Risk and **rewards**

A guide to your retirement options

Pension | Retirement

This is your moment.

Before deciding how you'd like to access your pension savings, it's a good idea to **take some time to fully understand all your options**. That's because when it comes to your money, the best decisions are usually carefully planned.

In this guide, we'll walk you through your retirement options. We'll show you what to expect from each route and point out the risks to watch out for along the way.

Take some advice

We're big believers in the value of impartial advice. In our experience, it goes a long way to helping customers enjoy the best possible retirement outcomes.

So if you're looking to make the most of your pension savings, we'd recommend talking to a financial adviser. If you don't have an adviser, you can find one in your area by visiting royallondon.com/find-a-financial-adviser. Advisers may charge for their services – though they should agree any fees with you upfront.

You'll find other sources of support at the end of this guide.

What you'll find inside

In each section, we'll pull out some key information you should take on board. Make sure you read everything carefully – it might just help you avoid something you'd later regret.

Relax with a secure income

You can turn your pension savings into a regular income that'll keep going for as long as you do.

How does it work?

You can turn your pension savings into a regular income that'll keep going as long as you do. This option is also referred to as 'buying an annuity'.

You give some or all of your pension savings to an insurance company – and, in return, they'll pay you a guaranteed, regular income every year for the rest of your life.

How much income you can expect to receive will depend on the money you've saved, your age and health when you retire and any extra features you choose to add.

What are my options?

With a secure income, you can 'bolt on' extra features that will offer some extra protection to you and your loved ones after you retire.

It's likely any extra features you choose to add will reduce the level of your pension income.

Take care of your loved ones

You can add the option to pay a portion of your pension income to your spouse, civil partner or other dependant(s) should they live longer than you do.

Keep pace with inflation

You can add yearly increases to your pension income. This can help you protect the buying power of your money as the cost of goods and services inevitably go up in price.

Add a minimum guarantee term

By adding a 'guarantee period', your income payments will continue for a set period of time. If you die before the guarantee period ends, your income will continue to be paid to your dependants until the end of the guarantee period.

Be honest about your health

You could get a higher regular income if you have any health issues or habits that could shorten your life expectancy. This is called an 'enhanced annuity'.

So if you're talking to a provider about buying a secure income, be open and honest about your health. You should also shop around to find the best deal.

What else can I do?

Once you know exactly what features you'd like to add (if any), you can take some confident steps towards taking an income.

Shop around

When you come to buy a secure income, you should take the time to shop around. Just because you've saved with Royal London, doesn't mean you need to buy a pension income from us. Indeed, by doing a little homework, you might just get more money in your pocket.

Take some tax-free cash

You can usually take up to 25% of your pension savings as a tax-free lump sum.[1] Any cash you take will leave you with less money to buy your secure income.

Decide how often you want your money

When you're buying a secure income, you can tell your provider how often you'd like it to be paid. This could be anything from once a month to once a year.

How will my income be taxed?

Your regular income will be treated as taxable income. HMRC will calculate the tax you need to pay and tell your chosen pension provider how much to take off before anything is paid to you. To find out more about how much tax you may need to pay, visit royallondon.com/taxinretirement. Remember tax treatment depends on your individual circumstances and may be subject to change in future.

What happens when I die?

Unless you've chosen to pass on some of your income to your loved ones or set a 'guarantee period', your retirement payments will stop when you die.

What else do I need to think about?

As with all retirement options, there are some potential hazards you'll need to watch out for. We've set out some of the more common risks on page 18.

However, if you're thinking of buying a secure income in particular, here are some other things to think about:

You can't change your mind

Once you've bought a secure income, you can't usually change your mind – even if your circumstances do.

Adding extra features will lower your income

If you want to add any extra features, such as making sure your loved ones will get some of your income when you die, you should expect to be paid a smaller income.

1. You may be able to take more than 25% if you've previously applied to HM Revenue & Customs (HMRC) to secure a greater allowance. If you were in occupational pension scheme before 6 April 2006 you may also have a right to more than 25% of your benefits as a tax-free lump sum.

Weighing up this option

+ No matter what happens, you'll enjoy a regular income for the rest of your life.
+ You can pass on some of your income to your loved ones when you die.
+ You can arrange for your income payments to increase each year.
+ There are limits on the maximum value of pension savings that you or your beneficiaries can take tax-free, without being subject to a tax charge. These limits are known as the lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA). More details can be found on page 18.

– You can't usually change your mind.

– Taking a tax-free lump sum will leave you less money to buy a secure income.

– Adding any extra features, such as yearly increases will reduce your level of income.

Find out more

You'll find lots of useful information about buying a secure income on our website.

Simply visit us at royallondon.com/secureincome

Take control with flexible access

You can keep your pension savings invested, while you take the money you need whenever you need it.

How does it work?

When you want to start taking an income, you may need to move your pension savings into a plan that lets you gradually take money out.

This is also called 'income drawdown'.

You can set up regular or one-off income payments which you can stop and start at any time. You can also take more money when you need it and less when you don't.

What are my options?

With flexible access, you're in complete control. Enjoy a regular income or dip in and out whenever you like.

