

## THE CHEVIOT PENSION

# ACCESSING YOUR SAVINGS: YOUR OPTIONS

Someone retiring today has a lot more flexibility about how they can use their retirement savings, especially those with money purchase/defined contribution pension accounts. Cheviot provides flexible options in the Money Purchase Section so you don't have to transfer your benefits to another provider.

If you have any final salary scheme benefits, you may also be able to access your pension more flexibly but you will be giving up a guaranteed income so you should consider your options carefully. There is a section on final salary schemes and any benefits in the With Profits Section on page 3 of this factsheet.

You may have different types of pensions from different schemes and you need to consider them together when planning how you might access your retirement savings. You can transfer benefits from other schemes into Cheviot at retirement to access the new flexible options.

## Your options

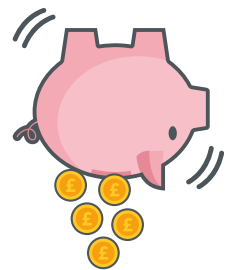
There are three main options for taking your retirement savings if you have a money purchase account. You can also use a combination of options – so, you might start out with flexible income and then use your remaining account to buy a secure income (or annuity) when you get older, when the cost may be better value. You can read more about each option in the accompanying factsheets.

### Cash lump sum(s)

Factsheet 2 

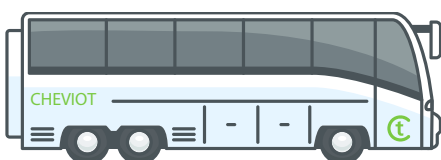
You can take one or more lump sums from your fund. Taking all your cash as one lump sum may mean you pay more tax than usual because some of it will be taxable and may increase the rate of tax you pay in that year.

You can take 25% of your whole fund as tax-free cash or take a slice of each cash sum, that you take flexibly, tax free. You will pay tax on any lump sum that is more than 25% of your savings.



### What happens if I die?

If your savings are in a drawdown arrangement, it may be possible to leave the fund invested and pass it on to your family if you die before taking it all as income. If you die before age 75, under current legislation, the remainder of your fund can be paid tax free. It may be subject to the Lifetime Allowance if it is not in a drawdown arrangement. If you are over 75 when you die, an additional tax charge would be payable.



## Flexible income

Factsheet 3



A flexible income, also known as drawdown, allows you to choose how much income you receive each year. If you are able to take some risk by leaving your savings invested, a flexible income may be a good choice. You can always buy a secure income in future if it becomes more important to you.



You can have your tax-free cash as one lump sum or as 25% of each flexible payment. If your fund grows, the amount of tax-free cash grows too.

You will need to decide how to invest your fund. Cheviot has a range of retirement strategies so you can find the one that is right for your future plans. If the value of your savings falls or you take too much income you may run out of savings. In general, if you take around 5-6% of your savings each year as an income whilst leaving it invested, your fund is likely to last for about 25 years\*.

*\*Based on some standard assumptions*

## Secure income

Factsheet 4



If you use all your savings for retirement to buy a secure income, called an annuity, this is usually a one-off financial decision. The financial conditions at the time will affect how much guaranteed income you will get in exchange for your retirement savings. If you want a tax free cash sum, you must take it when you buy your secure income, as you will not be able to do so later.



Alternatively, you can choose to buy a secure income with part of your savings and leave the rest invested, giving you the flexibility in the future to either buy another secure income when you are older (so it may be better value) or to move it into flexible drawdown and take additional income when you need it.

You will need to decide what type of pension you want and whether you want to provide a pension for your spouse or a dependant. You can choose an income where the payment amounts are fixed or increase with inflation. There may be other options available which you should consider. There is usually no lump sum payable on your death from a secure income, unless you pay for a guarantee period, so this option may not be best value for money for you or your family if you die prematurely.

Cheviot does not provide a secure income option so you would have to transfer your retirement savings to a provider who offers this. It is important to shop around to get the best rate.

