

# Taking care of your money

Essential Information to help you make your choice

**Taking money from your pension is an important decision. To help you make an informed decision we have set out below some of the key considerations we believe you should think about before looking to withdraw money from your pension.**

## **Beware of scams**

There are many organisations that will offer seemingly attractive ways to invest or manage your pension savings. But not all of them are above board. You should never trust a company that contacts you out of the blue, whether it is by phone, text, email or post.

Go to [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart) or [pensionwise.gov.uk/scams](https://pensionwise.gov.uk/scams)

## **Making your money last**

The money you have saved during your life will have to last for your whole retirement so it may not be the best option to take money out at this point in time. Many people underestimate how long they will live and taking money too soon or taking too high an income when you first retire could mean you, or your dependants, don't have enough later on. That means it's important to think about how much you really need and when, and how you can manage your savings to ensure they don't run out.

## **Think about your dependants and your health**

When you are drawing up a financial plan for your retirement, it is important to consider all your circumstances. For example, do you have a partner or dependants who would still rely on income from your savings if you died? The state of your health also influences how long you are likely to need an income. The different ways of using your pension savings can meet your needs in different ways, so you should consider all the options.

## **Consider where you will invest your pension and keep it under review**

It is important to review your investments regularly to make sure they match your retirement goals. If you plan to keep your pension invested and take an income from it (known as income drawdown), instead of securing a guaranteed income from an annuity, you should think about which investments would be appropriate and would suit your attitude to risk and keep these under review. For example, keeping your money in cash could mean that inflation erodes its value over time.

It's also important to regularly review the amount you are taking from your pension. This will help to ensure your savings can meet your long-term needs.

## **Consider the impact of inflation**

Prices tend to increase over time, making it more expensive to buy the things you need. If you plan to take flexible withdrawals from your pension, you may need to take more each year to keep pace with inflation. This will need to be managed carefully so that you do not run out of money sooner than you expect.

Alternatively, you may want to think about an annuity that increases each year. This could ensure you have a guaranteed income that covers essential expenses.

## **Shop around**

Research shows that you can often get a better deal by comparing what different providers offer. You may find a product that has lower charges, a wider investment choice or more flexible features. This could mean you receive a higher income in retirement.

## **Check what charges apply**

All providers charge a fee for managing your pension pot. These charges can eat into your savings, which in turn can affect how long your income might last. Fees and charges differ, so it's important to compare products and providers. Feel free to contact us for more information on the charges that apply to your pension.

## **Check the tax you will pay**

Generally, once you reach age 55 you can withdraw up to 25% of your pension without paying tax, but further withdrawals may be taxable. Taking a large amount from your pension could move you into a higher tax bracket. Our online pension tax calculator can help you see how much tax you might pay on your withdrawals.

Go to [fidelity.co.uk/pensiontools](https://fidelity.co.uk/pensiontools)

## **Reduction in your savings allowance**

Once you have made a taxable withdrawal from your pension, the amount that can be paid into your pensions with the benefit of tax relief may go down. This could be a key consideration if you are still working or want to save more for your retirement.

Go to [fidelity.co.uk/pension-allowances](https://fidelity.co.uk/pension-allowances)

### Lifetime allowance

The lifetime allowance is the amount you can tax efficiently build up in pension benefits over the course of your life. If you go over your allowance, you will generally have to pay a tax charge on the excess. This could be charged when you take a lump sum or an income from your pension pot, transfer a pension overseas or reach 75.

Go to [fidelity.co.uk/pension-allowances](https://fidelity.co.uk/pension-allowances)

### Means-tested benefits and debts

Taking money from your pension may affect your eligibility for means-tested state benefits. A company or person that you owe money to cannot make a claim against your pension. This also applies to County Court Judgments and Individual Voluntary Arrangements. Once you have withdrawn money from your pension, however, you may be expected to pay.

## For those approaching age 75, we have outlined some additional considerations for you to consider before accessing money from your pension.

### Continuing contributions

After the age of 75 we will no longer be able to continue to receive contributions into your pension.

### Tax-free cash

You are generally entitled to take 25% of your pension savings tax-free. If you die after age 75 and you have not taken all of your tax-free cash, your beneficiaries may have to pay tax on this when it is passed to them.

### Lifetime allowance check

As you will soon be 75, your pension savings have to be checked to see if they have exceeded your lifetime allowance. This is the amount you can tax efficiently build up in pensions over the course of your life. If your savings exceed your allowance at 75, you will generally have to pay a tax charge on the excess.

Go to [fidelity.co.uk/pension-allowances](https://fidelity.co.uk/pension-allowances)

For more information, contact Pension Wise or your local Citizens Advice.

### Pensions are protected

Companies that provide pensions are required to have certain arrangements in place to protect your money. However, in the unlikely event that those protection measures should fail you may be entitled to compensation from the Financial Services Compensation Scheme (FSCS). If you move your pension to another provider or take money out and invest it somewhere else, you may not have the same level of protection.

Go to [fidelity.co.uk/how-is-my-money-protected](https://fidelity.co.uk/how-is-my-money-protected)

### Tax risks for beneficiaries

Savings inside and outside a pension are treated differently for inheritance tax purposes. Taking money from your pension pot now could have tax consequences for any beneficiaries you may have.

Go to [fidelity.co.uk/legacyplanning](https://fidelity.co.uk/legacyplanning)

### Lasting power of attorney

One thing you might want to consider is who you would trust to make decisions for you if you can no longer make them for yourself. A lasting power of attorney allows someone to make decisions about your finances and/or health. Without this, your loved ones may not be able to manage your financial affairs for you or to make decisions about your medical treatment.

We appreciate that not all of the aspects covered in this leaflet will be relevant to you. However, as we do not have full details of your circumstances, we are not in a position to make assumptions about which considerations should form part of your financial planning for retirement. That is why we have outlined a broad range of issues for you to think about.

## Where to go for help

As you consider this important decision, don't forget that you can get guidance or personalised advice if you need it. Comparing your options and their different implications isn't easy. We recommend that you consider getting expert help. This should offer you the peace of mind of knowing that you understand the alternatives and have made the right choice.

There are three ways you can get help:

**Pension Wise**, the government's free, impartial guidance service, is designed to help you understand the various ways you can withdraw money from your pension pot. Call **0800 138 3944** and book a guidance appointment, either on the phone or face to face. Alternatively, you can visit [pensionwise.gov.uk](https://pensionwise.gov.uk) to book an appointment or explore your options.



**Pension  
wise**  
Your money. Your choice.

**Fidelity's Retirement Service** can answer your questions and give you information and guidance. They also offer financial advice and a personalised recommendation. If you'd like details of this service and any relevant charges, or to discuss your options, call the team on **0800 084 5045**.

You can also use your own financial adviser. For help finding a financial adviser, visit [moneyadvice.service.org.uk/directory](https://moneyadvice.service.org.uk/directory) or [unbiased.co.uk](https://unbiased.co.uk)

Personal Investing

