PHOENIX WEALTH

# PENSION BENEFITS GUIDE

HOW YOU CAN USE YOUR PENSION POT TO SUIT YOUR NEEDS

With the flexibility you have to take benefits through your pension, it can be difficult to know what's best for you and your beneficiaries. We've created this guide to help answer a few of your questions.

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# WHERE TO GET GUIDANCE?

## Pension Wise - a free pension guidance service from MoneyHelper

While we recommend you get financial advice when deciding which option is best for you, you can also get guidance using Pension Wise. Pension Wise is a government backed service available to anyone over the age of 50. The service is free and provides impartial guidance appointments over the telephone and/or face to face to help you to understand your options at retirement. It will offer you:

- guidance on your pension options and how to make the best use of your pension savings
- information about tax when taking money from your pension
- tips on getting the best deal, including how to compare products, get financial advice and avoid scams.

We recommend you visit the Pension Wise website at www.moneyhelper.org.uk/pensionwise to see what the service offers and to begin to understand the options available to you.

To book a telephone or face-to-face appointment you can visit the Pension Wise website or call 0800 138 3944.

Additionally, MoneyHelper publish a consumer factsheet, ‘Your pension - your choices’, which is available on their website, www.moneyhelper.org.uk.

# HOW YOU CAN USE YOUR PENSION POT

There are six ways you can use your pension to suit your circumstances.

### 1. You can keep it where it is

You can delay taking money from your pension pot to allow you to consider your options. Reaching age 55 (rising to 57 from 6 April 2028) or the age you agreed with your pension provider to retire isn't a deadline to act. Delaying taking your money may give your pension pot a chance to grow, but it could go down in value too.

### 2. You can take it in one go

You can take the whole amount as a single lump sum. A quarter of your pension pot can usually be taken tax-free – the rest will be taxed. You will need to plan how you will provide an income for the rest of your retirement.

### 3. You can take it as a number of one-off lump sums

You can leave your money in your pension pot and take lump sums from it as and when you need, until your money runs out or you choose another option. You can decide when and how much to take out. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. Each time you take a lump sum, normally a quarter of it is tax-free and the rest will be taxed. You may need to move into a new pension plan to do this.

### 4. You can get a flexible retirement income

You can leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. A quarter of your pension pot can usually be taken tax-free and any other withdrawals will be taxed whether you take them as income or as lump sums. You may need to move into a new pension plan to do this. You don't need to take an income.

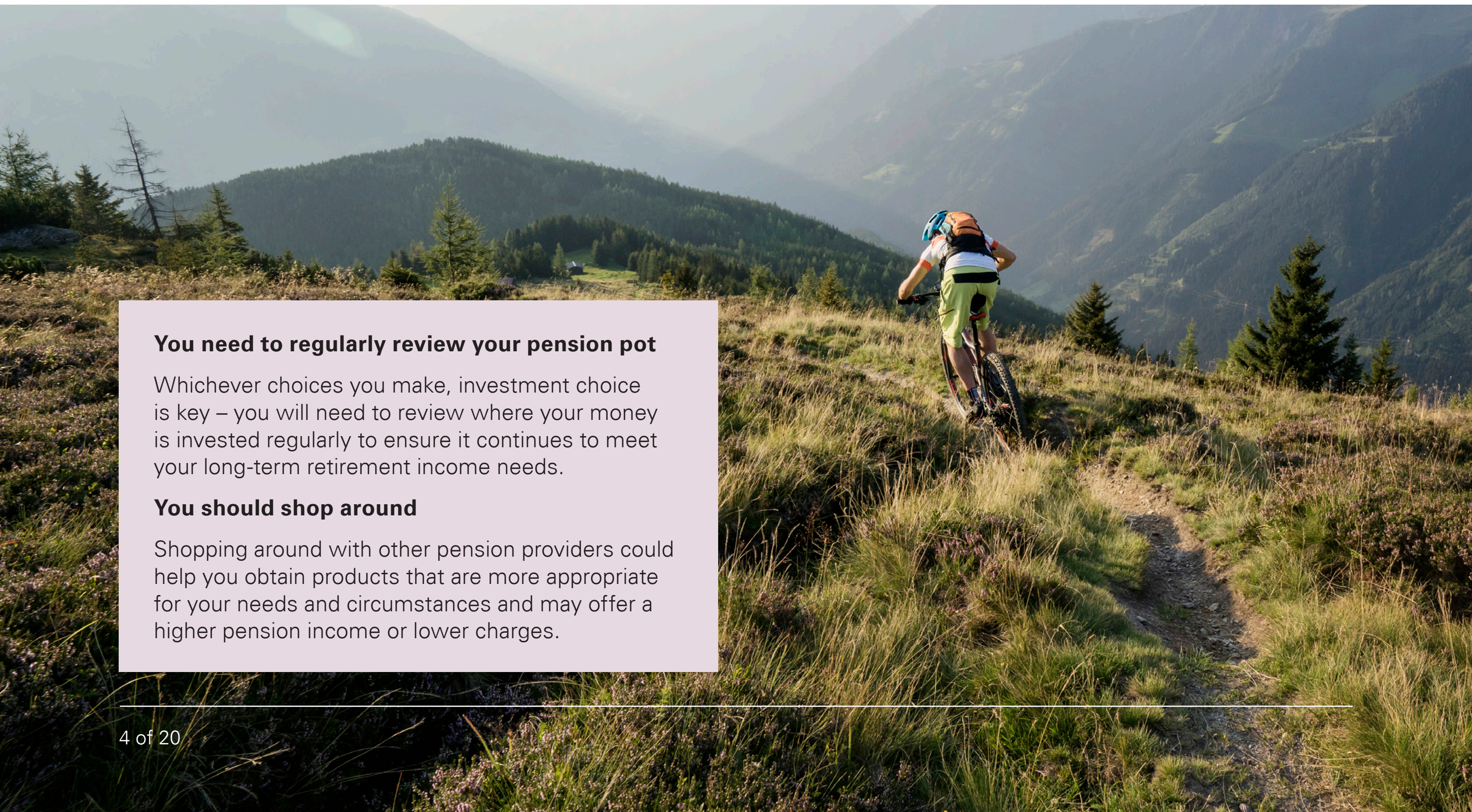
### 5. You can get a guaranteed income for life

A lifelong, regular income (also known as an annuity) provides you with a guarantee that the income will last as long as you live. A quarter of your pension pot can usually be taken tax-free and any other payments will be taxed.