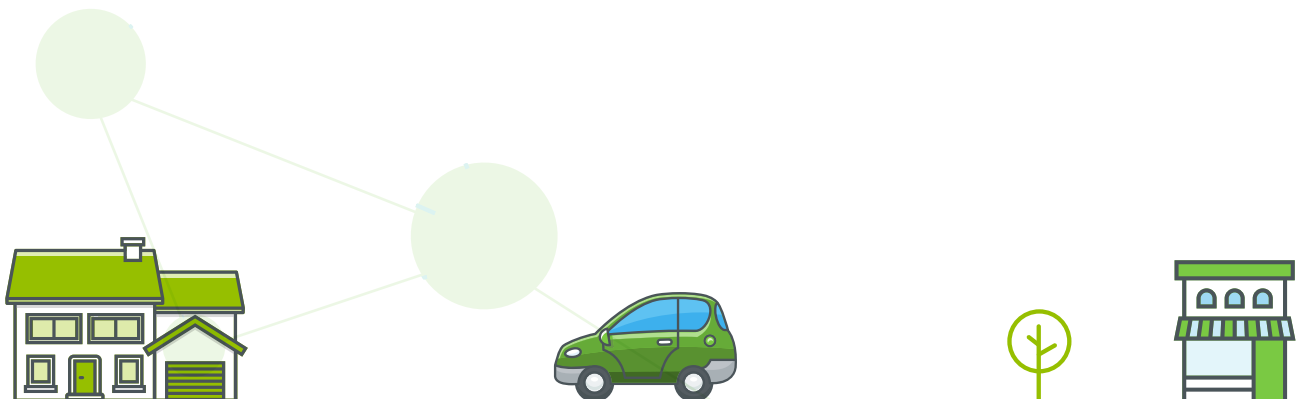
## Combining the options

You can decide to split your fund between the options if you have sufficient savings. Each option will provide a different level and type of income.

For example, you may want to have a minimum secure income but be prepared to take some risk with the rest of your savings. Or you may need a cash lump sum immediately but not a regular income.

If you and your employer are continuing to make contributions, you need to be careful about triggering the Money Purchase Annual Allowance which restricts the amount of tax relief available on the contributions. You can find more information [here](#).

Visit [Pension Wise](#), the free guidance service provided by the Government for people with defined contribution/money purchase retirement savings.



## Final salary pensions

A final salary, or defined benefit, scheme provides benefits based on your salary at retirement or when you left the scheme. The amount of income at retirement is known in advance, which can help you plan for retirement. If you leave the scheme before retirement, the pension will usually increase from the date you leave to the date you take your benefits. The scheme is supported by your employer or former employer. Final salary schemes often provide benefits for your spouse or other dependants after your death.

Benefits from final salary schemes should not be given up lightly as they usually provide valuable certainty about your retirement income. If you want to consider transferring your final salary benefits to access the new flexible options, legislation requires you to take independent financial advice first. Any final salary scheme will need to see evidence of this advice before allowing you to transfer.

You are usually able to exchange part of your final salary pension for a tax-free lump sum. The exchange rate will vary from scheme to scheme and may not provide good value, so you should check how much pension you will give up by electing to take a cash sum, particularly as the pension is guaranteed and may increase each year in payment. Remember that, however you invest the lump sum, you will probably be taking some investment risk, which means the value of your savings could go down.

The income from a final salary scheme is largely guaranteed and does not depend on fund values or market conditions when you retire. Even if your employer is no longer able to support the scheme, you will receive most of your benefits from the Pension Protection Fund. The Pension Protection Fund was established by the Government to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation (usually 90%, subject to a benefits cap). More information about the Pension Protection Fund is available at [www.ppf.co.uk](http://www.ppf.co.uk)

## With-Profits Section

The Cheviot Trust includes a With-Profits Section and the rules are different. Although it looks like a money purchase scheme, the With Profits Section is defined as a cash balance scheme and the flexible retirement options are not available. You can transfer the value of your With Profits benefits to the Money Purchase Section to access your benefits flexibly or to another provider, or use them to buy a secure income. The transfer value may be lower than your fund value if you take your benefits before your Normal Retirement Date. You do not need to take independent financial advice.

The information on this factsheet is provided as a high level overview in good faith but is not legal or financial advice or binding on the Trustee. The trust deed and rules will override in the event of any inconsistency. Talk to Pensions Wise, a free Government service, before making a decision or take your own financial advice.

