

HARGREAVES
LANSDOWN

COUNTDOWN TO RETIREMENT

Prepare your pension for life after work

IMPORTANT INFORMATION

This guide is based on our understanding of current and draft legislation which can change and is correct as at 20 March 2024. It is not personal advice. Tax rules can change and benefits depend on your circumstances. The value of investments can fall as well as rise, so you could get back less than you invest.

What you do with your pension is an important decision. We strongly recommend you understand your options and check your chosen option is right for your circumstances. Take advice or guidance if you are unsure. The government provides a free and impartial service to help you understand your retirement options. Go to www.hl.co.uk/pension-wise to find out more.

We offer a range of information and support to help you plan your own finances.

ARE YOU READY?

Given the chance, we all like to feel prepared.



KATIE HOOPER
Head of Workplace
Retirement

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After a lifetime of saving,
it's important not to fall
at the final hurdle.

Whether it's arranging an important meeting or simply organising a family get-together, a little preparation can help reduce the chance of any setbacks.

Approaching retirement is no different.

In 2015 “the most radical changes to pensions in almost a century” began, giving investors unprecedented freedom at retirement. Put simply, **you now have more choice than ever before**. However, choice on its own is worthless unless you take the time to understand your options. Some careful planning now can help you to get the most from your pension when the time comes.

After a lifetime of saving, it's important not to fall at the final hurdle. That's why we're here to help every step of the way.

You've worked hard your whole life – now it's time to **make your money work hard for you**.

In this guide, you'll find guidance to help you make informed decision, but it's not personal financial advice. If you're unsure if a course of action is right for you, please ask us about advice.



WHEN DO YOU WANT TO STOP WORKING?

For some people, the answer is clear. For others it's less so

Whether you want to retire early, or keep working for as long as possible, the key is having choice. Often, it comes down to one simple question – **can you afford to retire?**

The first step to working this out is to see what your pension might pay you.

That's where our online Pension Calculator can help.

Simply visit our website and enter your details. The calculator gives you an idea of what your pension might be worth when you retire – and how much it might pay you each year. You can experiment with different contribution rates and retirement dates to see how it could affect your final pot.

The figures it provides are a useful guide, but they are not guaranteed.

Once you've got an idea of what your pension might pay, you'll need to **think about whether it will be enough**. Your retirement could last 30 years or longer, so it's important to know what your essential costs are.

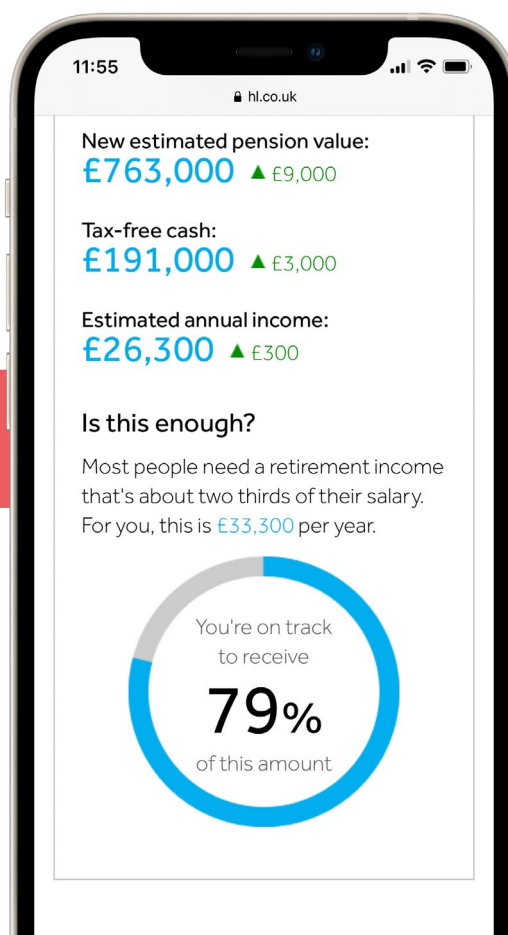
As a general rule, most people need an income worth roughly two thirds of their final salary to live comfortably in retirement.