### 6. You can choose more than one option and you can mix them

You can also choose to take your pension using a combination of some or all of the options over time or over your total pot. If you have more than one pot, you can use the different options for each pot. Some pension providers or advisers can offer you an option that combines a guaranteed income for life with a flexible income.

We explain more about your options in this guide.



**You need to regularly review your pension pot**

Whichever choices you make, investment choice is key – you will need to review where your money is invested regularly to ensure it continues to meet your long-term retirement income needs.

**You should shop around**

Shopping around with other pension providers could help you obtain products that are more appropriate for your needs and circumstances and may offer a higher pension income or lower charges.

# HOW THE OPTIONS WORK

## Once you've reached the minimum pension age, (normally 55, rising to 57 from 6 April 2028) you'll be able to access your pension pot in the way that best suits you.

You can delay taking money from your pension pot to allow you to consider your options. Reaching the minimum pension age, or the age you agreed with your pension provider, to retire isn't a deadline to act. Delaying taking your money may give your pension pot a chance to grow, but it could go down in value too. This table shows the different aspects of the options you have if you do want to start taking benefits.

| YOUR PENSION POT | | | |
|---|---|---|---|
| Tax free lump sum (optional) | Tax free lump sum (optional) | One-off lump sum(s) | Small pension pots lump sum |
| Guaranteed Income | Flexible income | 25% tax free | 25% tax free |
| • Purchase a guaranteed income (annuity) paid for the rest of your life<br>• Usually a quarter of your selected funds can be taken tax-free.<br>• Regular guaranteed income payments are subject to income tax<br>• Additional options include:<br>- increasing payments<br>- guarantee periods<br>- dependent's payments | • Take flexible income from your pension pot<br>• A quarter of your pension pot can usually be taken tax-free and any other income withdrawals will be subject to income tax.<br>• Take as much or as little income as you want from your drawdown fund (Capped drawdown has a maximum that can be taken each year) | • Take one-off lump sums from your pension pot<br>• Take as much or as little as you want as a one-off withdrawal<br>• A quarter of the lump sum is tax-free<br>• The remaining amount is subject to income tax | • You may be able to take the whole of your pension pot as a one-off lump sum<br>• A quarter of the lump sum is tax-free<br>• The remaining amount is subject to income tax |

### Combining options

You can choose to take your pension benefits using a combination of some or all of the options over time or over your total pot. If you have more than one pot, you can use the different options for each one. Some pension providers can offer you an option that combines a guaranteed income for life with a flexible income.

If a pension provider doesn't offer all of the options available you can transfer your pension to a provider that does, but there may be a fee to do so.

### Fees and charges

Pension providers may charge you to continue managing your pension pot, or if you take your money in a certain way. You should always check with your provider beforehand to see whether your preferred option will result in any fees or charges.

If you seek guidance from Pension Wise, or MoneyHelper, you won't have to pay any fees or charges for that guidance. Financial advisers will charge you a fee for any advice they provide, but it will be personal to you and your circumstances.

### Paying tax

The money you take from your pot will be added to any other income you have for that tax year including State pension payments, benefits, salary, etc. This may mean you pay a higher rate of tax in the tax year you take the option. If you take the money in a number of different tax years you may pay less tax than if you take it all in one go.

You can speak to Pension Wise, HMRC or a financial adviser to further understand how your decision will determine the amount of tax you will pay.

Please remember tax rules are subject to change and individual circumstances.

# YOUR OPTIONS - THE DETAILS

## A GUARANTEED INCOME (ALSO KNOWN AS AN ANNUITY)

- Use all, or part, of your pension pot to buy a guaranteed income for life
- Usually a quarter of your pot can be paid as a tax-free lump sum
- The remainder provides a guaranteed, regular income that will last as long as you live.

This option works by giving an insurance company all or some of your pension pot, in exchange for a guaranteed income for life.

Usually a quarter of your pot can be paid as a tax-free lump sum. The rest is used to provide a regular income which is taxed as pension income through PAYE.

There are many different types of guaranteed income. These include: an 'escalating' income; a 'level' income; an 'enhanced' income; an income just for you known as a 'single life annuity'; and an ongoing income for a nominated dependant when you die known as 'joint life annuities'. A free online planner is available at moneyhelper.org.uk which can help you decide which type is right for you.

**You need to think about:**

- Some insurance companies will give you a higher income than others, especially if you have health or lifestyle issues (see page 15 for more details). You should shop around to get the best rate.
- Some may have a minimum pot size they accept.
- What you get back will depend on a number of factors including, but not limited to, the rates at the time you buy the guaranteed income, the options you include, the charges and how long you live.
- You could consider protecting your annuity payments through 'Value Protection'. Value protection is an option that, if you die without having received the full value of your pension pot, returns a lump sum (minus total gross payments made and tax). As a result, value protection gives the ability to protect up to 100% of your original pension pot.

