

Accessing your pension savings

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ABOUT THIS GUIDE

Alongside your home and any ISA savings, there is a good chance that your pension savings are the most significant financial assets you have. So how and when to start using them – to make the most of life after work – is probably one of the most important decisions you will ever make.

To help you make that decision an informed one, this guide looks at the choices you have along with the potential risks and advantages of each.

The information we give is our understanding at June 2017 and for the 2017/18 tax year. Laws and tax rules may change in the future without notice.

What is right for you, including your tax treatment, will depend on your own individual circumstances. We don't take account of your personal circumstances in this guide.

If you are not sure what to do you should seek professional advice.

Alliance Trust Savings does not give advice. If you feel that you would benefit from advice, we recommend that you speak with a Financial Adviser. If you don't have one, please visit www.unbiased.co.uk or www.vouchedfor.co.uk. You can also access free impartial guidance from Pensions Wise, a Government service at www.pensionwise.gov.uk (find out more on page 30).

AN IMPORTANT NOTE

There are two main types of pension.

1. Defined Contribution

- What you get back depends on how much is paid in, how investments perform and how you plan to take income from your savings.
- This is the type of work place pension offered by most employers today.
- Personal pensions like the Alliance Trust Savings Self Invested Personal Pension Plan (SIPP) are also defined contribution pensions.

2. Defined Benefit

- A type of work place pension where what you get back depends on how much you earned and how long you worked for your employer.
- Sometimes also known as final salary or career average pension schemes.

The options we look at in this guide are the options for Defined Contribution pension schemes.

Not all defined contribution pension schemes will offer all of the options. We highlight the position for the Alliance Trust Savings SIPP ('our SIPP') in this guide. You will need to check the position for any other defined contribution pensions you have.



Further reading

If you have an Alliance Trust Savings SIPP you may also find it helpful to read:

- *SIPP Key Facts*
- *Platform guide*

These are available at alliancetrustsavings.co.uk in the *Pensions, Forms and Documents* section.

For more general information on your options at retirement, you may want to visit the Money Advice Service at www.moneyadvice.org.uk



A FEW BASICS TO START

Before we go in to the detail there are some basic ground rules to take note of:

- Normally, the earliest you can take money from your pension is age 55.
- This is not 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, as with any investment.
- You don't necessarily have to stop working and retire to start taking money out.
- You can normally take up to a quarter of your pension pot tax-free, with the remainder treated as income and taxed as such.
- When you apply for a SIPP with us, you tell us the age you plan to start taking your money out ('taking your benefits') but you can change this at any time. There is no upper age limit.

YOUR OPTIONS IN SUMMARY

There are four main ways of taking money out of your pension.

1. As tax-free cash (normally up to a quarter of your pension pot)
2. As a flexible retirement income
3. As a guaranteed income for life
4. As one or more lump sums

You may be able to use a mixture of these options, depending on your circumstances. Let's look at each in more detail.

TAX-FREE CASH

One of the biggest attractions of pensions is that when it comes to accessing your savings, you can take up to a quarter of your pot as tax-free cash. There are different ways to do this.

In combination with arranging an income

Let's assume you have a pension pot worth £200,000. You could take all your tax-free cash at once but keep the rest where it is. This means you'll be removing £50,000 from your fund tax-free and leaving £150,000 from which to take a taxed income at a future date. In pension technical terms, this is known as crystallising your pension pot.

You could then either set up a flexible retirement income where you take out money as and when you need it, remembering your pension savings remain invested so their value can still go up or down. Or, if you'd rather not stay invested and would prefer more certainty of income, you could use the £150,000 to buy a guaranteed income for life.

You don't have to set up your taxable income right away if that doesn't suit you. You can leave the remaining (now crystallised) pot invested until a future date if you like, until you are ready to start taking your taxable income.

You don't have to crystallise your whole pension pot at once. You can do it in stages if you prefer.

For example, you could just take £25,000 as tax-free cash to begin with. This would crystallise half of your total savings – £100,000, as £25,000 is quarter of this amount. Leaving £75,000 set aside (designated) from which you can take a taxable income in future and £100,000 (still uncrystallised) that you could use to take more tax-free cash and additional income at a later stage.

As part of taking one or more lump sums

Another way to take your tax-free cash is as part of one or a series of lump sums. In technical terms this is known as the Uncrystallised Funds Pension Lump Sum (UFPLS) approach. For each UFPLS lump sum you take, a quarter of it will be tax-free and the rest is taxed at your marginal rate at the time.