Shop around

If you're thinking of using flexible access, you should take the time to shop around. Just because you've saved with Royal London, doesn't mean you need to take your pension income from us. Indeed, by doing a little homework, you might just get more money in your pocket.

Take tax-free cash

You can usually take up to 25% of your pension savings as a one-off lump sum or a series of smaller lump sums from your plan.[1] Any cash you take will leave you with less money for your ongoing income.

Keep your options open

If you're ever worried about running out of money, you'll always have the option to buy a secure income with the pension savings you have left in your plan (see page 4 for details).

Take regular or one-off withdrawals

You can set up a regular income or if you ever need access to a larger amount, you can take this as a one-off payment. Any income taken over your 25% tax-free cash entitlement will be taxed as earned income.

Continue saving towards your future

You can keep putting money into your plan – and benefit from tax relief on your contributions. Of course, tax rules can always change – and how much tax relief you'll benefit from will depend on your individual circumstances.

When you access your pension savings flexibly and start taking a taxable income, you'll face greater restrictions on how much you can save into a pension towards your retirement before a tax charge applies. This is called the Money Purchase Annual Allowance (MPAA). This is essentially a limit on how much you're allowed to continue saving towards your retirement into a pension before a tax charge applies. This may affect how much you can pay into this, or any other pension plans you may have.

To find out more about the MPAA and how it works, visit royallondon.com/taxfreeallowances

1. You may be able to take more than 25% if you've previously applied to HM Revenue & Customs (HMRC) to secure a greater allowance. If you were in occupational pension scheme before 6 April 2006 you may also have a right to more than 25% of your benefits as a tax-free lump sum.

How will my income be taxed?

Your income payments will be treated as taxable income.

HMRC will calculate the tax you need to pay and tell your chosen pension provider how much to take off before anything is paid to you.

To find out more about how much tax you may need to pay, visit royallondon.com/taxinretirement. Remember tax treatment depends on your individual circumstances and may be subject to change in future.

What happens when I die?

If you have money left in your plan when you die, it can be passed on to your loved ones – usually free from inheritance tax.

- If you die before age 75, your pension savings can normally be paid to your loved ones however they like, free from income tax.*
- If you die aged 75 or older, your pension savings can be paid to your loved ones however they like, subject to income tax.

*Some restrictions may apply, see 'Tax free limits – lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA)' on page 18.

What else do I need to think about?

As with all retirement options, there are some potential hazards you'll need to watch out for. We've set out some of the more common risks on page 18.

However, if you're thinking of using flexible access in particular, here are some other things to think about:

You're still exposed to investment risk

While your money stays invested, there are no guarantees it will grow. Indeed, if your investments perform poorly, you could get back less than you started with.

You could run out of money before you die

With flexible access, your income isn't guaranteed to last forever. So if you take too much money, live longer than expected or if your investments don't perform as well as you'd hoped, you could run out before you die.

You’ll need to actively review your plan

As with any flexible access arrangement, regular reviews are key. You'll need to make sure the money you're taking out is sustainable – and adjust things if there's a risk your savings will run out too soon.

Weighing up this option

+ You're in control of your money – so you can take what you need, whenever you need it.
+ You can still save into your plan – and depending on your circumstances receive tax relief from the government. As your money stays invested, it still has time for potential growth.
+ You can usually take up to 25% of your total pension savings tax free, up to an overall maximum limit of £268,275.
+ There are limits on the maximum value of pension savings that you or your beneficiaries can take tax-free, without being subject to a tax charge. These limits are known as the lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA). More details can be found on page 18.
+ Any savings you have left in your plan can be passed to your loved ones when you die. There's normally no inheritance tax payable on the value of your plan, unless it forms part of your estate.

Weighing up this option

- Your income isn't guaranteed to last forever and, without some careful planning, you could run out of money before you die.
- While your savings stay in your plan, you're still exposed to investment risk – this means you could get back less than you started with.
- You should continue to review your plan to make sure your investments are performing as you hoped. Charges will continue to be deducted and could reduce your fund value.
- You'll need to actively manage your pension savings and, if necessary, adjust the income you're taking to make sure your money lasts for as long as you need it to.
- When you access your pension savings flexibly and start taking a taxable income, you'll be restricted on how much you can still save towards your retirement before a tax charge applies, as the Money Purchase Annual Allowance will apply (see page 7).
- Taking a tax-free lump sum will leave you with less money to provide a regular income.

Find out more

You'll find lots of useful information about flexibly accessing your savings on our website.

Simply visit us at royallondon.com/flexibleaccess

Enjoy a cash lump sum

You can take a cash payment from your pension savings however you like – take a little or take the lot, it's entirely up to you.

How does it work?

You can choose to take some or all of your pension savings as a cash lump sum. The first 25% of any cash payment will usually be paid tax free.[1]

What are my options?

If you choose to leave some of your savings behind, they'll remain invested in your plan.

Keep your options open

If you're ever worried about running out of money, you'll always have the option to buy a secure income with the pension savings you have left in your plan (see page 4 for details). How much income you can buy will of course be affected by the levels of cash you've taken out.

