boundless BY CSMA MONEYTALK

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When can you take your additional pension?

Do you have pension savings outside the civil service scheme, in defined contribution schemes such as AVCs, a private pension or pensions from previous employers? If you do, do you know how and when you can access them?

You can access your defined contributions pension pot when you reach 55. You can take some or all of it to use as you need, or leave it in so it has the potential to continue to grow. When you do take your pension, some will be tax-free but the rest will be taxed.

You don't have to make a decision on what to do with your pension pot now, but it's worth thinking ahead so you're ready when you do. It's good to have choices when it comes to pensions and your retirement, but it's also important to understand all your options and any impact your decision may have on your future financial security.

What are my options when I take my benefits?

You now have greater flexibility over how you take the benefits from your additional pension. You'll get part of your pot tax-free, but what you do with the rest is up to you. So you could buy an annuity, take some and leave some invested, take it all in one go, leave it where it is or even a combination of these.

Explore your pension options

It is worth remembering that once you've had your tax-free lump sum, money you take from the rest of your pot may be taxed.

How long will my pension pot last?

How long your pension pot lasts will depend on the choices you make. From age 55 you'll be able to access the money within your pension pot in a number of different ways. Here are some of the options to help you think through your pension strategy. Remember, you could combine several. The article on page 2 explains steps you can take to make your pension pot last for the rest of your life.

Annuities

Buy an annuity and this will provide an income for the rest of your life. With this option, the provider takes responsibility for your money, guaranteeing to pay you an agreed regular sum until you die.

With an annuity, you may get more or less money than you put in, depending on how long you live after your annuity has started.

Flexible drawdown

Opt for flexible drawdown and your pension pot will last until you've taken all your money out. The level of income you take and any investment growth will be key factors as to how long your pension pot will last.

Take some or all of it in cash

Take all or some of your pension pot in cash and it's up to you how long it lasts. Once you get your money after tax, you're completely responsible for it and can use it as you want.

Leave it all for now – defer your pension

If you don't do anything with your pension it will stay invested and could continue to grow. The longer you leave it, the more you may have in your pension pot so the longer it should last. Just make sure you won't lose any guarantees which only apply at your retirement date if you decide to leave your pension pot.

If you are unsure what to do, or your pension(s) appear complex and confusing, you should take professional financial advice. Financial advisers have the specialist training and knowledge required to advise you on a range of financial needs, such as pensions and retirement planning. Although a financial adviser will charge you for their services, taking professional advice could help you make better decisions and avoid expensive mistakes.

Also in this issue

The value of your investments, and the income you receive from them, can go down as well as up, so you could get back less than you put in. A pension is a long-term investment and inflation will reduce how much your income is worth over the years. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

How are you? Really?

How thinking a little differently could make a real difference to the income you get from pension savings you have outside the civil service scheme.

"How are you?" "Good" or "Fine" you're likely to reply. That's because we all know that "How are you?" is an alternative greeting to "Hi". We know that it's usually said with nothing more than a passing interest in your well-being or health. And that's OK. Imagine if you were to launch into a long tale about being tired, wheezy with asthma, trying to lose weight, taking cholesterol medication and a history of heart disease. It's just not in our psyche or our reserved British nature.

However, sometimes there's a real benefit to talking about your health. You just might not realise the importance. It could make a big difference if you're approaching retirement and considering converting your defined contribution pension pot (pension savings outside the civil service scheme where benefits you receive are not linked to your salary) into an annuity for a guaranteed income for life, or drawing down income.

So what are we suggesting?

First, think about 'personalising' or 'tailoring' your income. Forget about whether you 'qualify' for increased annuity rates due to your health.

Guaranteed income for life

What does this really mean? Generally, when you look at buying a guaranteed income for life (an annuity) you would be asked about your health to see if you are ill enough for an 'enhanced' or 'impaired' annuity. If you qualified, it would mean your income would be higher.

But, like everything these days, underwriting moves on as life expectancy predictions change and medical science continues to improve. The scope of personalising "underwriting" is now so broad that it's becoming almost impossible to second guess if someone might 'qualify' or not.