Now you are able to access and use your pension pots in any way available from age 55 (rising to 57 from 6 April 2028), you should get advice or guidance before deciding whether a guaranteed income is right for you.

# A FLEXIBLE INCOME (ALSO KNOWN AS DRAWDOWN)

- Use all, or part, of your pension pot
- A quarter of your pot can usually be taken tax-free.
- The remaining part after payment of any tax-free lump sum becomes your drawdown fund.
- Drawdown funds remain invested in your pension pot until you choose to receive taxable income payments from it.

As well as buying, or as an alternative to buying, a guaranteed income, you have an option known as drawdown. This allows you to take a flexible retirement income. Through drawdown once you have taken the tax-free lump sum you can then take income payments directly from your drawdown fund which remains invested in your pension pot.

You don't have to use all of your pension pot at the same time. You can choose to just use part of it, leaving the remainder untouched so that it can be used to provide a tax-free lump sum at one or more later dates.

You can usually take up to 25% of the amount you've decided to use as a tax-free lump sum. The remainder becomes your drawdown pension fund which you can use to take:

- A one off lump sum - taxable as pension income through PAYE
- A regular income - taxable as pension income through PAYE
- No income

If you don't take the whole of your remaining fund as an income payment your drawdown fund will stay invested. However, depending on the income you draw, the investment returns and the charges you could run out of money before you die.

If you haven't received advice about how you can invest your drawdown fund after taking your tax free amount we have included information about your options in our **Understanding Investment Pathways** leaflet.

You can find this in our literature library at www.phoenixwealth.co.uk/Literature/Pensions-and-retirement

## There are two kinds of drawdown:

### 1. Flexi-access drawdown

This is the only type of drawdown you can start from 6 April 2015.

From the age of 55 (rising to 57 from 6 April 2028) you can transfer money into flexi-access drawdown. A quarter of your pot can usually be taken as a tax-free lump sum. The remaining funds continue to be invested in the funds of your choice until you choose to receive taxable income payments from it.

This means you could still benefit from potential growth in the funds. However, the value of investments can fall as well as rise and aren't guaranteed which could impact your level of future income.

Once you start taking income from flexi-access drawdown the amount you can put in to a pension and get the full tax benefits will be reduced. If you just take a tax-free lump sum and don't take any taxable income, then the amount you can contribute isn't affected. We explain this, and the limits, in our **Tax and your pension** leaflet available on our website phoenixwealth.co.uk/literature.

We recommend that you get advice or guidance before deciding whether flexi-access drawdown would be suitable for you.

## Drip feed drawdown option

This is where you decide how much money you want to withdraw and how frequently you want this. You can choose to withdraw this monthly, quarterly, half yearly and yearly.

The drip feed option sets up a series of flexi-access drawdown transfers and lets you select in advance how you want your withdrawals to be made.

Through the drip feed option you have two choices of how you set up your payments.

**You can choose to have:**

**Just a regular tax-free payment**

- For each payment you receive we will transfer a higher amount into your drawdown fund.
- Every payment you receive will be tax-free. This will be the maximum (usually a quarter) available to you from the total fund we use.
- The remaining amount will be invested in your flexi-access drawdown fund. You can access this fund to receive a taxable income payment at any time.

**Example 1**

- £1,000 payment required to include tax-free lump sum only
- Payment made of £1,000 for the tax-free amount
- £3,000 transferred to drawdown
- Increase in flexi-access drawdown fund after payment out is £3,000*.

*You can withdraw this amount at any time taxed at your marginal rate

Or

**A regular payment with tax-free and taxable elements**

- For each payment you receive we will transfer the amount you specify into your drawdown fund
- Part of every payment you receive will be tax-free (usually a quarter).
- You will be taxed on the remainder as income through PAYE.
- None of the funds used remain invested in your flexi-access drawdown fund to be available as income at a future date.

**Example 2**

- £1,000 payment required to include tax-free lump sum and taxable income
- Payment made of £250 for the tax-free lump sum and £750 transferred to drawdown
- £750 in drawdown immediately paid out as taxable income and taxed at marginal rate
- Increase in flexi-access drawdown fund after payment out is nil.

Where you withdraw all the money at 25% tax-free, as shown in example 1, you will build up a drawdown fund, this will increase with every withdrawal. Equally, your funds not in drawdown will decrease and run out quicker than in example 2.

Where the funds not in drawdown run out of money, the drip feed will end, along with any regular withdrawals you've set up.

At this point under example 1 you can leave the drawdown funds invested, withdraw all of the money, or set up a regular taxable withdrawal.

## Using drip feed if you have fund and tax-free lump sum protection

Various amendments to pension regimes since 2006 have introduced different levels of protection for eligible pension scheme members. If you have been granted a Scheme-specific lump sum protection the potentially valuable protection will be lost should you select the drip feed option.

In all protection cases, if drip feed isn't suitable due to the type of protection in place it may still be possible to access the other benefit options within flexi-access drawdown.

**Available under drip feed**

- Enhanced Protection and Standard Tax-Free Lump Sum (TFLS)
- Enhanced Protection and Protected TFLS
- Primary Protection and Standard TFLS
- Fixed Protection 2012
- Fixed Protection 2014
- Individual Protection 2014
- Fixed Protection 2016
- Individual Protection 2016

**Not available under drip feed**

- Primary Protection and Protected TFLS
- Protected Pension Age (until normal minimum pension age, currently 55 (57 from 6 April 2028)

## 2. Capped drawdown

If you already have capped drawdown, it is normally possible to add further funds to your existing capped drawdown. It isn't possible to start a new capped drawdown fund.

If you're taking benefits through capped drawdown you're limited to a maximum amount you can withdraw each year.

