A GUIDE TO RETIREMENT

Helping you understand what options are available to you so you can be comfortable in your retirement.

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This guide gives you key information you need to know about pensions, you should always contact your financial adviser for further information.

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What is a pension?

There is a common misconception that a pension is for old people, but in reality a pension is a way any individual can save to fund a time when they don't want to work so hard, a time when they want to relax and stop working and enjoy their retirement.

A personal pension is fundamentally a simple product, it is a tax free pot of cash that you and your employer pay into in order to save for your retirement. On some occasions the Government may also contribute to this pot.

When you retire you can take money out of this pot or for want of a better phrase, sell the money to an insurance company in return for paying you a regular income until you die - this is called an annuity.

In March 2014, the Chancellor announced in his budget that there are some new rules which mean that once you reach the grand age of 55, you can start to access this pot of money, letting you take out as much or as little as you like, whenever you like.

The key to remember when trying to decide if you want to invest into a pension is that you would be putting away some of the disposable income that you have now in exchange for an income in your retirement. So you would effectively be earning less now in order to earn more when you are older.

What types of pensions are there?

There are a variety of different pensions available to you. The first main distinction between pensions is whether the pension is a final salary or a money purchase pension.

Final salary pensions

These pensions, sometimes referred to as defined benefit schemes, are largely funded by employers, though staff frequently have to pay into them. With one, you get a percentage of your final salary before retirement, or when leaving that firm, as an annual income.

What that percentage is depends on how long you worked for that particular firm and how long you have been a member of the scheme. There is normally an 'accrual rate' set by your employer as a fraction of your final salary.

The table below shows how the types of pensions differ.

Money purchase pensions

Money purchase pensions, also known as defined contribution schemes, save into your pension pot under a 'money purchase arrangement'. All personal pensions are saved for with this method. How they differ is the way the money is invested and/or the level of charges.

Personal pensions fall into different categories including Workplace pension scheme, Trust-based pensions, Group personal pensions, Stakeholder pensions and Self-invested personal pensions (SIPPs).

Don't forget the state pension. This is where you get a small pension from the Government when you hit state retirement age. The basic state pension is currently £125.95 (old state pension) or £164.35 (new state pension) 2018/2019. You build up entitlement to the state pension by paying national insurance (NI) throughout your working life.

The table below shows how the types of pensions differ.

Pension	Can you contribute?	Can your employer contribute?	Do you invest the cash?
Workplace pension	Yes	Yes	Yes
Stakeholder pension	Yes	Yes	Yes
SIPP	Yes	Yes	Yes
Trust-based	Yes	Possibly	Yes
Group	Yes	Yes	Yes
Final salary	Yes	Yes	No
State pension	Yes, by paying NI	No	No

In this guide we will primarily focus on the SIPP.

Pension options at a glance

What is important to remember is that Self Invested Personal Pension Plans (SIPPS) are in essence, just Personal Pension Plans (PPP) but they offer more investment opportunities which in turn, appeal to the more adventurous investor.

The fundamental difference is that through a SIPP, you, as an individual, can become your own fund manager and you have the option to invest outside of the standard or "normal" insured contracts within a pension wrapper, which includes shares and property.

We are now in a new simplified world of pensions where many restrictions of the past have now fallen away. We have more investment choice and flexibility, which may be more appealing to you as an investor. While you can make these choices, it is key to remember that SIPP trustees can impose restrictions on the types of investments they offer. For example, if a more unusual investment is requested it may not be permitted except through a specialist SIPP provider, and because these are classed as unusual or specialist investments, the charges involved could be higher than with a PPP.

What is a SIPP?

A SIPP works in much the same way as a personal pension plan. Your contributions can be paid as either regular contributions, for example on a monthly basis as a salary sacrifice, as single contributions or you can transfer other pension benefits into it. All these contributions are subject to limits set by HMRC.

Transfer payments and income or growth from individual investments within a SIPP do not count as contributions, neither do rental payments where property is being included. The SIPP is currently eligible for the same tax relief and/or advantages as any other registered personal pension plan.

The primary difference between a SIPP and a PPP is that the contributions are invested in accordance with your own personal requirements and instructions. Before your instructions are received, your money will be held in a trustee bank account where you would usually earn a competitive rate of interest on a daily basis.

Some providers insist that a reserve or minimum amount must be held within their pension which must not be used for any investments. You, as an individual, are allowed to invest in a SIPP, even if you are part of your company's pension scheme. You can contribute to a SIPP at the same time as long as you do not exceed the limits set by the HMRC, and we need to keep in mind that the tax relief you are entitled to is over your accumulated pension investments and not on each individual pension.