It isn't just about whether you have a serious condition such as heart problems or cancer. It can also cover more everyday things such as raised blood pressure, where you live, smoking, alcohol intake and diabetes to name but a few. The idea of qualification is becoming redundant. Everyone can now get their own 'personalised' rate.

If we think about it at its simplest, everyone has a height and weight. Everyone is likely to have a postcode. Therefore, everyone can obtain their own personalised underwritten annuity rate. You don't need to be seriously ill to get a higher guaranteed income for life.

This means that if you're thinking of buying an annuity you shouldn't be settling for anything 'standard', off-the-shelf or ordinary. Instead, think about having your plan tailored to your exact specifications. It should be bespoke. It could make quite a difference to the amount of income you receive.

Underwriting for drawdown reviews

People have more choice in how they use their money in defined contribution pension schemes, with drawdown becoming the popular choice. Understandably, flexibility is often high on their wish list. The tricky part though is knowing whether you're taking too much out of your pot when you need income.

Obtaining a personalised annuity quote will provide an example of the level of guaranteed income for life you could receive. This can then be used as a benchmark for the income you'd like to take out of your drawdown plan. It will help you determine if your investments are providing the returns you need, and if the income you are taking is sustainable.

Asking your financial adviser to arrange for you to be underwritten at each drawdown review or annuity purchase will ensure that you're getting the most out of your retirement, and have a truly tailored retirement income solution.

This means that if you're thinking of buying an annuity you shouldn't be settling for anything 'standard', off-the-shelf or ordinary. Instead, think about having your plan tailored to your exact specifications. It should be bespoke. It could make quite a difference to the amount of income you receive.

Little things add up

Most people need to save extra for retirement – and the sooner you start saving, the greater the chances of having enough income – especially if you harness the potentially big long-term advantage of "compounding".

The need for people, and especially younger people, to take personal responsibility for building their pension pot is also becoming ever greater. This is particularly true for civil servants, in light of the civil service pension being switched to career average benefits and increases based on the Consumer Price Index (CPI).

Your civil service pension may not give you enough income to live comfortably when you retire. You therefore need to make additional savings – and the sooner you start doing this the easier it should be to boost your pension.

The International Longevity Centre, a think-tank that focuses on policy on longevity, ageing and population change, has recommended that young Britons should be saving 18% of their salary in order to live the same type of retirement as today's pensioners. As a guide, the civil service scheme is based on contributions of the equivalent of roughly 6 - 8% of your annual salary. That leaves a gap of around 9%.

However, huge student loan debt levels and the struggle to get on the property ladder makes the target unachievable for many.

The need to make additional contributions

With this gap between the required and the actual saving levels, you should consider being proactive in ensuring that smart investment decisions in your younger years help pay for your later years.

One way to make up this shortfall could be by embracing the mantra of "the little things add up" and harnessing the power of compounding. Compounding is the process by which your future returns are based not just on your initial investment, but also on any growth on your investment. Compounding plays on a simple truth: if you can find yourself a small but regular advantage, apply that over a long time and it will compound into a big difference.

Compounding can make a significant difference

Compounding can be used by pension savers in their twenties, thirties, forties or even fifties to make a potentially significant difference to their retirement fund. Obviously the earlier you begin investing the more powerful the potential long-term impact of compounding could be on your overall investment pot.

A range of investment options

Premier Asset Management is responsible for managing £5.8 billion of assets (as at 30.06.2017) on behalf of clients. Their money is invested in a range of different investment solutions designed to achieve different long-term investment objectives, such as long-term growth, a regular income or a balance of both, and with different risk profiles to cater for the varying risk appetites of investors. The box on the right gives an overview of their four Risk-Targeted Portfolios.

With retirement lasting longer than ever and with other more immediate financial burdens to meet, it is important to consult a financial adviser at an early stage. He or she can advise on the suitability of investment options that can fit around other financial considerations and help you try and avoid facing a shortfall in your pension when you retire. By utilising suitable investment portfolios and harnessing the power of compounding, we believe that everyone can have the best chance of enjoying a comfortable retirement.