That might not sound like a lot. But remember your costs will be different when you stop work. You're unlikely to have commuting or childcare costs. Also, your money will go a lot further if you've paid off your mortgage. However, your health and care needs could also change.

Also bear in mind that you might not need to rely solely on your workplace pension – you might also get income from:

- State pensions
- Property
- Investment income
- Inheritance
- Other private or workplace pensions.

Visit our Pension Calculator online and find out how much your pension could pay you.



HOW CAN YOU BOOST YOUR PENSION NOW?

Stop and think. How will your retirement income compare to your current standard of living? Can you imagine living off this amount?

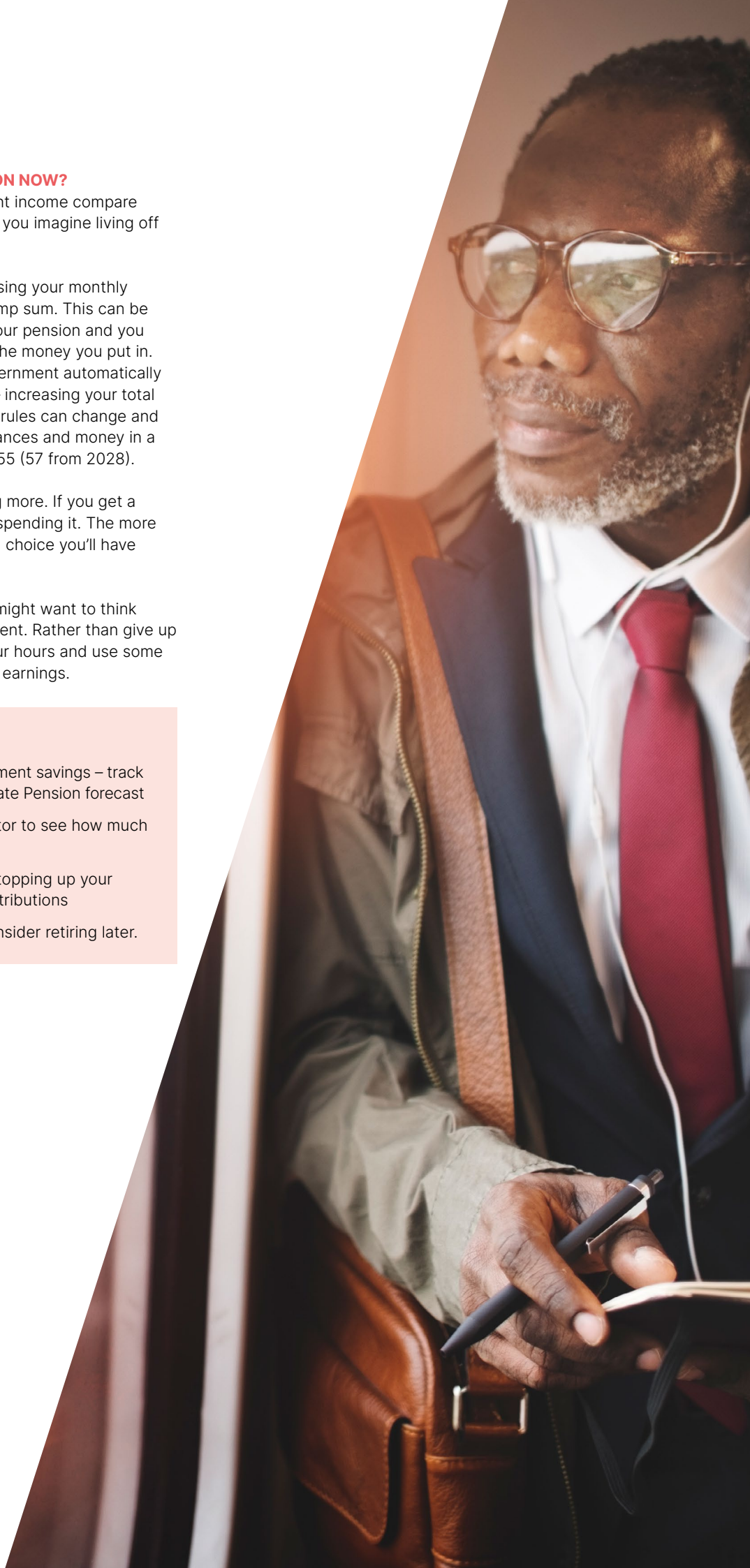
If you can afford to, think about increasing your monthly pension contributions or paying in a lump sum. This can be a great way of boosting the value of your pension and you can receive generous tax benefits on the money you put in. For example, pay in £800, and the government automatically adds £200 (20%) basic rate tax relief – increasing your total contribution to £1,000. Remember, tax rules can change and any benefits depend on your circumstances and money in a pension is not usually accessible until 55 (57 from 2028).

