

Strategic Vision Wealth Management

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ANNUITIES

Deciding what to do with the pension pot you've built up

If you save through a private personal pension, when you approach retirement age you'll have to decide what to do with the pension pot you have built up. If applicable to you, one option is to buy an annuity. It's important to find an annuity that suits you and provides the best deal because, after your property, an annuity is probably the biggest purchase you will ever make.

An annuity is the annual pension that many people buy with their private pension pots when they retire. Purchasing your annuity is an important one-off decision that has long-term consequences if you get it wrong. You may not receive the best deal if you just take the annuity offered by the insurer that has been investing your money.

A significant reform of the defined contribution pension system (as opposed to workplace final salary schemes) announced in Budget 2014 means that under the proposals, from 6 April 2015, millions of people reaching retirement age will be able to spend their pension pot in any way they want.

Given the enormity of these changes, there is still however a continuing role for annuities, especially where you seek the peace of mind for a lifelong secure regular income.

COVERING A MINIMUM LEVEL OF LIVING COSTS AND REGULAR OUTGOINGS – FOR LIFE

An annuity provides a fixed, guaranteed income, however long you live for. As part of your retirement planning, if you favour income drawdown, you may still want to purchase an annuity to cover a minimum level of living

costs and regular outgoings. It is important that you shop around for the best annuity rates to ensure that you are able to benefit from the highest retirement income available for life.

A pension annuity converts the funds built up in your pension scheme(s) into a regular income. The income is then payable for the rest of your life. So why would you still consider an annuity as part of your retirement plans?

QUALIFYING FOR AN ENHANCED ANNUITY

A significant number of people at retirement could qualify for an enhanced annuity. These typically offer rates from between 15% to 20% higher on average than a standard annuity if you are suffering from certain specified health or even lifestyle conditions. This could make them very attractive if you are seeking the maximum guaranteed income throughout your life.

SECURITY AND REASSURANCE

With an annuity, the income is guaranteed, regardless of market movements, how long you live for or any changes in your circumstances. This can provide



FACTSHEET RETIREMENT

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security and reassurance for you during your retirement. Unlike many other investment products, the quoted rate has no ongoing costs, fees or charges deducted. In addition, annuities are simple to understand, and do not need to be reviewed or managed on an ongoing basis. Once the annuity is set up, there is nothing more for you to do. A fixed payment is made to your bank account each and every month, for the rest of your life.

TAX MATTERS

If you were born between 6 April 1938 and 5 April 1948, the personal allowance is currently £10,500 (2014/15 tax year). This means that in retirement, you could potentially pay less or actually no income tax. Taking your entire pension fund as a lump sum before you have considered all of your options could result in a significant tax bill. In addition, you may also potentially pay more tax than necessary on your future income.

Withdrawing the fund as cash (apart from the 25% tax-free element) could generate a tax charge. Annuities are purchased gross, so no tax is payable on the fund when it is used to buy your annuity, although the income generated may be subject to tax depending on your circumstances.

Tax is subject to change and depends on individual circumstances.

The Financial Conduct Authority does not regulate Tax Advice.

SCHEME GUARANTEES

Regulatory capital requirements mean annuity providers have to be financially robust and well capitalised. In the unlikely event that a provider cannot meet their obligations, a Government-backed scheme guarantees to pay 90% of the amount promised.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change.

Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, Goldmine Media cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.

PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

We each have our own ideas about how we want to live in retirement, and how much money we'll need. You may be at the point of retiring or just reducing the amount of time you are at work. If so, you may also want to access the pension you have built up and convert it into an income. Setting up an annuity is easy and straightforward, enabling your income needs to be met with no need for ongoing support or advice. To find out more about annuities and the vital role they could still play in effective retirement planning, please contact us to discuss your requirements.