The value of your investments, and the income you receive from them, can go down as well as up, so you could get back less than you put in. A pension is a long-term investment and inflation will reduce how much your income is worth over the years. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

The four Premier Risk-Targeted Portfolios aim to provide long-term investment growth by investing in a diverse blend of Premier funds.

The portfolios are actively managed by the Premier Portfolio Management Service investment committee, and Premier's specialist investment teams, who choose the underlying funds in which the portfolios are invested.

Their investment teams believe it is very important to constantly monitor and manage client portfolios with the aim of keeping each portfolio on track to achieve their long-term aims.

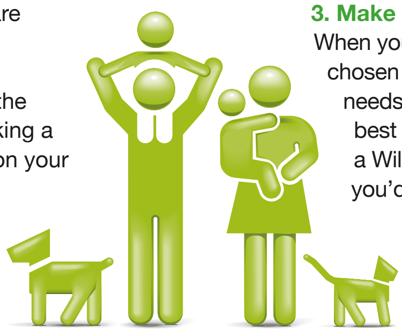
They believe diversification (spreading the risk) is important to help manage investment risk (not putting too many eggs in too few baskets) and to expand the investment opportunities available.

Premier Asset Management

Five things to put on your family protection 'to do' list

When you've got kids, you'll do anything to look out for them. Yet a recent report shows many of us haven't made plans to protect our children if we weren't around any more – partly because it's uncomfortable to think about.

The good news is there are some simple steps you can take to help protect them – from broaching the subject with your partner to making a Will. Here are five things to put on your family protection 'to do' list:



1. Start talking about it

In Aviva's Family Finances Report, almost two in three people said they feel death is a taboo subject. Many also said they don't want to talk about it because they just want to enjoy living their life.

It's perfectly understandable that people prefer to avoid some topics of conversation, but if we can't talk about something, it's impossible to plan for it. So to get the ball rolling, pick a time and place when you won't be disturbed and discuss things with your partner and/or immediate family. Once you start seeing making these plans as an unavoidable part of life planning, it becomes less of an emotional and more of a practical task.

2. Choose a legal guardian

Surprisingly, the research shows more parents have a donor card than a formal, written plan of who'd look after their kids if they weren't around any more. That's why appointing a legal guardian is something a number of us ought to consider.

Put simply, a legal guardian is someone you appoint who will take care of your children if there's no-one else with parental responsibility to look after them. It can be anyone over 18-years-old, so a family member or a close friend who has a connection with your children could be a good choice. While – thankfully – it's unlikely that they'll ever be needed, choosing a guardian really is a must-do. If you don't appoint one and both parents die, your children could end up in foster care while the courts appoint a guardian of their choosing.

3. Make a Will

When you've discussed your plans and chosen a guardian, the appointment needs to be made official. One of the best ways of doing this is to make a Will, where you also say what you'd like to happen to your money, property and possessions when you die (otherwise known as your 'estate').

If you die without a Will, the law decides who gets what, and it may not be the people you'd have wanted. A Will can also help reduce the amount of inheritance tax that may be payable on the value of the money and property you leave behind – potentially leaving more for your children to enjoy.

4. Consider life insurance

Another way of helping to protect your children (and giving yourself some peace of mind) can be to take out a life insurance policy – as four in 10 UK families have done. In the same way that home insurance covers your property, life insurance covers you, and pays out if you die while you have the plan. This means that if the worst ever did happen, your family may be able to use the money to pay for everyday bills and other expenses – helping them to maintain the lifestyle they currently have. Some providers offer a little extra. For instance, Aviva gives you £15,000 of Free Parent Life Cover for one year if you have a child under four.

5. Get help from an expert if you need it

When it comes to making the sorts of plans we've mentioned above, the help of an expert can be invaluable. A professional financial adviser can help you work out what insurance you need and help you make sure you have appropriate paperwork in place.

A Will can also help reduce the amount of inheritance tax that may be payable on the value of the money and property you leave behind – potentially leaving more for your children to enjoy.

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