As the name suggests, you can only take this type of lump sum from pension savings that you haven't already crystallised (as your tax-free cash has already been taken from those).

Using the lump sums approach, it is possible to take all the money out of your pension pot in one go. If you do this, you will need to plan how you will provide an income for the rest of your retirement.



TAX-FREE CASH (CONTINUED)

Your tax-free cash options in summary



Take care with tax and benefits

Any money you take from your pension that is not tax-free cash is taxed at your marginal rate of income tax in the year you take it. When you are making decisions about what to do, it is sensible to work out in advance what these might mean for the tax you pay.

For example, if what you are planning pushes you into a higher rate tax band, you might want to consider if you would be better off taking your money in stages in one tax year instead. Also remember that, whilst your money is still in your pension, any growth is free of tax, and it typically won't count towards your estate for Inheritance Tax purposes. If you have other savings that won't be taxed when you draw on them (for example, ISA savings) another question you could ask is whether it may be more tax efficient to use those first.

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

FLEXIBLE RETIREMENT INCOME

With this option, after taking your tax-free cash, you leave your money in your pension pot and take an income from it. You can set up a regular income, take your income as one off lump sums as and when you need them or even as a single lump sum if you like. Your income is taxed. 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.



Let's look at a couple of examples of how a flexible retirement income can be used. **These case studies are for illustration. We can't give you advice.**



Case Study 1 – Samantha needs flexibility

Samantha, aged 60

- She has £200,000 in her Alliance Trust Savings SIPP
- She is looking to retire early

Samantha decides to take early retirement now. She has a defined benefit workplace pension scheme that will pay her an income of £15,000 a year. She is going to take this income at the same time as her state pension, which she will start to receive at 63.

Samantha crystallises all the money in her SIPP, taking her full tax-free cash entitlement of £50,000 and an initial £10,000 worth of income (after tax) as flexible retirement income. She is going to use the total of £60,000 to give her £20,000 to live on for each of the next three years.

When her final salary and state pension payments kick in at age 63, she will live on these for a few years and then decide how to take income from the rest of her SIPP pot.

If you are still working and start taking a flexible retirement income, your Annual Allowance for pension savings reduces from £40,000 to £4,000.



FLEXIBLE RETIREMENT INCOME (CONTINUED)



Case Study 2 – Robert wants to keep working

Robert, aged 64

- He has £500,000 in his Alliance Trust Savings SIPP
- He needs access to a little capital

Robert has no plans to retire, but would like to clear his mortgage of £25,000. He is self-employed, earns £100,000 a year and wants to keep paying a decent amount each year in to his SIPP.

Robert crystallises £100,000 from his SIPP. He takes £25,000 of this as tax-free cash and leaves the remaining £75,000 invested to draw on as taxed income at a later stage. As for the £400,000 not yet crystallised, Robert knows this amount could go up or down in future and is happy to take this risk.

As Robert is only taking his tax-free cash at this stage, his annual allowance for paying in to his SIPP stays at £40,000. If he had taken income too, it would have reduced to £4,000*.

** 4,000 is the amount the Government said it will reduce to in the 2017/18 tax year (compared to £10,000) but at the time of writing, this was not law yet. £4,000 is used throughout this guide in anticipation of the change.*

If you want to crystallise some or all of the money from our SIPP to take free cash and a flexible retirement income, complete and return the *SIPP: Accessing your pension savings form* which is available at alliancetrustsavings.co.uk

We will then:

- tell you what proportion of your lifetime allowance this accounts for
- let you know if any lifetime allowance charge is due – if it is we will report this to HMRC too and we can facilitate your payment of the charge when due
- confirm how much tax-free cash you can take and how much you'll have left for an income
- pay you the money you have asked us to

Our annual product charge will increase once you start to access your pension. See our *Charges Guide* for more details.

GUARANTEED INCOME FOR LIFE

With this option, after taking your tax-free cash you can buy a lifelong, regular income (also known as an annuity). It provides you with a guarantee that the income will last as long as you live.

Your income is taxed.

We don't offer guaranteed incomes at Alliance Trust Savings but we can purchase the one of your choosing. If you're not sure what to do, you should seek professional advice. It is important that you shop around for the best deal for you, as you would with any other purchase. The Pension Wise website provides more information at www.pensionwise.gov.uk/shop-around

There are a number of different types of guaranteed incomes for life.

An **escalating guaranteed income** increases over time to keep up with the increasing cost of goods and services, known as inflation. Your income will start at a lower level and will increase by your chosen amount each year.

