Take all of your pension account as a cash lump sum

At a glance...

If you choose to take all of your pension account as a cash lump sum, you'll have:

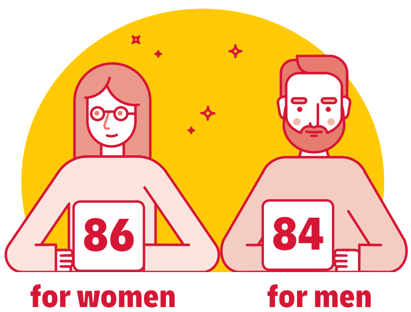
- **One (or more) cash lump sums** – based on the value of your pension account
- **Tax-free cash** – the option to take up to 25% of each lump sum as tax-free cash
- **To pay tax on the remainder** of each cash lump sum.

Does this option meet your needs?

We don't tend to think about the financial implications of getting older, such as the possibility of needing care or how long you'll live for. But as you approach later life and need to make a decision about your retirement income, it is important to think ahead.

Only you know your financial circumstances – for example, whether loans or mortgages still need to be paid off and the sort of needs you may have later on.

On average*, 65-year-olds in the UK live until they are:



Take all of your pension account as a cash lump sum

Here are some things to help you consider which options will be right for you:

Your pension account is your main or only source of retirement income vs You have other sources of retirement income in addition to your pension account

Your pension account is your main or only source of retirement income

- Taking your pension account as one or two cash lump sums will not provide you with access to a regular income and will require careful management of your spending to ensure you have sufficient income throughout retirement.

You have other sources of retirement income in addition to your pension account

- You may prefer to take your pension account as one or two cash lump sums if:
  - » You are not reliant on the income from your pension account for your retirement; and/or
  - » The value of your pension account is small.

You prefer predictability vs You prefer flexibility

You prefer predictability

- By taking all of your pension account as a cash lump sum(s), your retirement income is known upfront
- However, you will need to manage your spending to ensure you have sufficient income throughout your retirement.

You prefer flexibility

- You can use the cash lump sum(s) to suit your personal circumstances throughout retirement.
- You could take it all as two lumps in two different tax years, if permitted, to help reduce the amount of tax you have to pay.

You prefer security vs You prefer opportunity

You prefer security

- You will not have the security of a regular income throughout retirement
- You are able to invest the cash lump sum outside of a pension arrangement, however the value may fall as well as rise.

You prefer opportunity

- You have the opportunity to invest or spend the cash lump sum(s) according to your particular needs.

You prioritise short-term income vs You prioritise long-term income

You prioritise short-term income

- By taking the cash lump sum(s) you will increase the amount of capital available for short-term spending and investment
- You are likely to pay more tax by taking the cash lump sum(s).

You prioritise long-term income

- You will not have the option to receive a steady long-term income, as you would if you bought an annuity.

You have a short life expectancy vs You have a long life expectancy

You have a short life expectancy

- You have more money available immediately to spend on your priorities before you die
- No specific pension provision will be made for your spouse or civil partner after you die, however you can ensure that any remaining cash from the lump sum(s) is included in your estate.

You have a long life expectancy

- You will need to manage your spending to ensure that you or your spouse/partner have sufficient income throughout retirement
- If you invest the cash lump sum(s) outside of a pension arrangement, you may be required to pay further tax on any investment returns.

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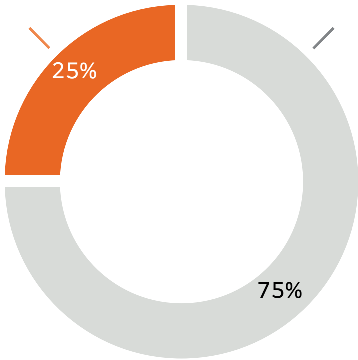
Tax

Tax-free cash lump sum

- You can take some of your pension account as tax-free cash (usually up to 25% of the value).



Income (subject to tax)

- The remainder of your cash lump sum(s) is taxed at your marginal rate of income tax for that year (20%, 40% or 45%).
- Taking all of your pension account as one or two cash lump sums is likely to increase the amount of tax you pay as the lump sum(s) will increase your income in the year you take your benefits. You may be able to manage the amount of tax you pay by taking two lump sums over two tax years, if permitted.
- You may need to pay further tax charges on any investment returns generated by investing the cash lump sum outside of a pension/drawdown arrangement.

Future retirement savings – warning!

- Once you have taken a taxable cash lump sum, the amount that you (and your employer on your behalf) can save into a defined contribution pension in future without incurring a tax charge will reduce, due to a restriction known as the **Money Purchase Annual Allowance**
- You will need to consider this if you are planning to contribute to a pension in future
- You will need to make sure that you tell any other defined contribution pension arrangements that you are continuing to save into that you are subject to the Money Purchase Annual Allowance so that they can assess your contributions against this lower level
- To assist you with this notification, your pension provider should send you a 'flexible-access statement' within 31 days of you first taking a taxable withdrawal. You will then need to let your other pension providers know within 13 weeks of receiving your flexible-access statement', otherwise you may be subject to a fine.

How do I take a cash lump sum?

It is possible to take a single cash lump sum minus any taxes straight from the Plan. You will be provided details of how to do this when you request a retirement quote.

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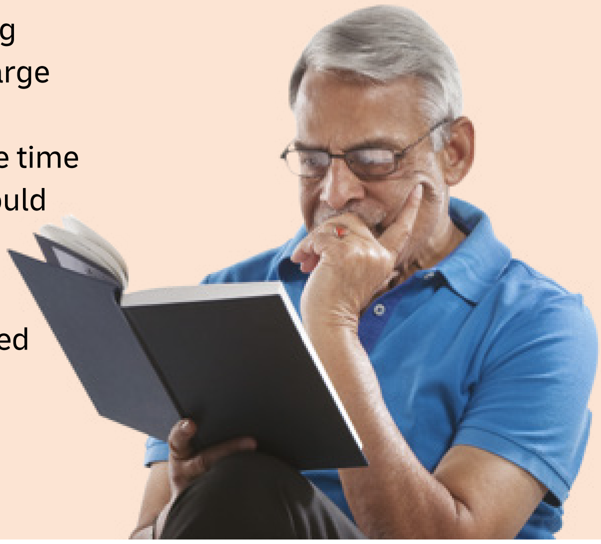
Is this for you?

Meet Girish

Girish always knew he wouldn't stay in this job for long. Having worked for 30 years at his previous employer he'd built up a large defined benefit pension. But when he'd been made redundant unexpectedly a couple of years ago Girish had just a little more time to go before he could retire. Now that day had come and he could start receiving his pension.

With Girish's other pension providing sufficient income in retirement and only a small DHL pension account, Girish decided to take his whole pension account as a single cash lump sum, even though he knew he'd pay tax on 75% of it.



Girish prioritised...

Having other sources of income

Girish wasn't relying on the money from his pension account to pay for life after work.

Flexibility

Girish wanted to use his pension account to pay for a few 'little extras'.

Short-term income

Girish knew that his pension account wouldn't last long or would only pay a small regular amount as an annuity, so he decided to take it all upfront as a single cash lump sum.