At a glance summary of pension income options available

Here is a quick summary of all the options available. It is important to have a full understanding of the type of pension you want or need, but if you have any questions or concerns we will make sure you understand the options available to you.

Lifetime Annuity	Scheme Pension	Phased Retirement
Regular and secure income for life	Regular and secure income for life	Part of your fund and part of your tax free cash are used in segments to provide annuity income.
Tax free cash provided at outset and fund used to purchase an annuity paid for life.	Tax free cash paid at outset and fund used to provide income for life.	The balance of the fund not used for income / tax free cash remains invested with a view to providing higher future benefits.
Your annuity income is paid at least annually and can increase, decrease or remain level in payment.	Your annuity income is paid at least annually and can increase or remain level in payment.	Your starting annuity is smaller, but is supplemented by a portion of your tax-free cash sum.
Additional options can be selected at outset such as annual increases, spouse's benefits or guarantees which reduce your own income.	Additional options may be offered at outset such as annual increases, spouse's benefits or guarantees which reduce your own income.	Each year you decide how much funds to use for annuity purchase and how much tax free cash is used to supplement your income.
Once you have bought your annuity, you usually cannot change your mind or change benefits. On death there may also be the option of a capital payment less tax.	Pension income paid directly by scheme. Once in payment you cannot change your mind or change the benefits.	Because you don't commit all your funds to buy an annuity immediately, you keep your options open.

Existing Drawdown Pension - Capped	Flexi-Access Drawdown	UFPLS
Tax free cash lump sum paid at outset and fund remains invested. Income can also be selected if required.	Tax free cash lump sum paid at outset and residual fund (subject to income tax) can be accessed immediately.	A lump sum is paid up to the full value of the plan. No regular income.
The balance of the fund not used for income remains invested with a view to providing higher future benefits.	Immediate access to the entire fund to provide income with no limits. 25% Tax Free Cash the rest subject to income tax.	Immediate access to as much of the fund as required. Of the amount paid out, 25% is paid free of tax with the rest subject to income tax.
You can choose the income you want, and when you want it, between nil and 150% of an equivalent single life annuity.	You can choose the income you want, and when you want it.	There is no regular income but you can choose when and how much of a lump sum you require.
If investments do well, you may benefit from higher future income payments, and vice versa.	On death, if there is any fund remaining then it is available to pay benefits to your beneficiaries.	As long some funds are left in the plan, if investments do well you may benefit from higher future lump sum payments.
On death, the remaining fund is available to pay benefits to your beneficiaries.	Policyholder must advise all other 'active' pension plan providers that they have flexibly accessed their benefits within 91 days, or face possible HMRC fines.	Policyholder must advise all other 'active' pension plan providers that they have flexibly accessed their benefits within 91 days, or face possible HMRC fines.

SIPP rules

Max Annual Contributions

- No limit to employer's and employee's contributions.
- Tax relief for employees' contributions is limited to the higher of £3,600 per annum or 100% of relevant UK earnings.
- Annual Allowance for 2018/2019 is £40,000 per annum.
- Potential ability of carrying forward up to 3 years worth of unused Annual Allowance (based on an annual amount of £40,000 for each of those earlier years).
- Contributions made in excess of the Annual Allowance will trigger a tailored tax charge of up to 40-45%.

Continuing Contributions After Earnings Cease

- Before age 75, tax relief will be restricted to maximum of £3,600 pa. Can still contribute up to the Annual Allowance but tax relief is not available on any contributions over £3,600 pa.
- After age 75, no tax relief is available.

Retirement Ages

- From age 55.
- Exceptions for those with pensions effected prior to 6 April 2006 in special occupations (e.g. sports people, provided that the member is tested against a reduced lifetime allowance (2.5% per annum from age 55) and that the full pension must be vested.

Tax-Free Lump Sum

- 25% of fund subject to Lifetime Allowance (LA) of £1,030,000 (2018/2019) subject to any transitional protection.

Pension

- Benefits tested against Lifetime Allowance with any excess having Lifetime Allowance Charge applied.
- This excess could be taken as a lump sum, income or combination of both.

Property Purchase & Borrowing Rules

- Can invest in commercial property and borrow up to 50% of net scheme assets. Connected party transactions permitted.

Investments

- Investments unrestricted (although this will be trustees discretion)

Loans to members

- Not permitted, any loan to a member will always be treated as an unauthorised payment.
- N/B Loans to unconnected parties are allowed.

Death Benefits

- Return of fund on death before 75 to the nominated beneficiary tax free.
- After age 75, taxed at marginal rate of the beneficiary.

SIPP Charges

You will need to pay the SIPP provider in order to cover the costs of setting up and running your SIPP. These charges usually depend on the type of SIPP you are looking to set up.

