Invest your pension account and withdraw cash when you need it (Drawdown)

At a glance...

If you choose to invest your pension account with a Drawdown provider, you'll have:

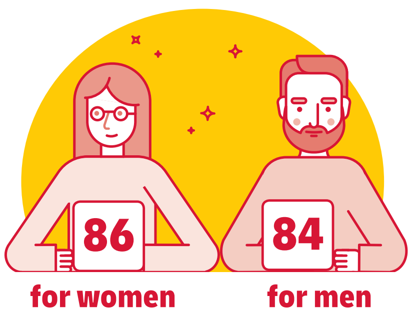
- **An account** – where your pension savings remain invested and you can access them when you need to
- **Tax-free cash** – the option to take up to 25% of your savings as a tax-free cash lump sum when you retire or to take 25% of each withdrawal tax-free
- **Withdrawals** – the flexibility to withdraw cash as and when you need it throughout retirement (subject to tax)
- **Legacy options** – the ability for your spouse or dependents to receive any leftover savings when you die.

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:



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Here are some things to help you consider whether **Drawdown** would be right for you:

Your pension savings are your main or only source of retirement income

VS

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

- Investing in Drawdown will not provide you with a regular, secure income so you will need to monitor your withdrawals and investments carefully to ensure you have sufficient income throughout retirement.

- You may prefer Drawdown if you:
  - » Are not reliant on the income from your pension account for your retirement, and/or
  - » Are able to afford to take more risk.

You prefer predictability

- You can take a regular amount from the Drawdown account or vary the amount that you withdraw each year
- However, you will need to manage your withdrawals to ensure you have sufficient income throughout retirement.

VS

You prefer flexibility

- You can use Drawdown to suit your personal circumstances throughout retirement – for example by leaving the fund invested, by making withdrawals, or by using the fund to purchase an annuity at a later stage.

You prefer security

- Investing in Drawdown will not provide you with a regular, secure income
- The value of your fund may fall as well as rise and poor investment performance and/or excessive withdrawals may result in insufficient funds to support you throughout retirement.

VS

You prefer opportunity

- You have the opportunity to increase your retirement savings by leaving them invested
- However, you should remember that the value of your fund may fall as well as rise and that this may affect the amount you are ultimately able to withdraw.

You prioritise short-term income

- You can take up to 25% of your fund as a tax-free cash lump sum
- You can also choose to take a larger income upfront – however this may result in you paying more tax and will leave less for your long-term income needs.

VS

You prioritise long-term income

- You can use Drawdown to provide a regular long-term income, or alternatively withdraw funds as and when you need them
- Excessive withdrawals and/or poor investment performance may decrease the value of your fund and affect your long-term income.

You have a short life expectancy

- You have access to your fund to spend on your priorities before you die
- When you die, any pension savings remaining in your Drawdown fund can be passed on to beneficiaries of your choice.

VS

You have a long life expectancy

- You have the flexibility to withdraw cash as and when you need it throughout your retirement
- You will need to carefully consider how much you withdraw to ensure you don't run out of my money
- Because income is not guaranteed, you may need to think about other sources of income as the value of your fund will fall and rise.

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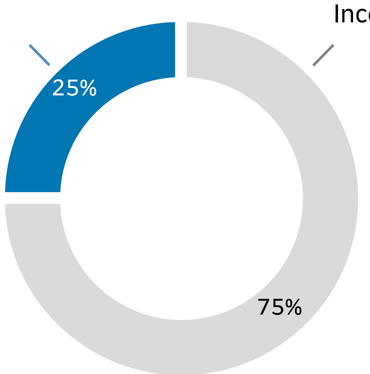
Tax

Tax-free cash lump sum

- You can take some of your pension account as tax-free cash, usually:
  - » Up to 25% of your total pension account when you initially move to Drawdown, or
  - » Up to 25% of each withdrawal throughout your retirement.



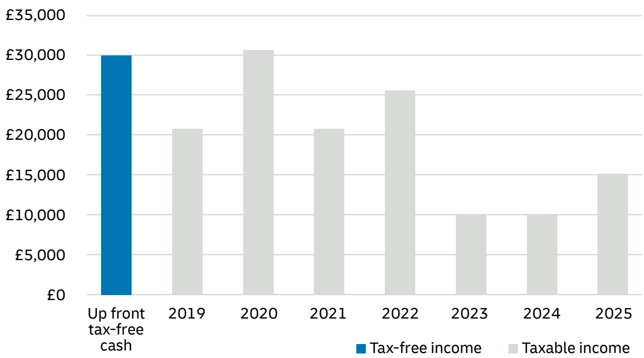
Income (subject to tax)

- Withdrawals above your tax-free allowance will be taxed at your marginal rate of income tax for the year in which you make the withdrawal (20%, 40% or 45%).
- You won't pay tax on investment returns within your Drawdown account.

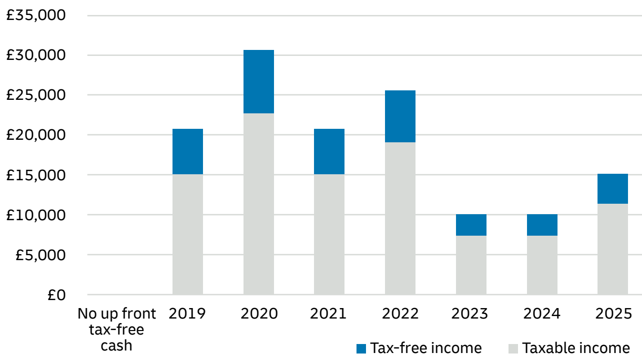
When should you take tax-free cash as drawdown?

When you enter into drawdown you have the option to either take a quarter (25%) of your benefits up front as a tax-free cash lump sum, or you can take a quarter (25%) of each withdrawal you make as tax-free. Whether you choose one way or the other will depend on your personal circumstances and tax position, so it's worth speaking to an IFA for advice.

One-off tax-free cash up-front – a quarter (25%) of your benefits



No up-front cash. A quarter (25%) tax-free cash from each withdrawal instead



Future pension savings – warning!

- Once you have started to take taxable withdrawals, 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 to £4,000 a year, 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 DC 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 you move into Drawdown?

We don't offer Drawdown directly through the Plan. So if you want to use Drawdown you will need to transfer into a pension arrangement which does offer this. The Trustee have selected a Drawdown provider to facilitate this option for you at retirement, it is called **LifeSight**. However, while the Trustee believes this will offer good value to many members, this arrangement will not be the most appropriate for everyone, and you are under no obligation to use this. It's important to consider your personal circumstances before you make a decision. There are many different drawdown arrangements available. You can find a list of available providers on the Money and Pensions Service website here

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Is this for you?

Meet Anouska

Proud mother of three boys. And soon to be grandmother for the first time. With her eldest about to have his first child and her youngest about to get married and buy a house, Anouska is looking forward to spending more time with her growing family during retirement.

Anouska decided to invest her pension savings into a drawdown fund so she can withdraw cash when she needs it and help out her family with some of life's larger expenses.

Anouska prioritised...

Opportunity

Anouska hoped that by keeping her savings invested she could grow them for the future.

Flexibility

She liked being able to withdraw money as and when she needed; particularly for family events.

She also knew that she could pass funds on to the next generation when the time came.

Short term income

She took the maximum-tax free lump sum upfront to give her children a helping hand.