The maximum amount is reviewed every three years up until you reach age 75 after which the maximum is reviewed every year.

This is to make sure your pension funds aren't exhausted. As a result this may provide a lower annual income than required.

We don't allow you to take capped drawdown alongside flexi-access drawdown with, or without the drip feed option, therefore, any existing capped drawdown with us will need to be converted to flexi-access before any new flexi-access drawdown (including drip feed) can start. You can apply to convert your current capped drawdown fund to flexi-access drawdown at any time.

You will already have had the opportunity to take a tax-free lump sum from the funds you have moved to capped drawdown. This means you can't receive another tax-free lump sum if you convert these funds to flexi-access drawdown.

## ONE-OFF LUMP SUM (ALSO KNOWN AS AN UNCRYSTALLISED FUNDS PENSION LUMP SUM - UFPLS)

- Take all, or part, of your pension pot as a one-off lump sum.
- Unlike flexi-access drawdown, 25% of the fund taken will always be paid as a tax-free lump sum.
- The remainder of the lump sum is taxable as income.

This option lets you take any part of your pension pot that you haven't yet transferred into drawdown funds as a one-off lump sum.

You will receive 25% of the lump sum tax-free with the remainder taxable as pension income through PAYE. As 25% is the maximum tax-free amount allowed, if you have a protected higher entitlement you will lose it.

If you take a a one-off lump sum, the amount you can put in to a pension and get the full tax benefits will be reduced. We explain this, and the limits, in our **Tax and your pension** leaflet available on our website phoenixwealth.co.uk/literature.

By taking benefits as a lump sum you may have to pay additional income tax and means tested benefits may be affected. You may also run out of income before you die.

There are some circumstances where you may not be able to take a one-off lump sum. As such, you should get financial advice or guidance to understand whether it is available to you.

## SMALL PENSION POTS LUMP SUM

- Take your small pension pots as cash.
- 25% of the pot will normally be paid as a tax-free lump sum.
- It can be used to take drawdown funds.
- The remainder is taxed as income.

Over the course of your working life, you might have built up some smaller pension pots. It may be possible to take them as cash.

You can take the whole of a pension pot or drawdown pension fund as cash as long as the pension fund value is £10,000 or less. Please note, you can only do this up to a maximum of three times in your lifetime for personal pension pots.

Taking a small pension pot lump sum won't affect how much you can keep contributing to money purchase pension schemes.

# WHAT WE OFFER

The options available to you from Phoenix Wealth will depend on which Phoenix Wealth pension you have. A quarter of your pension pot can usually be taken tax-free and any other withdrawals will be taxed whether you take them as income or as lump sums. You may need to move into a new pension plan to be able to do this.

You can also take a transfer value from your Phoenix Wealth pension to another provider to access any options they offer. Remember to shop around if you want to access your money. Other provider's products could be more appropriate for you and could give a higher pension income.

| | Retirement Wealth Account | The Personal Pension | Family Suntrust | The Executive Pension | The Section 32 |
|---|---|---|---|---|---|
| **Guaranteed income (annuity)** | Can be arranged through us or another provider | Can be arranged through us or another provider | Can be arranged through another provider | Can be arranged through us or another provider | Can be arranged through us or another provider |
| **Flexible income (drawdown)** | Flexi-access drawdown<br>Drip feed drawdown<br>Additional capped drawdown | Flexi-access drawdown<br>Drip feed drawdown<br>Additional capped drawdown | Flexi-access drawdown<br>Additional capped drawdown | Flexi-access drawdown (you must use the whole of your pension pot to provide benefits) | Flexi-access drawdown (part drawdown available if set up as a cluster of policies) |
| **One-off lump sum** | Yes | Yes | Not available | Not available | Not available |
| **Small pension pots lump sum** | Yes | Yes | Yes | Yes | Yes |

The Phoenix Wealth pensions named in the table are known as money purchase pension schemes (sometimes called a 'defined contribution' pension scheme). If you have a money purchase arrangement with another provider they may not offer the same options. If you have a defined benefit (sometimes called a 'final salary') pension, options on how to take those benefits will be different.

You can transfer your Phoenix Wealth pension to another provider to access any options they offer.

**State benefits**

The amount of money that you take from your pension pot could affect any state benefits that you are entitled to.

If you are judged to have deliberately spent or given away your pension pot to receive or increase benefits, the Department for Work and Pensions or your local council may re-assess your eligibility and treat you as still having the money. If you are able to take an income and have chosen not to do so, some or all of the income you could have taken may be taken into account.

For more information about state benefits visit: gov.uk/browse/benefits

**Pension scams**

Beware of pension scams - people contacting you unexpectedly about an investment or business opportunity that you've not spoken to them about before. You could lose all your money and face charges of up to 55% and extra fees. Speaking to Pension Wise, or MoneyHelper, or dealing with a financial adviser, can help to minimise the risk of falling victim to a scam. For more information on how to protect yourself from scams, visit the Pension Regulator's website: www.pension-scams.com

# HOW DO THESE OPTIONS COMPARE?

You may still have questions about the benefit options available to you. This table includes a summary of some you might have. To help, we've answered them below.

| Question | Guaranteed income (annuity) | Flexible income (drawdown) | One-off lump sum (UFPLS/ small pots) |
|---|---|---|---|
| 1. Can I get a guaranteed income for life? | ✓ | ✗ | ✗ |
| 2. Can I receive the whole value of my pension pot immediately? | ✗ | ✓ | ✓ |
| 3. Can I just take my full tax-free lump sum entitlement and no income? | ✗ | ✓ | ✗ |
| 4. Can I take the maximum tax-free amount and provide a regular income? | ✓ | ✓ | ✗ |
| 5. Can I take a regular amount from my pension pot tax-free? | ✗ | ✓ | ✗ |
| 6. Can I set up a monthly payment made up of just tax-free lump sum or part tax-free lump sum and part taxable income? | ✗ | ✓ | ✗ |
| 7. Can I withdraw part of my pension pot as a lump sum? | ✗ | ✓ | ✓ |
| 8. Can I choose more than one option and mix them? | ✓ | ✓ | ✓ |
| 9. Can I change my mind an use my pot differently? | ✗ | ✓ | ✗ |
| 10. Is there a charge for using this option? | ✓ | ✓ | ✗ |

### 1. Can I get a guaranteed income for life?

Yes. This works by giving an insurance company all or some of your pension pot, in exchange for a guaranteed income for life.