A **level guaranteed income** will remain fixed. But as you get older, inflation may increase therefore you can buy less with the same income.



GUARANTEED INCOME FOR LIFE (CONTINUED)

If you smoke, have high blood pressure, are on prescribed medication or have a medical condition you may be eligible for an **enhanced guaranteed income** (also known as an impaired, lifestyle or underwritten annuity). These tend to pay a higher amount of income on the basis that your life is expected to be shorter and so the income will not be paying out for as long.

We can purchase a guaranteed income of your choosing, all you need to do is complete.

Some guaranteed incomes can provide an ongoing income for a nominated dependant should you die. These plans (known as joint life annuities) provide a slightly lower income initially but payments will continue to your dependant after you die or for a guaranteed period.

You don't have to buy a guaranteed income the moment you retire or with your remaining pension pot after tax-free cash. You can use any money you've already set aside for a flexible retirement income to buy a guaranteed income at any time.

If you would like us to buy a guaranteed income on your behalf from our SIPP, please complete and return a *SIPP: Annuity purchase form* well in advance of when you want to start taking your income. This is available in the Pensions, Forms and Documents section at alliancetrustsavings.co.uk

If you ask us to pay out your tax-free cash we will:

- carry out checks to assess what your plans mean for your lifetime allowance
- arrange for the payment of any lifetime allowance charge that is due
- pay out your tax-free cash
- then transfer the rest of your money to the guaranteed income provider

If you tell us that the guaranteed income provider will pay out your tax-free cash, we will simply transfer all the money you ask to them. They will then carry out the lifetime allowance checks and pay any lifetime allowance charge due before paying out your tax-free cash and your income.



ONE OR MORE LUMP SUMS

With this option (the UFPLS approach) you simply take lump sums out of your pension pot as and when you need them, 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.

For example, you could take a £10,000 lump sum from your pension with £2,500 being paid tax free and the remaining £7,500 being paid as taxable income.

If you are still working and use this approach, your annual allowance for pension savings reduces from £40,000 to £4,000*. The same as when taking any other taxable income from your pension.

You can't use this option with money you have crystallised. You have taken your tax-free cash allowance from it already and the rest is to provide a taxable income.

** £4,000 is the amount the Government has said it will reduce to in the 2017/18 tax year (compared to £10,000 before) but at the time of writing, this was not law yet. We use £4,000 throughout this guide in anticipation of the change.*

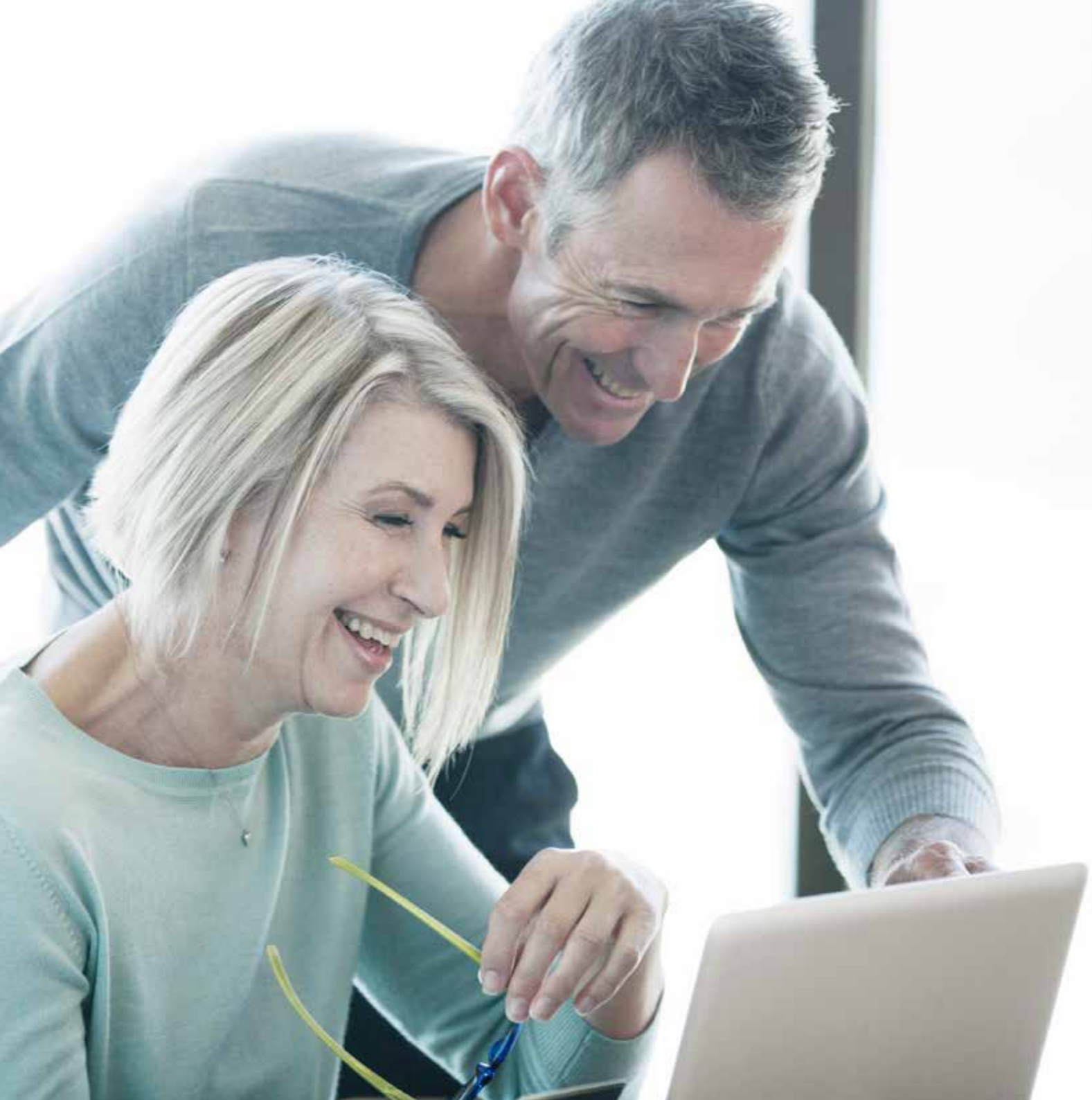
If you would like to take a UFPLS lump sum from our SIPP, please complete and return a *SIPP: Accessing your pension savings form*. This is available in the Pensions, Forms and Documents section at alliancetrustsavings.co.uk

