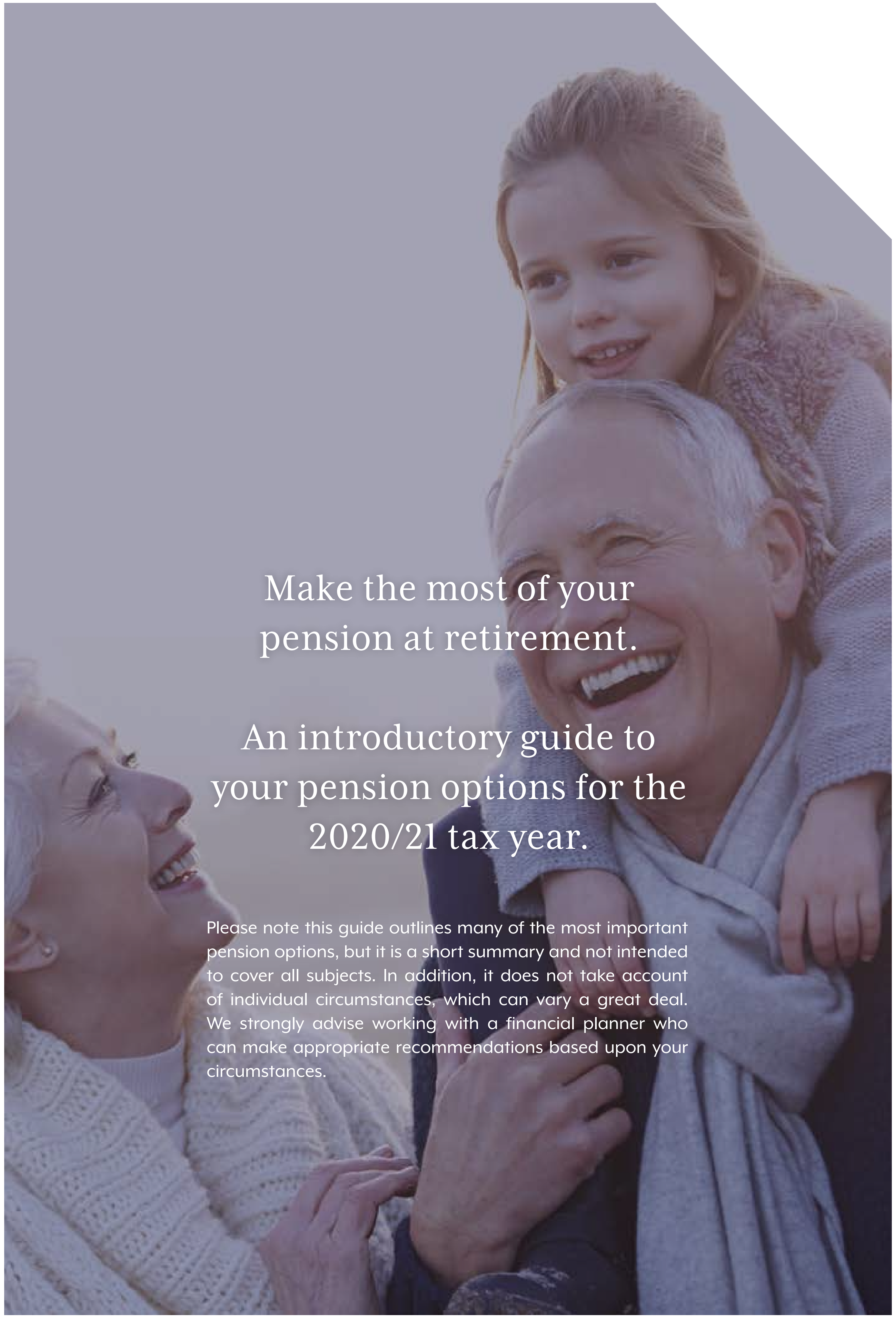
CHARLES STANLEY
Wealth Managers

Focusing on you

2020/21 Pension Income Guide



Make the most of your pension at retirement.

An introductory guide to your pension options for the 2020/21 tax year.

Please note this guide outlines many of the most important pension options, but it is a short summary and not intended to cover all subjects. In addition, it does not take account of individual circumstances, which can vary a great deal. We strongly advise working with a financial planner who can make appropriate recommendations based upon your circumstances.

About Charles Stanley

Charles Stanley is an award-winning Wealth Management firm. Since 1792, we've been helping our clients, including private individuals, families, charities and trustees, achieve their financial goals.

While others put their clients in categories, experience has taught us to take a personalised and holistic view. We explore every aspect of your financial world – ambitions, concerns, attitude to risk, and preferred way of working.