Usually a quarter of your funds can be paid as a tax-free lump sum. The rest is used to provide a regular income which is taxed as pension income through PAYE.

Unlike with a guaranteed income for life (a lifetime annuity), the retirement income you receive from a flexible retirement income product isn't normally guaranteed to last as long as you live.

Deciding how much income you can afford to take needs careful planning – it depends on how much money you put in from your pension pot, the performance of the funds, what other sources of income you have, and whether you want to provide for a dependant or someone else after you die. It also depends on how long you will live.

Your retirement income could fall or even run out if you take too much too soon and start eating into the money you originally invested to produce the income – especially if stock markets fall.

To provide more security, you can at any stage use some or all of your flexible retirement income funds to buy a guaranteed income for a set term or for life.

There are many different types of guaranteed income. These include: an 'escalating' income; a 'level' income; an 'enhanced' income; an income just for you known as a 'single life annuity'; and an ongoing income for a nominated dependant when you die known as 'joint life annuities'. A free online planner is available at pensionsadvisoryservice.org.uk which can help you decide which type is right for you.

### 2. Can I receive the whole value of my pension pot immediately?

Yes, legislation lets you take as little or as much of your pot as you want, when you want. This means you can take your whole pot through either flexi-access drawdown or as a one-off lump sum.

In both cases you will normally be able to take up to 25% (for one-offs 25% is compulsory) of the value of your pension pot tax-free, with the remainder being taxed through PAYE. The amount you actually receive will be affected by charges and fees depending on whether you go down the flexi-access drawdown or one-off lump sum route. You may also be able to cash in all of your pension pot under the 'small pension funds' rule.

Remember, once you choose an option, your pension (in addition to any other assets and/or income you may have) will need to provide you with an income to last as long as you live, so it is important you think about the consequences of withdrawing all of your pension pot.

### 3. Can I just take my full tax-free lump sum entitlement and no income?

Yes, you can receive just a tax-free lump sum if you move your remaining funds into drawdown and choose not to receive any income.

You can normally receive up to 25% of your pension pot tax-free. The remaining 75% will become your drawdown pension pot and remain invested in your scheme.

For example, if you want your full tax-free entitlement and the value of your pension pot is £100,000 you would get £25,000 (25%) tax-free. The balance of £75,000 (75%) would stay invested in your drawdown fund.

Unlike drawdown, with a one-off lump sum you have to take the 75% as income immediately. You can't leave it invested to take income at a later date.

### 4. Can I take the maximum tax-free amount and provide a regular income?

Yes, you can take up to 25% of your pension pot tax-free. You can then move the remaining funds into drawdown or buy a guaranteed income to provide a regular income.

#### Drawdown funds:

- Remain invested.
- You can arrange to take a fixed income from them either monthly, quarterly, half-yearly or yearly.
- The income is taxed through PAYE.
- The income amount and frequency can be varied at any time.
- By taking income, together with any charges, you would reduce the value of your pension pot and potential for future growth – particularly if you take high levels of income and/or investment returns are poor. Income levels may also not be sustainable and your pension pot may not last until you die.

#### Guaranteed income

- Provide you with a guaranteed income for life.
- The income will be taxed under PAYE.
- But once you buy it the income amount and payment frequency can't normally be changed.

There are no remaining funds following a one-off lump sum payment from which a regular income can be paid.

**Note:**

- For the Retirement Wealth Account, Family Suntrust and The Personal Pension you can use all or part of your pension pot to provide benefits.
- For The Section 32 (unless set up as a cluster of policies) and The Executive Pension you must use the whole of your pension pot to provide benefits.

## 5. Can I take a regular amount from my pension pot tax-free?

Yes, you can arrange to move funds into drawdown on a regular basis depending on the type of Phoenix Wealth Pension you have.

You can take a tax-free lump sum (TFLS) of 25% from the amount being used each time. The remaining 75% of your fund will remain invested in your plan as your drawdown fund. As you don't have to take an income from the drawdown fund the only payment you receive is your TFLS. Your income tax liability will therefore not increase although your overall income has through the TFLS payments.

You can start taking an income from your drawdown funds at any time, as and when you need to but this income will be taxed under PAYE.

A one-off lump sum requires that 75% of the lump sum paid is taxed through PAYE. This will increase your tax liability.

> For example you would like to take an additional £1,000 a month but don't want to pay any more tax. You would have to take £4,000 a month out of your pension pot of which £1,000 will be paid to you tax-free (this represents your tax-free lump-sum of 25%) the balance of £3,000 will remain invested in your plan and held as your drawdown fund.

**Note:**

It is only possible to set up a regular income in this way under the Retirement Wealth Account or The Personal Pension.

## 6. Can I set up a monthly payment made up of just tax-free lump sum or part tax-free lump sum and part taxable income?

Yes, you can arrange to move funds into drawdown on a regular basis depending on the type of Phoenix Wealth Pension you have.

