginal income tax rate. You can do this as many times as you like until you no longer have any pension savings.

A New 'Modernised' Pension Plan

Opportunities

- Take control of your pension savings.
- Income flexibility to suit your retirement planning.
- Keep future income options open.
- Optimise your tax efficiency - both on any money you might leave invested, and Inheritance Tax.
- Flexibility to change your approach to risk.

Considerations

- Not everyone will need access to 'Pension Freedoms' so you could end up paying costs for something you don't need.
- It is almost certain that the costs you pay will be higher.
- There is no guarantee that the funds you invest in will perform any better than your current plan. Your existing fund could outperform the new one.

It is therefore crucial to speak to your Financial Adviser to understand whether the options available to you meet your needs.

Your Existing Pension

You have been provided with this leaflet as your existing pension plan has not been 'modernised'. This means that not all the options listed previously, are available to you.

As you approach retirement it is increasingly important to review your pension savings and the options available to you. Pensions Freedoms has now allowed you to take full control of your retirement options. However, not all pension investments have the flexibility to take advantage of these new freedoms. Your current pension plan doesn't provide you with the control, visibility or flexibility that a new 'modern' pension plan would.

Costs

Obviously, cost will be a key factor when considering moving to a new modern pension. It is almost certain that you will have to pay more for a new platform pension account. This is likely to be in the region of 0.5% to 1% of your pension fund value per year. For example, if you have a pension fund of £100,000 you could be paying in the region of £500 to £1,000 per year.

Your Financial Adviser may also charge a fee for their advice. This can be either an initial upfront fee and/or an ongoing adviser servicing charge. Your adviser will help you understand the additional costs you'll pay and whether this is a price worth paying to access the options you need.

The costs of the new plan and any ongoing adviser fees if deducted from your funds, will reduce the potential rate of growth, known as 'reduction in yield'. It is important to remember that these additional upfront and ongoing costs could provide a payoff later. A modern pension can provide you with full flexible access, as well as greater visibility and control.

It can also provide you with more investment choice, making it easier for you to combine pension pots, and could ensure you pass any proceeds onto future generations so they do not incur any potential inheritance tax liability.

Taxation and Advice

Whichever route you choose, to stay where you are, move now or if you decide to move later, it is worth remembering that you should always seek financial advice. All pension income, other than the Pension Commencement Lump Sum (the tax-free cash element) is taxable at your highest rate of income tax. Suitable pension planning advice can allow you to access your pension savings in the most tax efficient manner and ensure you don't pay more tax than you need to. So, it is essential that you speak with your Financial Adviser before you make any decision.

How does your existing pension plan compare to a modern pension?

Your existing Pension Plan	A New 'Modernised' Pension Plan – utilising a platform plan

Inheritance and Death Benefits

Your existing Pension Plan

Your existing plan is not able to offer Nominee and Successor Flexi-Access Drawdown. This means that on the pension policy holder's death (you), the value of the pension plan is paid out to the nominees as a cash lump sum and treated as part of their estate.

This creates two potentially avoidable issues:

1. Whilst held as cash the money is not in a tax-efficient environment, which means if the nominee or successor wants to invest the money, tax might have to be paid on income, or growth, or both.
2. On the nominee's or successor's death, the amount could be subject to Inheritance Tax (IHT) when passed onto their beneficiaries.

A New 'Modernised' Pension Plan – utilising a platform plan

Moving to a new platform account will give you the benefits of Nominee and Successor Flexi-Access Drawdown.

This means

1. You can pass wealth down through family generations in a pension 'wrapper' and won't be subject to IHT. Otherwise known as the 'family pension tree'.
2. The monies will be retained in a tax efficient environment until they are needed by the nominee or successor. Or they can be passed down to the next generation on the nominee or successor's death and they won't be subject to IHT.
3. They provide a flexible income to the nominee or successor as and when they need it. What's more, if the pension policy holder dies before they reach age 75, the income payments are made tax free.

Regular Reviews

Your existing Pension Plan

If you have not received regular financial advice on your pension, it may not have been reviewed against your needs and objectives.

A New 'Modernised' Pension Plan – utilising a platform plan

Using a platform account to hold your new pension allows you to set up an ongoing adviser charge to ensure that you receive annual advice.

Your Financial Adviser can advise you on whether your pension plan is meeting your retirement objectives and changes that could be made.

They can help you plan and make changes in line with your retirement objectives. Additionally, they can provide advice on accessing your savings when you need to, in the most tax efficient way.

Your existing Pension Plan	A New 'Modernised' Pension Plan – utilising a platform plan
Valuation Statements	
You currently receive an annual paper statement to inform you of your pension plan value. Any ad-hoc valuations must be requested via the provider and these can take time to arrive.	A platform allows you instant access to your account online at any time, as well as providing you with both quarterly and annual statements.
Regular Reviews	
Your existing plan is a standalone product.	A platform allows you to consolidate your various pensions and investments together in one place. You can also see all your assets in one place, which provides transparency and clarity. This makes things like planning for retirement, reviewing investment costs, and estate planning easier.
Investment Choice	
Your existing plan has access to a limited number of Life Company investment funds.	A platform has a wide range of investment fund opportunities allowing your adviser to recommend investment funds to meet your specific needs and level of risk you want and can take.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Information contained in this leaflet concerning taxation and related matters are based on The Openwork Partnership's understanding of the present law and current legislation.

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OW4363 Exp: 03/04/2025

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