We will then

- tell you what proportion of your lifetime allowance this accounts for
- let you know if any lifetime allowance charge is due – if it is we will report this to HMRC and pay the charge on your behalf when due
- pay you the money you have asked us to

You can ask us to pay UFPLS lump sums to you on either a one-off basis or on a regular basis (monthly or quarterly).





STARTED TAKING MONEY OUT BEFORE APRIL 2015?

If yes, you may be using a method called capped drawdown. This lets you take income directly from your pension pot subject to an annual limit based on Government rules.

If you like, you can stay in capped drawdown but your income must stay within your annual limit, which is recalculated every 3 years until you are 75 and then every year after that. You can also move more money into capped drawdown. Your annual limit will be recalculated at that point, lasting until your next regular review.

One benefit of remaining in capped drawdown is that your annual allowance for saving more into your pension stays at £40,000.

But if you take more than your annual limit, you'll be moved to the flexible retirement income option and your annual allowance for saving more into your pension will go down to £4,000.

Once you move out of capped drawdown you can't go back. Capped drawdown is no longer an option for anyone deciding how to take money from their pension pot today.

If you have capped drawdown with another pension provider we may be able to accept a transfer of this to Alliance Trust Savings. Please call our Customer Services team on **01382 373757** to find out more.

If you would like to move more money into an existing capped drawdown arrangement in our SIPP, please complete and return a *SIPP: Accessing your pension savings form*. This is available in the Pensions, Forms and Documents section at alliancetrustsavings.co.uk

We will then carry out lifetime allowance checks, pay any lifetime allowance charge due and recalculate your annual limit before starting to pay out your increased income.



HOW MUCH MONEY SHOULD YOU TAKE?

Once you understand the options, it's time to decide which you'll use including how much money to take, and when. **You don't have to make this important decision on your own.** You can seek free guidance (see page 30) or pay for personal advice from a professional Financial Adviser.

Professional Financial Advisers are authorised to give you advice and recommend suitable pensions products and investment options for you. Financial Advisers will charge you a fee for any advice they provide, but it will be personal to you and your circumstances. Alliance Trust Savings can't give you advice.

If, as part of planning for your retirement or any other reason, you want to transfer any safeguarded pension benefits (coming from a scheme that gives you a promised amount or rate of income, such as a guaranteed annuity rate or defined benefits) worth over £30,000 you are legally required to obtain advice from an adviser with the appropriate qualifications.

