THE CHEVIOT PENSION

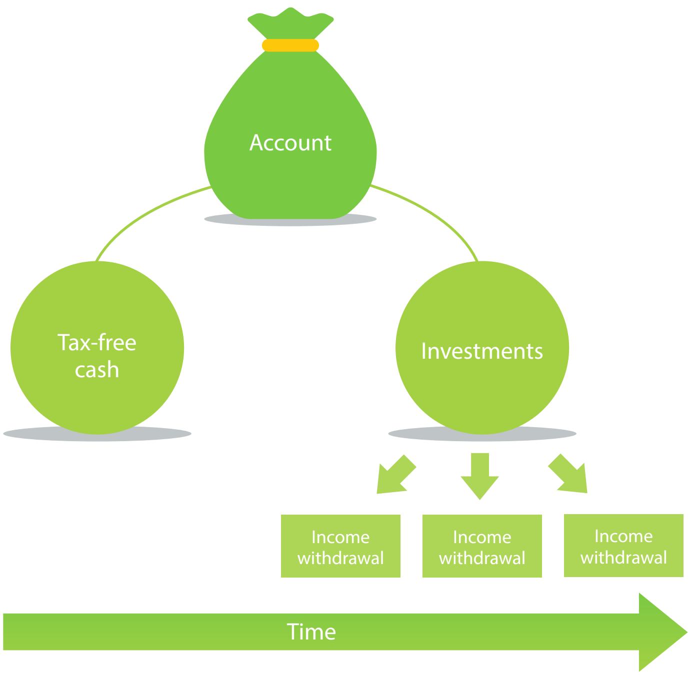
ACCESSING YOUR SAVINGS:

"I PLAN TO START TAKING A LONG-TERM INCOME FROM MY PENSION SAVINGS WITHIN THE NEXT FIVE YEARS"

Working patterns have changed, and people often continue working after their retirement date, perhaps on a part-time basis. So, whilst they're not relying on their retirement savings for all their income, they do want the flexibility to access it if needed.

Cheviot provides a flexible drawdown ('flexi-access') option for all members, which means the money in your account remains invested and you can draw an income from it as and when you need to. This option is suitable for those who plan to start taking a long-term income from their pension savings within a five year period.

Unlike an annuity, your income is not guaranteed for the rest of your life. You decide how much and how often you need some income. By leaving your account invested for longer, it may improve your overall income in retirement, but remember the value of your fund can go down as well as up. If the value of your savings falls or you take too much income, your savings may run out.



Top 5 facts

- Flexible drawdown is available as an option within the Cheviot Trust, with no upfront charges. You don't have to transfer your savings to another provider.
- Cheviot Lifeplan (our default investment strategy) is designed to support a move into flexible drawdown.
- Drawdown carries the risk that your fund could fall in value, reducing your retirement income.
- If your investments perform well, the growth will help offset any withdrawals you have made.
- You still have the option to take 25% of the value of your fund as tax-free cash.

How it works

Most members take some or all of their tax-free cash sum (up to 25% of your retirement savings) and then leave the remainder invested. You can then use the invested fund to provide a flexible income. Each year, you decide how much income you need, and you can choose to have it paid every month or less frequently as required. The income is disinvested from your fund and then paid to you through the payroll.

If your fund continues to grow, then the income you have taken may be partly replaced by these investment returns, and then you repeat the exercise each year until and if you decide to buy a secure income (also known as an annuity). The cost of buying a secure income may increase unexpectedly in the future, so you might get less income for your money – but on the other hand, buying a secure income when you're older usually means you get more. These are all the types of things you would discuss with a financial adviser.

Charges

Charges can reduce the value of your fund – and so affect the income you can draw out. Check whether there are any charges or other reductions to your fund when a lump sum is withdrawn, and what the ongoing charges are to keep your money invested. If you are considering a flexible retirement income, you should consider shopping around – an FCA-regulated financial adviser will be able to help with this. Check whether your financial adviser will make ongoing charges.

Tax

You can either take your whole 25% tax-free lump sum upfront and move the remainder to drawdown or you can move to drawdown in stages and take 25% tax-free lump sum at each stage. Tax is payable on the income you receive at your normal marginal rate after you have taken your tax-free amount.

Investments

As with every investment, there is a risk that the value of your fund can fall. If you are considering the flexible income option, you should bear this in mind and think about how much risk you are willing to take with your retirement savings.

If you have other sources of income, you may feel more comfortable taking some risk, but if your retirement savings in Cheviot are your main source of income, you may wish to be more cautious.

Consider how long your money needs to last. If too much money is taken too quickly, or if stock markets fall, the retirement income available to you could fall drastically or even run out.

We have more information about choosing the right investment option for you on our investment page.

Other issues

Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. People who are concerned about this aspect can contact the Citizens Advice Bureau or the Money and Pensions Service.

Also, if you plan to continue working and paying into a pension, taking a flexible income in this way will restrict how much you and your employer can pay in (currently a maximum of £10,000 a year). You can find out more here.

Where to find out more

Visit our investment page to find out more about your investment options.

Visit Pension Wise, the free guidance service provided by the Government for people with defined contribution money purchase retirement savings.

If you feel you need financial advice, you can find a local independent financial adviser in your area on www.unbiased.co.uk or www.vouchedfor.co.uk

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.