If you can afford more, consider saving more. If you get a bonus at work, consider saving it, not spending it. The more you invest now, the more flexibility and choice you'll have when you finish work.

If you can't afford to pay more in, you might want to think about delaying or phasing your retirement. Rather than give up work completely, you could reduce your hours and use some of your pension to boost your reduced earnings.

YOUR 'TO DO' LIST

- ✓ Get a picture of your total retirement savings – track down old pensions and get a State Pension forecast
- ✓ Use the online Pension Calculator to see how much income your pension could pay
- ✓ If you're not on track, consider topping up your pension, or increasing your contributions
- ✓ If you can't afford to top up, consider retiring later.



WHAT CAN YOU DO WITH YOUR PENSION?

Understand your retirement options

Pensions are more flexible now than ever before. This means you've got more choice over how and when you take your pension.

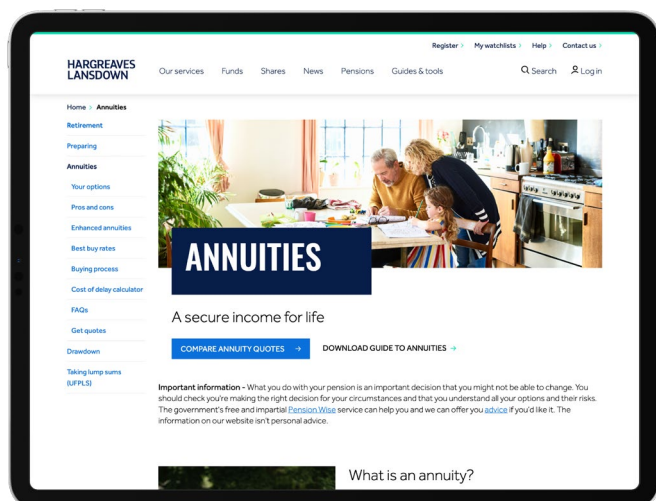
From the age of 55 (57 from 2028), you can take as much of your pension as you like, whenever you like. Up to 25% of your pension pot will normally be tax free and the rest taxed as income.

Deciding whether to take money from your pension over time rather than in one go is an important consideration – it can greatly affect the amount of tax you pay. In reality, most people want their pension to provide a regular income in retirement – like a replacement salary.

But it's important to choose the retirement option that's right for you.

We explain the main retirement options over the next few pages. If you're planning to retire (or even semi-retire) soon, it's important to compare your options so you can decide what's best for you.

Don't forget you don't have to dedicate all of your pension pot to just one option. You can mix and match different options, and take your pension over time.



THINGS TO THINK ABOUT:

- Will you need **regular** income?
- Do you need 25% of your total pension value as a tax-free cash lump sum at the start?
- How important to you is a **secure** income?
- Are you happy to manage your own pension investments?



BUYING AN ANNUITY

A secure income for life

WHAT IS AN ANNUITY?

- An annuity is a secure, regular income which you 'buy' from an insurance company – such as Aviva, Canada Life and Legal & General – using your pension pot.
- In exchange, the insurance company makes regular payments directly to your bank account for the rest of your life.
- You can use some or all of your pension pot to buy an annuity. Up to 25% of this can normally be taken as a tax-free lump sum. The rest can be converted to an annuity which will pay you taxable income.
- Different companies offer different annuity rates, and these change frequently.

Once set up, annuities can't usually be changed so **it's vital you shop around to get the best deal.**

GET AN ANNUITY QUOTE

You can get an annuity quote instantly using the HL website. We can search the market for you and show you the best annuity rates available from our panel. You can select extra benefits that suit your needs. For example, you can:

- Have income paid to your partner after you pass away
- Receive an income that increases each year
- Guarantee to have your income paid for a set number of years
- Choose the timing of your payments.