Some providers may require you to obtain financial advice if you decide to choose a certain retirement option. For example, if you choose to take a flexible retirement income, a pension provider may ask that a Financial Adviser helps you decide which investment choice(s) are right for you. We don't require you to do this for our SIPP.

Here we round up the factors you might want to consider when making your decision. We have already looked at some of these earlier in the guide.

Factor	Considerations
<p>How healthy are you? How long might you live?</p>	<p>This is particularly relevant if you are planning to take a guaranteed income, but is also a general consideration across all options.</p> <p>If you have a medical condition you should always disclose this to any guaranteed income provider. You may get a better income for your money if you are not expected to live as long as someone in good health.</p> <p>It is common for people to underestimate how long they might live. If you are 65 today, Government statistics show that you could live until almost 90. This is a vital point to remember if you are thinking about a flexible retirement income or taking your money as lump sums. Your money may have to last a long time.</p>
<p>Are there income guarantees you want to keep?</p>	<p>Many people choose to consolidate their pension pots to one place before they start taking money out.</p> <p>If you are transferring any pension as part of this process, check that you won't be losing any valuable benefits as a result.</p> <p>For example, many defined benefit pensions come with a guaranteed income level which may prove difficult to match otherwise. That is why you are required to take advice if you want to transfer one of these pots and it is worth £30,000 or more.</p>
<p>Are there people who depend on you financially?</p>	<p>Do you want the money in your pension pot to provide for a spouse, partner or other financial dependant (a child still in full time education for example)?</p> <p>If you decide to buy a guaranteed income this may affect the type of income you choose. For example, a joint life annuity can provide an ongoing income for a nominated dependant should you die</p> <p>If you are considering a flexible retirement income or taking one or more lump sums, you may want to think about how much you'd ideally like to leave to pass on. We explain the rules for passing on money through your pension on page 29.</p>

HOW MUCH MONEY SHOULD YOU TAKE? (CONTINUED)

Factor	Considerations
<p>Is the amount of income you are looking for realistic?</p>	<p>If your pension pot is going to be your main source of income in retirement, it ideally needs to last you for the rest of your life.</p> <p>Taking a guaranteed income is the only way to be sure that your pension pot will keep paying you an income for the rest of your life. Guaranteed income providers will tell you what income they are prepared to give you for the money available in your pension pot.</p> <p>With a flexible retirement income, or taking one or more lump sums, it is up to you to manage your pot – and the withdrawals from it – so that it lasts as long as you need it to.</p>
<p>What about inflation?</p>	<p>Remember that inflation impacts the buying power of money over time.</p> <p>If, for example, you think £12,000 is an adequate income level now, can your pension pot support this income increasing each year in line with inflation?</p> <p>If you are looking at a guaranteed income, you have the option to buy an escalating guaranteed income that increases over time to keep up with the increasing cost of goods and services.</p> <p>With a flexible retirement income or taking one or more lump sums it is up to you to manage any increases over time to keep pace with inflation.</p>
<p>What about tax?</p>	<p>You will not have to pay tax on money whilst it remains in your pension pot.</p> <p>If you die before the age of 75, any money left in your pension pot can be passed usually tax free. If you die after the age of 75, any money you pass on will be taxable. There is more detail on this on page 29.</p> <p>Depending on your personal circumstances and the option you choose you may pay tax on the money you take from your pot.</p> <p>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. The tax year runs from 6 April one year to 5 April the next.</p> <p>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.</p> <p>You can speak to Pension Wise, HMRC or a Financial Adviser to further understand how your decision will determine the amount of tax you pay.</p>

Factor	Considerations
<p>Do you receive any means tested state benefits?</p>	<p>The amount of money that you take from your pension pot could affect any state benefits that you are entitled to.</p> <p>If you are deemed 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.</p>
<p>Are you in debt?</p>	<p>If you are in debt and take money from your pension pot, your creditors may be able to make claims on that money.</p> <p>If you are considering taking money from your pension pot to pay off debt, you need to bear in mind what this will mean for your future income. Would it make more sense to use any other means to pay off your debt?</p>
<p>Have you shopped around?</p>	<p>When accessing your pension income using any of the options available, it's important that you shop around to find the best deal for you. Shopping around isn't just for the guaranteed income option.</p> <p>For example, your pension provider may not offer the option you want or other providers may be able to offer you a better deal for that option. So it is worth comparing what each provider can offer.</p> <p>The Pension Wise website provides more information on shopping around at www.pensionwise.gov.uk/shop-around</p> <p>It's important to remember that pension providers may charge you to continue managing your pension pot, or if you take your money in a certain way. Check with your provider beforehand to see whether your preferred option will result in any fees or charges.</p> <p>If you have to transfer some or all of your pension pot to another provider to access the option you prefer there may be a fee for doing this.</p> <p>You will not have to pay fees for any guidance you seek from Pension Wise. Financial Advisers will charge you a fee for any advice they provide, but it will be personal to you and your circumstances.</p>