There are two main types of SIPP:

Hybrid SIPP

This is a SIPP set up with a product provider. It is quite common for these providers to require a portion of the pension monies to be invested in their own pension funds (known as insured funds) and you are then free to invest in your own choice of assets with the remaining monies. In return for keeping a minimum amount of pension money invested with the product provider, the SIPP is commonly then subject to a reduced level of charges.

The charging structure of these types of plan could include an annual management charge for each fund, an initial charge for purchasing the fund (known as the bid/offer spread) and possibly a set monthly or annual policy fee.

Pure SIPP

This is a SIPP offered by a specialist company who impose no restrictions on where the monies can be invested.

The charging structure of these plans is often a fixed monetary amount not related to the size of the pension fund, so there is economy of scale. Some levy an all-inclusive charge while others charge on an itemised basis, so clients may pay for services they do not use, or get a better deal on an inclusive rate if they actively change investments.

Whether you chose a hybrid or pure SIPP, there may also be additional fees for the use of a stockbroker, from the plan's bank account and from the use of an investment manager. Charges/fees may or may not be subject to VAT at the prevailing rate.

Tax relief & contributions

How much can I contribute? – The Lifetime & Annual Allowance

This is the limit to the amount of pension savings anyone can take in their lifetime without tax penalty. The Lifetime Allowance is currently £1,030,000 (2018/2019). The value placed on benefits when tested against the Lifetime Allowance is known as the "Crystallised Value". For money purchase schemes such as a SIPP, this is the fund value. Fund values over this would trigger a tax charge of 55% if taken as a lump sum or 25% if taken as a income stream, but, subject to income tax, subject to no transitional protection.

Contributions into the scheme are limited by the annual allowance. The Annual Allowance is currently £40,000 (2018/2019). There is a potential facility of carrying forward up to 3 years worth of unused relief in some circumstances.

Contributions exceeding the annual allowance, will trigger a tailored tax charge of up to 40-45%.

Tax relief on any contributions made is limited to £3,600 per annum or 100% of salary if higher, subject to the annual allowance.

When made within these permitted limits, your contributions are payable after deducting basic rate income tax. That means that if, for example, as a basic rate tax payer, you wanted to pay £1,000 into your pension, you would actually pay £800. The scheme administrator will then reclaim the additional £200 of tax from HMRC and invest it for you into your SIPP.

If you are a higher rate taxpayer, you will be able to reclaim the higher rate tax on your annual tax return, subject to the annual allowance.

Your employer can also contribute directly on your behalf and will normally receive Corporation Tax relief as a business expense.

Taxation within the SIPP

Investments within the SIPP are not currently subject to UK Income or Capital Gains Tax but you should be aware that tax laws may change. Any tax paid on dividends from UK equities however, cannot be reclaimed.

What happens when I retire?

The purpose of your pension is to provide you with an income in retirement so, once you have invested in a pension, the money can't just be taken out whenever you decide you need it. The money must remain within the pension until you are at least 55 years old but you do not necessarily need to retire before receiving your benefits. (Please note there are some circumstances which would allow withdrawals before you turn 55.)

From April 2015, provided you're over 55, you'll be able to take out as much money as you like, whenever you like. You should be aware though that drawdowns above the tax-free 25% will be taxed at your marginal rate (That is 20% if you're a basic rate taxpayer, 40% or 45% if you're a higher or additional rate payer) or, if the amount you've taken from your pension pushes you into a new rate, you will be charged at that rate.

What happens if I die whilst taking benefits?

If you die after an annuity has been purchased then the benefits payable, if any, will be determined by the terms of the annuity contract.

If you die whilst in receipt of Capped Drawdown Pension, then the SIPP provider will realise the investments held under your unsecured pension fund and use the full cash value to provide benefits for your spouse, dependants, family members or other beneficiaries nominated by you for this purpose.

The scheme administrator will decide who will receive benefits and the form of the benefits, in its absolute discretion. However, it will take into account any wishes you have expressed through the completion of a death benefit nomination.

The value of your fund can be used to pay benefits in the form of:

- A lump sum, tax free if you are under 75 or if you are over 75 it will be taxed at the marginal rate of the beneficiary
- An immediate spouses/dependants annuity
- Your spouse/dependant can continue to elect withdrawals under Drawdown Pension

If you die having elected Flexible Drawdown Pension then, as benefits have already been taken, there is no further payment on death.

If you are taking benefits via Phased retirement, on your death before age 75, your surviving spouse may receive the entire remaining fund (i.e. the funds which have not yet been encashed) with no taxes imposed and normally free of Inheritance Tax. Should you die after age 75 then a tax charge at the marginal rate of the beneficiary will be applied. In addition to any remaining fund in your Phased Retirement plan, your spouse or other beneficiaries may also receive income, and possibly a lump sum, from any annuities you have bought up to the time of your death.