COULD YOU ENHANCE YOUR ANNUITY?

Check if you qualify for an enhanced annuity (most people do). Health and lifestyle factors could mean higher income in retirement. And it could pay you a lot more than a standard annuity. Even minor health problems and lifestyle details could make a difference.

DRAWDOWN

Taking your pension flexibly

WHAT IS DRAWDOWN?

- With drawdown you can access your pension flexibly – taking as much income as you want, when you want.
- You can usually take up to 25% of each amount you move into drawdown as a tax-free lump sum. The rest stays invested and can be used to give you a taxable income if you want it. Staying invested means your pension might continue to grow in value which could allow you to take a higher income, although it could also fall in value and you could get back less than you invest.
- You can take a taxable income from the drawdown fund however you want. So, you could ask for regular payments – monthly, quarterly or annually. Or you could take one-off payments when you need them. And you can mix and match, so it's up to you.
- You're in control of your drawdown fund, so it's up to you to choose and manage your investments.
- You can move your entire pension pot into drawdown in one go, or you can convert smaller segments as and when you need them (known as phased drawdown).

THINGS TO THINK ABOUT:

- Drawdown is more flexible but higher risk than an annuity.
- Your income is not secure and could run out if you take too much, live longer than expected or your investments perform poorly.
- It is your responsibility to manage your drawdown investments.
- If you want a secure income, you can use some, or all, of your drawdown fund to buy an annuity – at any time.

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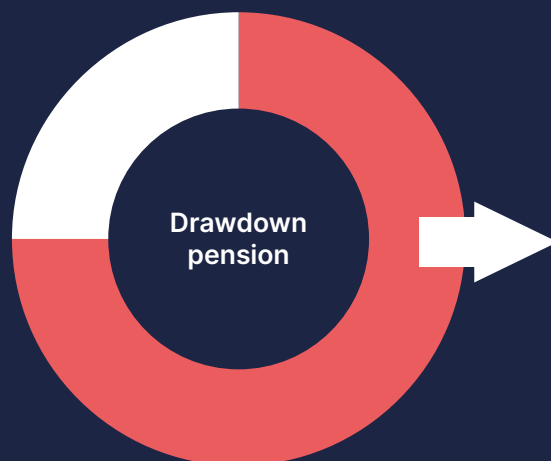
You don't need to take any income at all if you don't want to. With drawdown you can take up to 25% tax free cash and leave the rest invested for the future.

Tax-free cash

You can take up to 25% of the value you use for drawdown as tax-free cash. You must do this at the start – you can't do it later.

Remaining pension stays invested

The rest of your pension stays invested – you can either choose the investments yourself or take advice.



Draw a taxable income

You can choose how much income to take.

There's no minimum or maximum, and you can start, stop or vary the amount you take.

Income isn't secure. If you draw too much, you could run out of money.

25%

of your pot as tax-free cash

LUMP SUMS DIRECTLY FROM YOUR PENSION

You don't have to take your pension in one go

You can take lump sums directly from your pension as and when you need them. Each time you take a lump sum, up to 25% will be tax-free, and the rest taxed as income.