Personal Financial Planning: Our speciality

We look objectively at your plans, applying a long-term view to provide a solution that works for you as priorities change over the years. We offer so much more than financial advice: we deliver tailored, joined-up and complete lifestyle planning. We aim to give you peace of mind – and a plan that you can look forward to.

This guide aims to give you a greater insight into the various pension options for the 2020/21 tax year.

At Retirement

Everyone's circumstances are different and there are many options to consider when accessing your pension and planning your future.

There are 4 main options when it comes to taking an income from your pension:

- Purchasing an annuity
- Income Drawdown
- Lump Sum withdrawals
- Leave the pension fund invested

The choice you make will depend on your individual needs:

- Do you need a guaranteed income?
- Would you like the ability to vary the amount of income?
- Are you happy to continue to take an investment risk?
- Do you want to pass your pension on to your beneficiaries on death?

Please speak to a financial planner who can provide advice on the most suitable option for your needs.

Annuities: A secure income in retirement

Buying an annuity is one of the few options which provides a guaranteed income for the rest of your life.

Annuities are provided by insurance companies in exchange for your pension. You can take up to 25% as a tax free lump sum, and the rest provides a guaranteed income for the rest of your life.

Annuities can be tailored to match your needs. For example, you can purchase a joint life contract which will pay an income to your spouse in the event of your death. You can also guarantee the income is paid for a minimum number of years should you die early.

An enhanced annuity can provide you with a greater income depending on health and lifestyle choices.

The income available will differ between insurance companies, so it is best to shop around, as once the annuity has been set up it cannot be changed.

Income Drawdown:
A flexible income in retirement

This option allows you to withdraw an income from your pension fund. You can choose how much to take and how regularly you want to take it.

At the outset, you can withdraw up to 25% of the pension as a tax free lump sum.

You can change the amount of income you withdraw to suit your circumstances, and you don't have to take a regular income, you can make withdrawals as and when you like.

Your pension fund stays invested and can potentially continue to grow but as it is subject to investment risk it can also fall in value. You should seek advice regarding a suitable investment portfolio to match your risk profile.

The investments held within your pension will effect how your pension grows and the income you can take.

It is important the plan is regularly reviewed to make sure you are achieving your goals and that you have sufficient income to last you for your lifetime.

Please speak to your Financial Planner for advice.

Lump sum withdrawals
Uncrystallised Funds Pension Lump Sum (UFPLS)

With a lump sum withdrawal, you do not have to take all of your tax free cash at the outset.

You can make as many withdrawals as you like from the age of 55. 25% of each lump sum you take is tax free and the rest is taxed as income.

The funds you don't withdraw remains invested and can potentially continue to grow, however your capital is at risk.

Withdrawing from your pension in this way will reduce the amount you can pay into a pension plan. You will be limited to the Money Purchase Annual Allowance (MPAA) which is currently £4,000 per annum.

Other income sources at retirement

The State pension

A secure income paid by the government. The amount you receive will depend on how many 'qualifying years' of national insurance contributions you have accumulated.

You don't receive it automatically but you should receive a letter a few months before you qualify, stating what you need to do. You can defer it for as long as you want, and you will receive an increase because of this.

Individual Savings Accounts (ISAs)

Any withdrawals from an ISA are free from income and capital gains tax (CGT). They can provide a tax free source of income before or at retirement.

Dividends

The first £2,000 of income from dividends each year are tax free.

Small Pot Lump Sums

If you have a pension that is worth less than £10,000 you can withdraw it all in one go. 25% will be tax free and the rest will be taxed. You are able to do this with up to 3 personal pension and taking a lump sum this way will not affect your annual allowance or your lifetime allowance.

Investment bonds

You can withdraw up to 5% of the initial investment each year without any immediate tax. You may be liable to tax on surrender or death depending on your tax situation.

Other Investments

Other sources of income at retirement could include property, dividends, Venture Capital Trusts (VCTs) and other income producing investments.

Passing on your pension

You do not have to use your pension to provide an income in retirement. Pensions have become a popular option for passing on an inheritance, and in most cases they pass on to beneficiaries free from inheritance tax.

If you die before the age 75 your beneficiaries can withdraw from the pension funds without paying any income tax. If you die after the age of 75 they will pay income tax at their marginal rate.

Tax on pensions

All pension income is taxable but you will usually have the option to take up to 25% tax free. You can make your retirement as tax efficient as possible by considering all your pensions, investments and tax allowances together. Please speak to your Financial Planner for advice.

CHARLES STANLEY
Wealth Managers

Focusing on you

Contact us to find out how we can help you:

At Charles Stanley our financial planners can advise you on the most suitable and tax efficient way to take your retirement income. We use cash flow modelling to show how much you can comfortably withdraw and how long your pension could last.

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