HOW MUCH MONEY SHOULD YOU TAKE? (CONTINUED)

Factor	Considerations
Are you scam aware?	<p>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.</p> <p>Speaking to Pension Wise, 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</p>



UNDERSTANDING YOUR TAX ALLOWANCES

You have a great deal of flexibility when it comes to taking money from your pension pot. However, there are restrictions on the amount of money you can save in to pensions each year, and cumulatively over your lifetime. These are to stop people taking high levels of income from their pension and then paying this back in and benefiting from further tax relief.

Understanding these restrictions – or tax allowances – is an important part of making decisions about taking money from your pension pot.

The Annual Allowance

This is a limit on the total member contributions that can be made to your pensions in any one tax year and still qualify for tax relief. In the tax year 2017/18 the Annual Allowance is £40,000 for most people. The Annual Allowance applies across all your pension savings, not per scheme.

If your taxable earnings in the year are below the Annual Allowance then tax relief on pension contributions from all sources is limited to 100% of your earnings or £3,600 if greater.

There are two other situations where your Annual Allowance is lower than £40,000.

If you are a high earner

If your adjusted income (all your income plus any employer pension contributions paid that year) is above £150,000 the Annual Allowance is gradually reduced (tapered) by £1 for every £2 of adjusted income you earn. There is a maximum reduction of £30,000, meaning that if you have adjusted income of over £210,000 your Annual Allowance is £10,000.

If you are already taking money out of any pension pot

Your Annual Allowance is also reduced for paying into your **defined contribution** pension savings and still getting tax relief if you start taking money out of any pension pot:

- as one or a series of lump sums
- as a flexible retirement income (including where you take out more than the maximum you are allowed under a previous capped drawdown arrangement – if you do this your income is automatically treated as flexible retirement income from that point on)
- from any guaranteed income which could decrease (such as an investment-linked annuity)
- in certain other limited circumstances.

If you go over the Annual Allowance that applies in your circumstances, a tax charge is made which claws back any tax relief that was given at source. If you have earned income you might be able to carry forward any unused Annual Allowance from 3 previous tax years. Where your Annual Allowance is reduced because you are taking money out of a pension pot, you can't carry it forward.



Once you have triggered your reduced Annual Allowance in these circumstances you have 91 days (from receiving notice from your pension provider) to tell the providers of any other defined contribution pension schemes that you currently contribute to or intend to contribute to in the future.

The reduced Annual Allowance does not apply if you have only used some or all of your pension pot to buy a guaranteed income for life. It also does not apply for as long as you have only taken tax-free cash out of a flexible retirement income pot or stick within your annual maximum under a previous capped drawdown arrangement.

In the tax year 2017/18 the reduced Annual Allowance (known technically in these circumstances as the Money Purchase Annual Allowance) is £4,000 compared to the full Annual Allowance of £40,000 for most people.

If your taxable earnings in the year are below the reduced Annual Allowance then tax relief on **defined contribution** pension savings is limited to 100% of your earnings or £3,600 if greater.

The Lifetime Allowance

For the tax year 2017/18 the Lifetime Allowance is £1 million.

This is the total amount you can save into pensions in your lifetime while still getting tax relief. If you go over the allowance you will pay a tax charge (the Lifetime Allowance Charge) on the excess when you draw out your savings from your pension pot as cash or an income. This is 55% if you are taking your money as a cash lump sum or 25% if you are taking it as income (when you will also pay tax on it at your usual Income Tax rate).

You can find out more about your pension tax allowances, and how to make the most of them, in our *Guide to getting the most from your pension savings*. This is available in the *Pensions, Forms and Documents* section at alliancetrustsavings.co.uk



UNDERSTANDING YOUR TAX ALLOWANCES (CONTINUED)

If you die leaving untouched pension savings that exceed the Lifetime Allowance – and they have not already been assessed against it – then your nominated beneficiary will be liable for the extra tax charges on the amount that exceeds the Lifetime Allowance. This applies whether you die before or after age 75. (Pots can normally pass tax-free to nominated beneficiaries if you die before age 75.)