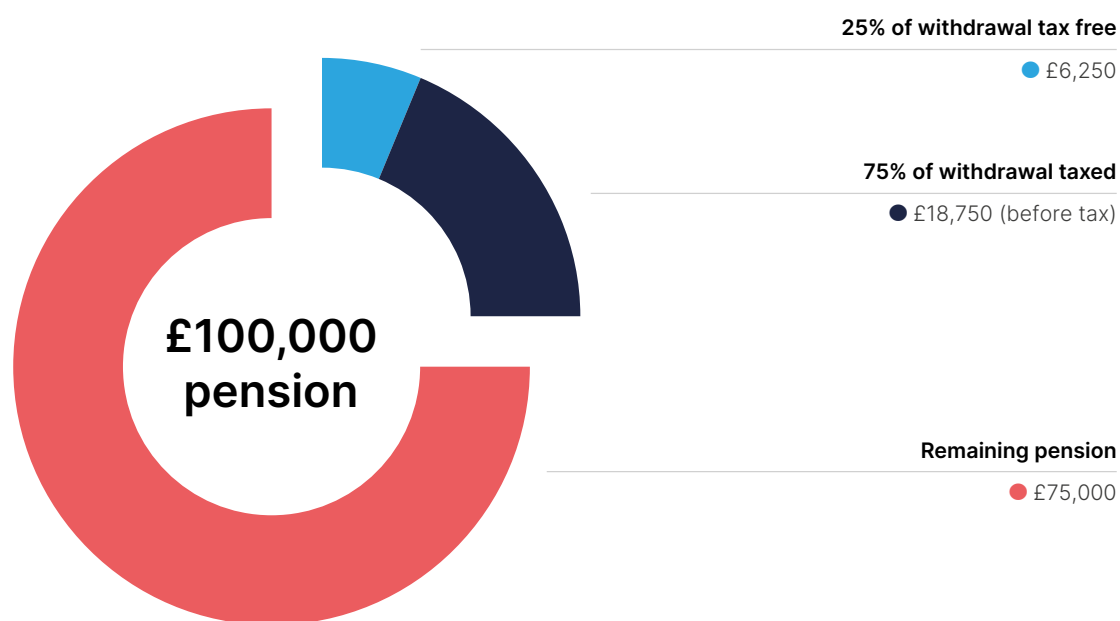
This is often called an Uncrystallised Funds Pension Lump Sum (or UFPLS payment). It's a good way to spread your tax-free cash over a period of time, as well as the tax you'll pay,

Like drawdown, when you take a lump sum payment, the rest of your pension stays invested.

THINGS TO THINK ABOUT:

- You can take lumps sums from age 55 (rising to 57 from 2028). But, remember that your pension may need to last you throughout retirement. Taking out lump sums reduces the size of your pension. So you might not have enough to last if you take out too much, live longer than expected or if your investments perform badly.
- When you first take a cash lump sum, or if you take regular lump sums, these could be subject to an emergency tax code. This could mean more tax is initially deducted than you might expect.

£25,000 lump sum withdrawal



'MIX & MATCH'

Choosing the right mix

Remember, you don't have to use just one option. You can combine them in different ways to meet your own needs. For example you can choose a retirement option for part of your pension now, and then take the rest later.

Once tax-free cash has been taken, most people will want some kind of secure income to cover basic living costs. But the rest of the pension can be used to provide a flexible income, with peace of mind that essential costs will be met.



BEWARE OF INVESTMENT SCAMS

With more ways to access your pension, investment scams are unfortunately more likely. However you choose to take money from your pension, you should be careful where you re-invest it. Investment scams tend to be carried out by unregulated firms – warning signs include cold calling or texting with the promise of unique or unusual opportunities offering quick and easy profits. If it seems too good to be true, it probably is. You can find out more at www.scamsmart.fca.org.uk

SPEAK TO A RETIREMENT **EXPERT**

Our experts are here to answer your questions and help make sure your retirement is as quick and seamless as possible.

They can give you information and tools to help you with your decision. But remember, it's not personal advice.

If you have any questions at all, no matter how small, please contact us on **0117 314 1798** or email **retirementservice@hl.co.uk**.

Retirement could last 30 years or more, the decisions you make will have a long term effect so it's important not to leave planning to the last minute.

Pension Wise, the government's pension guidance service, provides a free impartial service to help you understand your retirement options. You can access the service online at **www.pensionwise.gov.uk**, or by calling **0800 138 3944**.



ABOUT US

We're Hargreaves Lansdown – a secure, FTSE listed company helping UK savers and investors for over 40 years now. Over one million people trust us to help them save and invest with confidence.

DISCOVER YOUR OPTIONS

Explore your options using our online guides and tools.

Learn more about annuities:

www.hl.co.uk/annuities

Get to grips with drawdown:

www.hl.co.uk/drawdown

Find out about lump sums:

www.hl.co.uk/UFPLS

GET IN TOUCH

Call us: **0117 314 1798**

Monday to Friday: 8am - 5pm

Saturday: 9:30am - 12:30pm

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