You can take a tax-free lump sum of 25% from the amount being used each time. The remaining 75% can then be taken immediately as a taxable income.

Although benefits taxed in the same way are available as a one-off lump sum, Phoenix Wealth doesn't offer to set up a regular one-off payment and each payment would have to be requested at the time it was required.

**Note:**

It is only possible to set up a regular income using the drip feed option under the Retirement Wealth Account and The Personal Pension.

## 7. Can I withdraw part of my pension pot as a lump sum?

Yes, once you have decided how much you wish to take you can withdraw that amount through either flexi-access drawdown or as a one-off lump sum.

If you use flexi-access drawdown you don't have to take any taxable income, you can just take the tax-free part as a lump sum and leave the rest to be taken as a taxable income at a later date.

The amount you actually receive will be affected by charges and fees depending on whether you use flexi-access drawdown or a one-off lump sum.

**Note:**

You can use part of your pension pot to take a lump sum through the Retirement Wealth Account, The Personal Pension and Family Suntrust.

For The Section 32 (unless set up as a cluster of policies) and The Executive Pension you must use the whole of your pension pot to provide benefits.

## 8. Can I choose more than one option and mix them?

Yes, you can also choose to take your pension using a combination of some or all of the options over time or over your total pot.

If you have more than one pot, you can use the different options for each pot. Some pension providers or advisers can offer you an option that combines a guaranteed income with a flexible income.

When choosing your options, you need to consider how much income you require now and for the rest of your life. You also need to consider how important it is to you that this income is guaranteed.

Mixing your options can be complicated and therefore it is recommended that you should speak to Pension Wise or a financial adviser if you wish to choose this option.

## 9. Can I change my mind and use my pot differently?

Once you've bought a guaranteed income product you have very little time to change your mind – and after that the decision is irreversible. However, they do provide a regular income for life so there's no risk of your money running out.

If you choose to have a flexible retirement income (drawdown) the income isn't guaranteed to last for as long as you live so you should think carefully about how much you withdraw. If you find that a guaranteed income may be suitable for you at a later date, you can use some or all of your pension pot to purchase a guaranteed income product.

## 10. Is there a charge for using this option?

We include all the charges information related to each option in your plan's **Charges** leaflet. These are available in our literature library at www.phoenixwealth.co.uk/Literature/Pensions-and-retirement.

Moving your pension fund into drawdown will incur the drawdown charge, even if you decide to immediately take your whole fund as a one off payment. Please be sure that UFPLS or a small pots payment isn't a more suitable option for taking your whole pension fund as a one off payment.

# WHAT SHOULD I THINK ABOUT WHEN TAKING BENEFITS?

This section covers what you should think about in relation to taking benefits and some of the risks associated with the main options available to you.

**You should speak to your financial adviser for help in deciding which option suits you best. Remember, 'shopping around' with other pension providers could help you obtain products that are more appropriate for your needs and circumstances and may offer a higher pension income or lower charges.**

There are many risks associated with taking benefits from your pension:

- The best option(s) for you will depend on your personal circumstances.
- You may lose guarantees associated with your existing pension when you choose to take benefits.
- The risks are different depending on the option you choose.
- You can leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too.

## BUYING A GUARANTEED INCOME (ANNUITY)

### Shopping around

**Did you know that the type of option you choose, and your choice of provider, can affect the amount of income that you receive?**

Different options are available including income that increases each year and income that can be paid to your partner or dependant, in the event of your death. There can also be a big difference between the lowest and highest income available from different providers so shopping around is really important to get the best deal for you and your circumstances.

### Irreversible decision

**Are you aware that you aren't normally able to make changes once a guaranteed income is purchased?**

If your circumstances change in the future your guaranteed income can't be cashed in or transferred to another provider.

### State of health

**Do you know that certain health issues, such as diabetes and lifestyle choices, like smoking, can affect life expectancy and increase income?**

You should fully declare any health issues or lifestyle choices so that the provider can take this into account. If you don't, you may receive less income than you otherwise could achieve. If you don't shop around you may receive a lower income than could be available to you, as you may be eligible for an enhanced guaranteed income.

### Joint life

**Are you aware that your pension annuity could also be used to provide an income for your spouse/civil partner or financial dependant on the event of your death?**

If you select a single life guaranteed income, on your death the income would stop, but if you select a joint life income the income could continue to be paid to the person you select. Joint life income provides less income initially compared to a single life annuity.

### Effects of inflation

**Have you considered that over time inflation will mean that your pension income is worth less?**

If the income you choose doesn't increase over time your buying power will reduce as the price of goods rises. Guaranteed income that increases over time is available however these will provide less income initially compared to a level one.

### Tax implications

**Are you aware that any income paid from your annuity will be subject to income tax?**

Income paid will be added to any other income you already receive and may mean you enter a higher tax band where you will pay more tax and receive less income as a result. As you are unable to change the income, you may not be able to do anything to reduce the tax band you're in. If you are unsure about your tax position, you should seek advice.

# TAKING DRAWDOWN

### Tax implications

**Do you understand the tax implications of taking money from your pension?**

After deducting any relevant tax free lump sum the rest of your payment will be taxed as income. We will calculate and deduct tax using the tax code we hold for you. If we don't hold a tax code we will apply the emergency tax code. The money you withdraw from your pension pot will be added to other taxable income you have and this could mean you pay a higher rate of  tax. HMRC will take all of your taxable income into account and supply us with an appropriate tax code to use on future pension income you take from us.

### Income sustainability

**Are you aware that taking flexi-access drawdown payments could mean your pot won't provide income for as long as you need it to?**

The more you take from your pension pot the less you will have remaining invested. A smaller pension pot reduces the potential for investment growth and reduces the potential amount available to pay income for the length of your retirement. When there isn't any more money in your pot your income will cease and you will need to consider other arrangements for your retirement income.