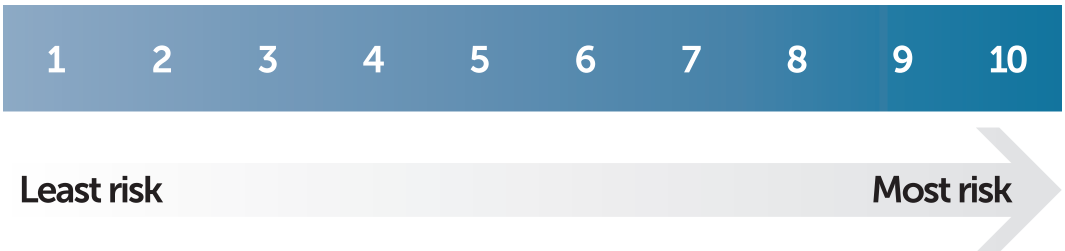
What are my investment options?

Everybody has different financial needs and goals and your priorities will change over time. As such, how you invest will reflect these changing aspirations – for extra income, to saving for retirement, for school fees, to pay for a wedding or to assist with a house purchase.

We don't believe there is a simple, one size fits all approach to choosing an investment. However, we do believe there is a simple, robust yet powerful way to select an investment that is right for you.

Our approach to investments focuses on your attitude to risk – how much potential loss you are prepared to accept in return for potential gains. Here is how it works:

- Our simple questionnaire will assess your attitude to risk. It's very quick and easy to complete but it is based on very powerful research.
- The result will be a risk profile between 1-10. We will then discuss these results, explaining to you in plain English exactly what your score means. We'll even show you how much money you could potentially gain or lose in any given year based on that profile.



- We will then select investments for you that match your risk profile – we work with leading fund managers at established and recognised investment management firms to ensure that your investments never drift away from your risk profile – they will always work within the amount of risk you are comfortable with.
- If your circumstances change, your investments can too. If your attitude towards risk changes we can simply switch your investments to one which will meet your new goals.

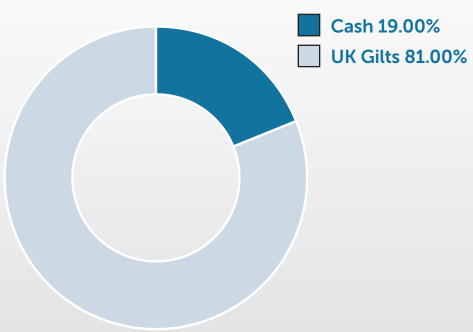
What about my existing investments?

You may already have existing investments

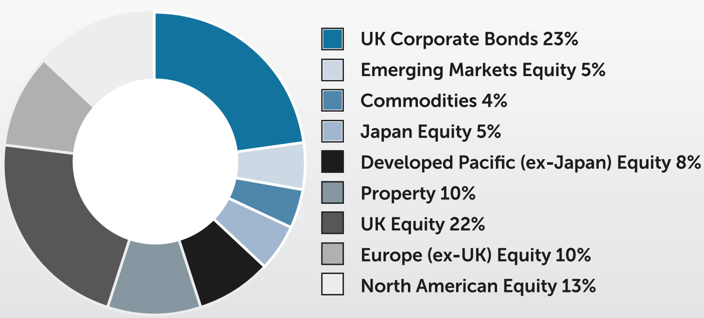
Over time, many funds will alter their investment strategy. Moreover, one particular asset class within a fund may perform better than others, which means it will become a larger overall proportion of the fund's asset holdings. This can lead to "investment drift" – where what started out as a "suitable (balanced or weighted) portfolio" can end up holding very different assets in comparison to when they were set up. This could lead to an investor being exposed to much more, or much less, risk than they ever intended.

We can assess your existing portfolio of investments and make sure that they fit your current attitude to risk. We'll examine what you currently have and make sure you are on track to meet your retirement goals.

Example current asset mix



Example target asset mix



If we find that your existing investments are not currently aligned with your attitude to risk then we can arrange to transfer your holdings into an investment fund or funds that not only match your attitude to risk but will stay in line with your needs – not drifting away from your requirements over time, but making sure you stay on target to reach your goals.

What should I do next?

- You can call us to discuss your pension requirements.
- We will make sure you have invested in an appropriate manner for your circumstances.
- We can review your existing pension holdings and ensure they are on track to meet your goals.
- Should you require it, we can also arrange for a full review of your financial needs – be it ensuring your investments are in shape, through to planning for a prosperous retirement, protecting your family’s income or managing your estate planning.

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