If you still have money in your pension pot at age 75 that hasn't been put aside to provide you with an income (crystallised) we also have to make checks against the Lifetime Allowance at that stage.

ARE YOU PROTECTED?

The Lifetime Allowance was introduced in the 2006/07 tax year. For the first few years it went up, but since 2012/13 it has been going down. Protections against the Lifetime Allowance Charge have been made available at various stages for those who already had a pension pot higher than the Lifetime Allowance at the time a change was made. These are shown in the table below.

Lifetime Allowance

Year	Value of the LTA	Protection Regimes
2006-07	£1.5m	Primary protection, Enhanced protection, Protected tax free cash
2007-08	£1.6m	
2008-09	£1.65m	
2009-10	£1.75m	
2010-11	£1.8m	
2011-12	£1.8m	
2012-13	£1.5m	Fixed protection 2012
2013-14	£1.5m	
2014-15	£1.25m	Fixed protection 2014 and Individual protection 2014
2015-16	£1.25m	
2016-17	£1m	Fixed protection 2016 and Individual protection 2016
2017-18	£1m	

If you have successfully applied for protection this will be taken into account when your Lifetime Allowance checks are made. The deadlines for most of these protections have now passed. It is however still possible to apply for Fixed Protection 2016 and Individual Protection 2016. You can find out more and apply for either of these online at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

ARE YOU PROTECTED? (CONTINUED)

Lump Sum Protection

If you have a workplace pension and had a right, before 6 April 2006, to take a lump sum of more than a quarter of your pot, you should take professional advice before transferring the money from this pot to anywhere else. Any transfer may affect your right to take this pension lump sum.

Pension Age Protection

Similarly, some pension schemes set up prior to 6 April 2006 may have a retirement age earlier than 50. If you are a member of one, you may be able to protect your right to take money from your pension at this earlier age, so you should take professional advice before transferring the money from this pot to anywhere else.

Protection is a complex subject – if you are unsure whether it applies to you, or what action is needed, you should take professional advice.



If you have arranged for protection, we will need your protection reference number before we can run our checks and pay out any money to you using a protected Lifetime Allowance.

DEATH AND YOUR PENSION

What happens to your pension pot when you die depends on your age at the time. It's helpful to understand the rules in this area so when you are making decisions about taking money from your pension, you understand what this may mean for your beneficiary(ies) after you are gone.

If you die before age 75

Your pension pot can be passed on tax free up to your Lifetime Allowance. Your beneficiary(ies) can usually take it as a single lump sum or in the form of retirement income.

Option	Rules
Lump sum	Tax free if paid out within 2 years
Income	Tax free if taken as a guaranteed income or flexible retirement income, as long as the money is put aside for this within 2 years

Your pension provider usually has 2 years to pay a lump sum to your beneficiary(ies). Otherwise a 45% tax charge will apply to it (although it won't then be tested against the Lifetime Allowance).

Income can be paid out to your beneficiary(ies) tax-free as long as they put it aside to provide a guaranteed income or flexible retirement income for themselves within 2 years of your death. Otherwise they will have to pay tax on the income at their marginal rate.

If you die after age 75

If you die age 75 or over, the money in your pension pot is taxable and your beneficiary(ies) will pay tax on it at their marginal rate no matter how they access the money.

Do we know your wishes?

For our SIPP, and any other pension pot you have, for a smooth process the provider needs to know your wishes for who the money should go to if you die. This is usually done through an *Expression of Wish form*. You can find the *Expression of Wish form* for our SIPP at alliancetrustsavings.co.uk in the Pensions, forms and documents section.



IF YOU HAVE ANY QUESTIONS

We hope you found this guide helpful. Remember, deciding how and when to start using your pension savings – to make the most of your life after work – is probably one of the most important decisions you will ever make. But you don't have to make it alone.

Free guidance

Pension Wise is the free, impartial Government service that helps you understand what you can do with your pension pot. It offers guidance on the Pensions Wise website about the options for taking your pension pot, and can also help you understand the tax implications.

It also offers free guidance appointments over the telephone or face-to-face where you can talk through your options, ensuring you have the information you need to make the right decision for you. Pension Wise will not recommend any products or tell you what to do with your money.

The Pensions Advisory Service also offers a free helpline and its advisers can talk you through your options. And the Money Advice Service offers free and impartial money advice and a printed guide called *Your Pension: it's time to choose* that outlines all of the options for taking your pension pot.