### Establishing and maintaining a drawdown investment strategy

**Are you aware that income drawdown requires an active investment strategy?**

After taking any tax-free lump sum, your remaining funds move into drawdown and stay invested. You'll need to decide how to invest those funds to support how you want to use your money in retirement. You should choose investments that suit how much risk you are prepared to take, taking into account how much income you plan to take, and when, and how long you need your drawdown pot to last. You'll also need to regularly review your investments to make sure they continue to meet your long-term retirement objectives.

### Effects of inflation

**Have you considered that over time inflation will mean that your drawdown fund is worth less?**

If your chosen mix of drawdown investments doesn't grow faster than inflation over time, the buying power of your drawdown fund will be reduced as the price of goods rises.

### Investment scams

**Did you know there are scams aimed at people who are able to access their pension pots?**

These scams appear genuine but are operated by criminals with the aim of taking your money. You should be cautious if you are contacted out of the blue by anyone offering to help you to take your pension benefits to invest in something else or to transfer to another pension scheme. If you are unsure about whether an investment is genuine, you should contact the Pensions Advisory Service or your adviser.

### Charges

**Are you aware that charges vary across different products and different providers, and that charges deducted will reduce the amount available to you?**

Even if you're accessing money in the same way, different product providers charge different amounts, higher charges mean your pot reduces quicker compared to lower charges.

### Debt

**Are you aware of the impact that owing people money could have on the pension payments you take?**

Whilst money is held in your pension pot creditors can't have a claim on your money. If you have debts and take money from your pension anyone that you owe money to might be entitled to some or all of the payment.

### Means tested benefits

**Are you aware of the potential impact of taking money from your pension on means tested state benefits?**

If you receive certain state benefits these might be reduced or stopped if you take money from your pension pot. If you are unsure you should seek advice from the relevant authority.

### Shopping around

**Do you know you should shop around different providers before making your decision?**

Products and charges vary across providers so it's really important that you shop around to find the best retirement income for you and your circumstances.

## TAKING A ONE-OFF LUMP SUM

**Tax implications**

**Do you understand the tax implications of taking money from your pension?**

After deducting any relevant tax free lump sum the rest of your payment will be taxed as income. We will calculate and deduct tax using the tax code we hold for you. If we don't hold a tax code we will apply the emergency tax code. The money you withdraw from your pension pot will be added to other taxable income you have and this could mean you pay a higher rate of tax. HMRC will take all of your taxable income into account and supply us with an appropriate tax code to use on future pension income you take from us.

**Income sustainability**

**Are you aware that taking a one-off lump sum could mean your pension pot won't provide income for as long as you need it to?**

The more you take from your pension pot the less you will have remaining invested. A smaller pension pot reduces the potential for investment growth and reduces the potential amount available to pay income for the length of your retirement. When there isn't any more money in your pot your income will cease and you will need to consider other arrangements for your retirement income.

**Investment scams**

**Did you know there are scams aimed at people who are able to access their pension pots?**

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**Charges**

**Are you aware that charges vary across different products and different providers, and that charges deducted will reduce the amount available to you?**

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**Shopping around**

**Do you know you should shop around different providers before making your decision?**

Products and charges vary across providers so it's really important that you shop around to find the best retirement income for you and your circumstances.

## TAKING A SMALL PENSION POTS LUMP SUM

**Small pot implication**

**Do you understand all the implications of taking a small pot from your pension?**

You can only use the small pots option three times across all your pension schemes in your lifetime. Taking a small pot payment now may restrict your ability to take a small pot payment from other pension schemes in the future.

**Tax implication**

**Do you understand the tax implications of taking money from your pension?**

After deducting any relevant tax free lump sum the rest of your payment will be taxed as income. We will calculate and deduct tax using the tax code we hold for you. If we don't hold a tax code we will apply the basic rate tax code. The money you withdraw from your pension pot will be added to other taxable income you have and this could mean you pay a higher rate of tax. HMRC will take all of your taxable income into account and supply us with an appropriate tax code to use on future pension income you take from us.

**Investment scams**

**Did you know there are scams aimed at people who are able to access their pension pots?**

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# TAX - WHAT ELSE YOU MIGHT NEED TO KNOW

The tax information provided in this document is based on our interpretation of current tax legislation which is subject to change and individual circumstances.

## You can still make contributions once you've started taking benefits

You can still continue to invest into your pension and benefit from tax relief, even after you have started withdrawing your cash.

However, taking one-off lump sums and certain drawdown payments will trigger the money purchase annual allowance rules. This will further limit the total contributions you can pay into a pension (including any employer contributions) before a tax charge would apply.

The maximum amount of benefits you can normally take as a tax-free lump sum from all of your pension savings is called the lump sum allowance (LSA).

Any excess above this allowance will potentially be subject to tax.

## There are other tax implications you need to think about

Taxable pension income is included as income for determining your overall income and may have an impact on your personal allowance or whether you need to complete a self-assessment tax return.

**If you need more information:**

Pension Wise, MoneyHelper, HM Revenue & Customs, a financial adviser, or our **Tax and your pension** leaflet (available on our website phoenixwealth.co.uk/literature) will give you more information regarding any tax rules and limits.

## What happens when you die

Not all products will pay out a lump sum or offer pension income to your beneficiaries when you die. Therefore there may, or may not, be tax implications to consider. If you are thinking about using a guaranteed income to provide your pension income, you should check with the provider what will happen to your pot when you die.

