THE CHEVIOT PENSION

It is good to have some options at retirement but it can be difficult to decide. It is important to make the right decision as it could impact your income for the rest of your life.

MAKING YOUR DECISION

Before deciding which option or options are right for you, make sure you consider the following:

The size of your fund

- The size of your fund is important and will impact your choices. You should include retirement savings with other providers.
- Remember to include any final salary scheme benefits which provide a guaranteed income.
- If you take your benefits early, you need to be aware that this will restrict your ability to save more later.
- Taking all your savings as one lump sum may mean you pay more tax.

How much income you will need

- Will you need a fixed income or will your needs change over time?
- Will you want a lump sum at retirement? You can usually take 25% of your fund tax free.
- How much State Pension will you get and when does it become payable?
- Remember to include any final salary scheme benefits.

If you're still saving into a pension

- You can take your tax-free cash sum in stages without triggering the limit on future contributions (called the Money Purchase Annual Allowance).
- But once you take benefits which are taxable, the tax relief on future pension contributions is limited by the Money Purchase Annual Allowance for both you and your employer.
- If you access your taxable benefits early, this is important as it will restrict your ability to save more later.

How much certainty you need

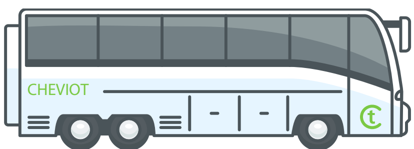
- If you need a guaranteed income, consider buying a secure income.
- If you leave your funds invested, there is a chance they might go down in value. Consider whether you could manage on a reduced income.
- If you take your fund as cash or leave it invested in cash (including in your bank account), it is likely to go down in value because of the impact of inflation.
- If you can take some risk with part of your savings by leaving them invested, you may be able to improve your income over the medium or long term.

State Pension

Don't forget to check what State benefits you will receive and when your State Pension Age is.

This information is available at https://www.gov.uk/calculate-state-pension

The flowchart sets out the key issues that members approaching retirement should consider. There might be other factors unique to each member which should be considered alongside the flowchart.



Getting help with your options

The Government wants everyone to make an informed decision about their retirement income and set up Pension Wise to help you understand your options. Pension Wise offers free and impartial guidance, either over the phone (via The Pensions Advisory Service) or face-to-face (at Citizens Advice).

If you're still unsure about your options, we recommend you speak to a financial adviser. You can find one in your local area by visiting www.unbiased.co.uk or www.vouchedfor.co.uk

While financial advisers will usually charge a fee for their services, they can help you make the right decision about the best option for you and your circumstances. If they recommend you transfer your benefits to a new arrangement, remember to check whether they will be receiving an ongoing income (or commission) from your retirement savings.

The Pension Wise service:

- Covers a range of options to help you make informed decisions and take action, whether that's seeking further advice or purchasing a product
- Tells you about the different types of benefits and what you can do with your retirement savings – what's tax free and what's not
- Is available from age 50 or when you access your retirement savings.

Visit www.pensionwise.gov.uk to register your interest and arrange an appointment.

1 Target retirement date

One of the first things to do is to decide roughly when you will start to need your retirement income. Most schemes, including the Cheviot pension, will invest your savings based on a target retirement date. You can find this on your benefit statement. You can change the date if you need to.

2 Information gathering

Track down any other pension schemes by using the Government service: www.gov.uk/find-lost-pension. It doesn't include personal pension schemes so you will need to contact your provider to get details. You can combine all your savings in your Cheviot account if you would find it easier by transferring them in.

3 Your savings

Sort out what type of benefits you have. You will have more flexibility over timing with any money purchase benefits than final salary scheme benefits which will probably have to be taken at a set date. Remember to include your State Pension which will be an important part of your retirement income. Write to your pension providers to get details of your savings and how much income you will get.

4 Planning your options

Contact Pensions Wise to arrange an appointment to discuss all the information you have collected and what your retirement options are. Or find a Independent Financial Adviser to provide some advice but check what up front and ongoing fees you will incur.

The phases of retirement

Everyone's retirement will be different but for most people, the amount of income you need will vary over time. For many people, retirement will fall into three phases. These phases are based on your health and the type of activities you will be doing. This might help you decide which option is right for you.

Phase	Lifestyle	Income requirement	Secure income	Flexible drawdown
The active years	Not much changes during this phase other than you have more free time so you usually spend more on hobbies and holidays than work related expenses.	High	If you need your retirement savings to provide a regular income, you may decide not to take any further investment risk and buy a secure income. The cost of that secure income will vary depending on market conditions. You could use some or all of your savings for this.	If you can take some investment risk with part or all of your savings, you could consider investing for the medium term to give your savings further time to grow whilst drawing down income when you need it.
The sedentary years	You might move into a more passive lifestyle which means that expenditure tends to reduce.	Moderate to low	You might decide that you need more security and buy a secure income which might provide better value than when you retired.	You could reduce the level of investment risk, which might reduce how long your fund will last or how much you can drawdown as income but will provide more certainty.
The frail years	You may become frailer and less able to pursue hobbies and need more help in the house. You may look to move into sheltered housing of some sort.	Moderate to high	You may decide to buy a secure income, so you don't need to worry about it anymore.	You could continue to reduce the level of risk in your portfolio and drawdown income when you need it.

Case studies

Mike

Mike is approaching 65 and has a small money purchase pot of less than £10,000. He is a basic-rate taxpayer and will be reliant on his State Pension in retirement. He decides to take his whole fund as a cash lump sum when he retires so that he has some savings available. £2,500 will be paid tax free but he will need to pay tax on the other £7,500. After some investigation, he decides to delay taking his fund for a year so that it is paid in a year when he is not working, to allow him to use his personal allowance to pay less tax on the £7,500.

Jane

Jane is in her late 50s. She isn't planning on retiring for a while but is looking ahead and has decided to do some work on her house before she retires. Whilst she has some savings, she also wants to access some tax-free cash from her retirement savings to help.

She has been saving for her retirement and so has a fund of £250,000. She needs £25,000 towards the renovations. She doesn't know yet how she will use the rest of her savings. She takes £100,000 of her savings, receives £25,000 as a tax-free lump sum and invests the rest into flexible drawdown on the basis that it will be invested for at least five years. She will decide what to do with the rest of her savings when she is closer to retirement.

Bob

Bob is 64 and plans to retire in a year's time. He is looking at his savings and trying to decide what to do. He has a final salary scheme pension which, with the State Pension, will cover his living costs but he also has money purchase savings. He decides that he will take his full final salary pension and his State Pension and leave his money purchase savings invested for the next few years, and then use it to fund extras like holidays. He plans to take tax-free cash from his money purchase savings, not his final salary pension, so that he doesn't reduce his level of guaranteed income. He decides to invest his savings to provide him with some cash in five years, with the remainder invested for the medium term as he can afford to take some risk, given his guaranteed final salary pension.

Amar

Amar is nearly 70. She retired five years ago and continued to do some freelance work and, together with her State Pension, this meant she hasn't yet touched her retirement savings. Her partner is now retiring and so she wants to think more about their future income. Her partner has a good final salary pension scheme, whereas Amar has money purchase savings of £350,000. After discussing it, they decide that Amar should use half her savings to take some tax-free cash and buy a secure income. The secure income is better value now that Amar is older. This will give them a joint income to meet their needs. She decides to invest the rest of her savings in flexible drawdown and take more investment risk over the medium term as she has no immediate need for the income.