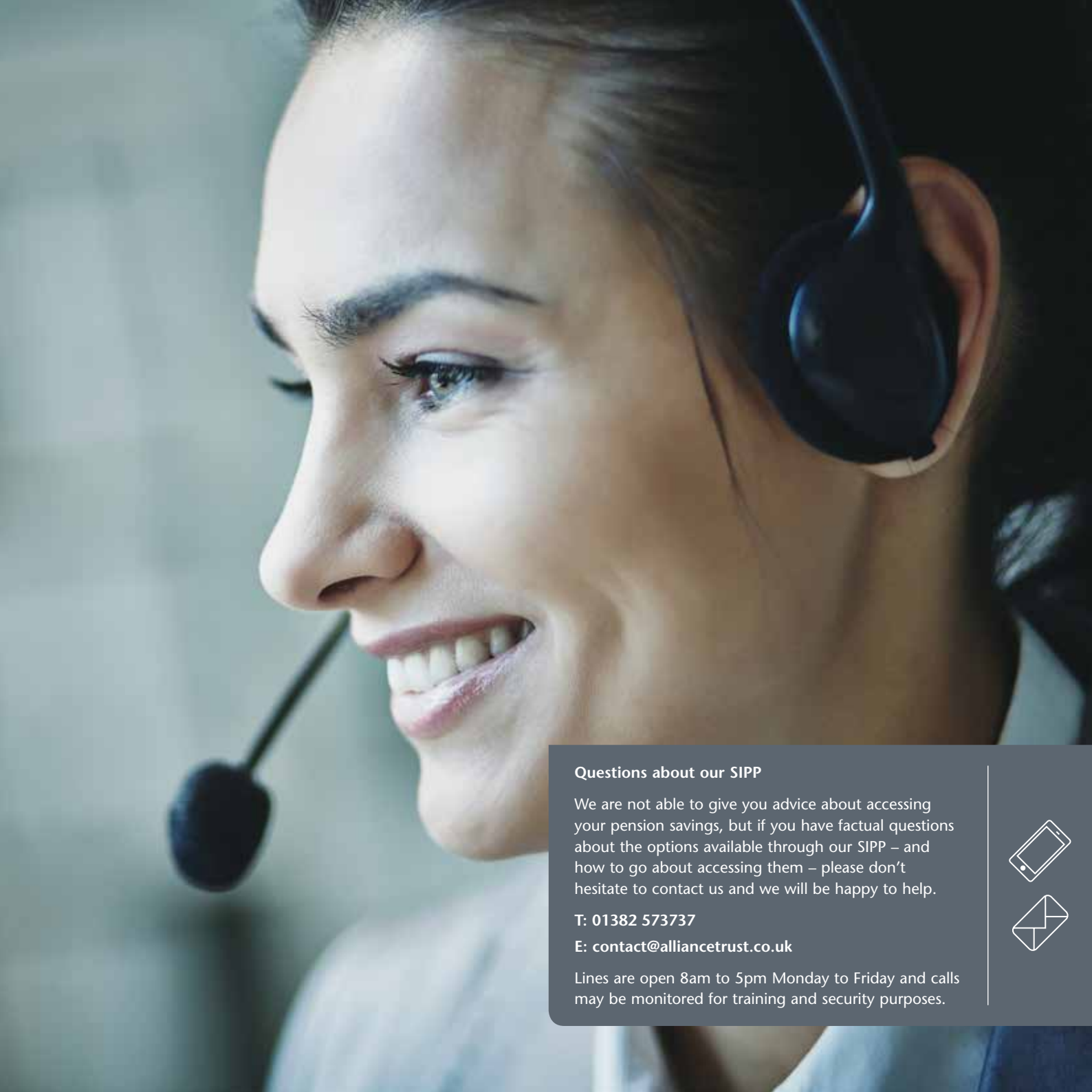
Professional advice

Pensions can be complex, so if you are not sure what to do after taking guidance we recommend you seek professional advice. You must pay for this, but you will have support from an appropriately qualified professional who can make recommendations based on your personal circumstances.

The Money Advice Service provides an online directory of regulated advisers:

<https://directorymoneyadvice.service.org.uk/en>

You can also search for a Financial Adviser at www.unbiased.co.uk or www.vouchedfor.co.uk



Questions about our SIPP

We are not able to give you advice about accessing your pension savings, but if you have factual questions about the options available through our SIPP – and how to go about accessing them – please don't hesitate to contact us and we will be happy to help.

T: 01382 573737

E: contact@alliancetrust.co.uk

Lines are open 8am to 5pm Monday to Friday and calls may be monitored for training and security purposes.



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