Where your pension pot does pay out benefits on your death, anyone, related or not, can inherit your pension pots when you die and potentially use it to provide income through flexi-access drawdown or a guaranteed income, or take it as a one-off lump sum.

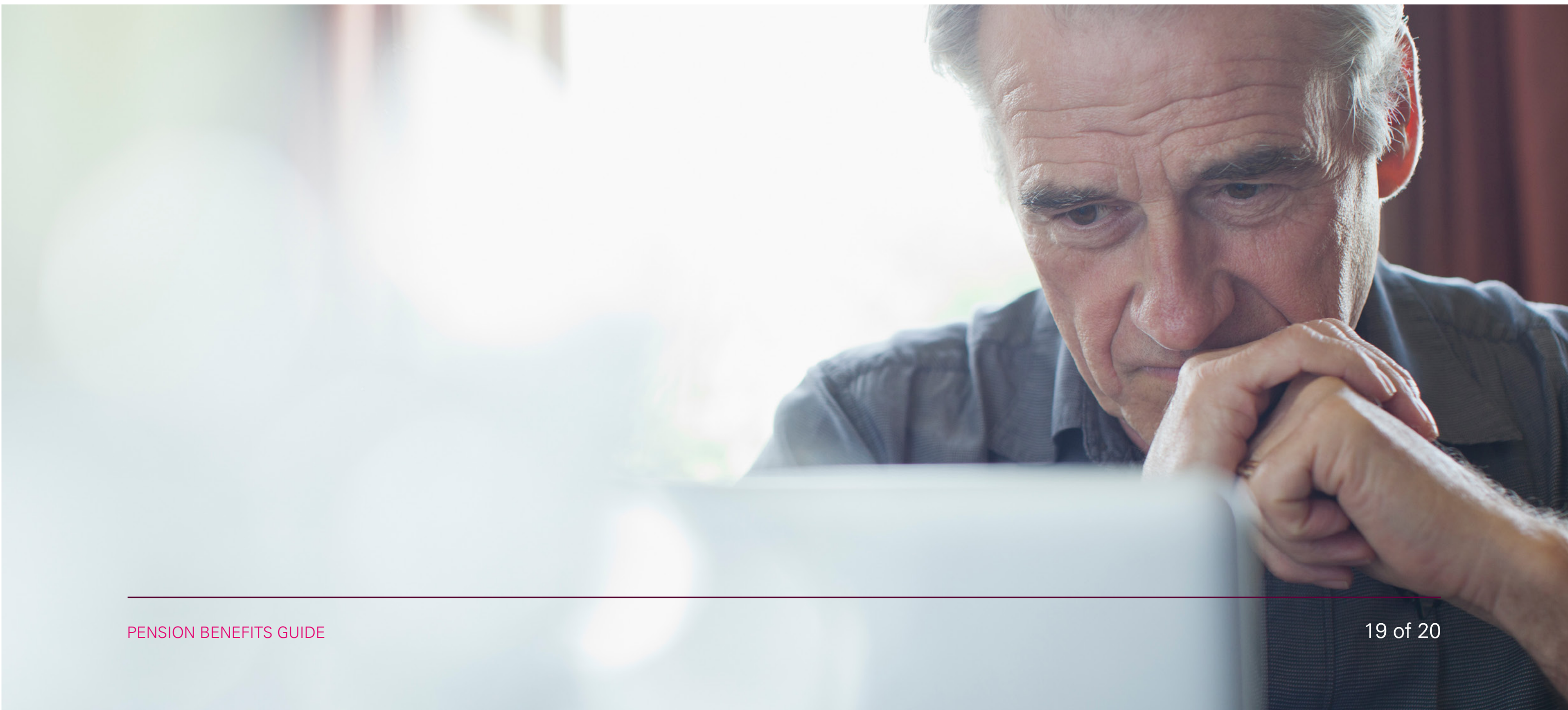
We include more information in the **Death benefit options** form which you can also use to give us your instructions. You can get this from our website phoenixwealth.co.uk/literature.

**If you die before you are 75:**

- Your pension pot may be paid out tax-free as a lump sum or pension income.
- Lump sum death benefits in excess of the lump sum and death benefit allowance (LSDBA) will be subject to income tax at the recipient's marginal rate. However, any death benefits taken as pension income will be tax free and aren't considered against the LSDBA.

**If you die on or after your 75th birthday:**

- A lump sum payment will be taxed at the recipient's rate of income tax unless the recipient is not a person (a trust for example) in which case it will be taxed at 45%.
- A pension payment will be taxed at your beneficiaries' rate of income tax.



# FINANCIAL ADVISER

For more information about your plan/policy and the options available to you, please speak to your financial adviser.

Please note that financial advisers use a variety of different ways to charge you for their services and you will be liable for any charges incurred. Please ask your financial adviser for full details of these charges.

If you don't have a financial adviser and would like to speak to one in your area, you can visit **unbiased.co.uk**.

# CONTACT US

If you want more information about your plan/policy please:

### Call us on **0345 129 9993**

Available 8.30am – 5.30pm, Monday to Friday. As part of our commitment to quality service and security, telephone calls may be recorded.

### Email us at

**customerservices@phoenixwealth.co.uk -** for Phoenix Wealth Pension Funds only plans

**sippenquiries@sipp-phoenixwealth.co.uk -** for Self invested plans and Family Suntrust Scheme

Please be aware that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

### Visit us here **phoenixwealth.co.uk**

### Write to us

If you have a:

- **Pension Funds only** Plan write to Phoenix Wealth, Unit Linked Life & Pensions, PO Box 1393, Peterborough, PE2 2TP.
- **Self-invested** Plan write to Phoenix Wealth, Self Invested Pensions, PO Box 1394, Peterborough, PE2 2TQ.



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