Continue saving towards your future

As long as you haven't taken all your savings, you can keep putting money into your plan – and benefit from tax relief on your contributions. Of course, tax rules can always change – and how much tax relief you'll benefit from will depend on your individual circumstances.

When you access your pension savings flexibly, if you take taxable income it's likely you'll trigger something called the Money Purchase Annual Allowance (MPAA). This is essentially a limit on how much you're allowed to continue saving towards your retirement into a pension before a tax charge applies.

To find out more about the MPAA and how it works, visit royallondon.com/taxfreeallowances

Cash in any 'small pots'

If you have pension savings of £10,000 or less in your plan, you can take it as a 'small pot' cash lump sum. We'll pay 25% of your cash lump sum tax-free and the remainder will be subject to income tax at your marginal rate. This will not trigger the MPAA, allowing you to contribute to other pension plans without the MPAA limit applying.

Before you can take your pension savings you'll need to ensure you meet the following:

- you're aged 55 or over
- the amount you want to take does not exceed £10,000 and you've not already received more than two small pot payments before
- by receiving this payment there'll be no other benefits available to you under this plan

How will my income be taxed?

The first 25% of each cash payment will usually be paid tax-free. You may need to pay income tax on the remaining 75%.

If we don't have an up to date tax code for you, we may need to initially take off too much (or too little) tax from your cash payment. You'll need to reclaim – or pay the difference – directly with HMRC.

To find out more about how much tax you may need to pay, visit royallondon.com/taxinretirement. Remember tax treatment depends on your individual circumstances and may be subject to change in future.

1. You may be able to take more than 25% if you've previously applied to HM Revenue & Customs (HMRC) to secure a greater allowance. If you were in occupational pension scheme before 6 April 2006 you may also have a right to more than 25% of your benefits as a tax-free lump sum.

What happens when I die?

If you have money left in your plan when you die, it can be passed on to your loved ones – usually free from inheritance tax.

- If you die before age 75, your pension savings can normally be paid to your loved ones however they like, free from income tax.*
- If you die aged 75 or older, your pension savings can be paid to your loved ones however they like, subject to income tax.

*Some restrictions may apply, see 'Tax free limits – lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA)' on page 18.

What do I need to watch out for?

As with all retirement options, there are some potential hazards you'll need to watch out for. We've set out some of the more common risks on page 18.

However, if you're thinking of taking a cash payment in particular, here are some other things to think about:

You may need to pay considerably more in tax

Taking large sums of money from your pension savings could push you into a higher-rate tax bracket. This means you'd need to pay more tax.

You could run out of money before you die

With cash payments, your money isn't guaranteed to last forever. So you'll need to think really carefully about what you plan to use it for, what other forms of financial support you have, and you'll need consider how long you need your cash payments to last.

You could still be exposed to investment risk

When you leave money in your plan, there are no guarantees it will grow. Indeed, if your investments perform poorly, you could get back less than you started with.

You can't change your mind

Once you've fully cashed in your plan, you can't usually change your mind – even if your circumstances do.

Saving into other pension plans could be restricted

When you access more than your 25% tax-free amount you'll face greater restrictions on how much you can save into a pension towards your retirement before a tax charge applies.

See 'Continue saving towards your future' on the previous page for details.

Weighing up this option

+ You can take as much of your pension savings as you like in one go or through a series of smaller payments.
+ There are limits on the maximum value of pension savings that you or your beneficiaries can take tax-free, without being subject to a tax charge. These limits are known as the lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA). More details can be found on page 18.
+ Any money you leave in your plan stays invested, so it still has time for potential growth.
+ Any savings you have left in your plan can be passed to your loved ones when you die. There's normally no inheritance tax payable on the value of your plan, unless it forms part of your estate.

− Taking large sums of money out of your plan could push you into a higher-rate tax bracket, meaning you'd need to pay more tax.
− Your money isn't guaranteed to last forever, so if you take out large sums of money, you could run out before you die.

Weighing up this option

- Any savings you leave in your plan will still be exposed to investment risk – this means you could get back less than you started with.
- Once you've taken a cash lump sum from your plan, you can't usually change your mind.
- You should continue to review your plan to make sure your investments are performing as you hoped. Charges will continue to be deducted and could reduce your fund value.
- When you access your pension savings flexibly and start taking a taxable income, you'll be restricted on how much you can still save towards your retirement before a tax charge applies, as the Money Purchase Annual Allowance will apply (see page 12).
- You'll be restricted on how much you can still save towards your retirement before a tax charge applies as the Money Purchase Annual Allowance will apply (see page 12).

Find out more

You'll find lots of useful information about taking a cash payment on our website.

Simply visit us at royallondon.com/cashpayment

Leave things for now

If you don't want to access your pension savings, that's absolutely fine.

How does it work?

You can leave all your pension savings exactly where they are until you decide you'd like to start accessing them.

What are my options?

If you choose to leave some of your savings behind, they'll remain invested in your plan.

Decide when you'd like to start accessing your savings

You can access your savings any time from age 55 (changing to age 57 from April 2028). You can buy a secure income, dip in with flexible access or take it all as a cash payment. You'll find more detail on each of these options throughout this guide.

Continue saving towards your future

You can keep putting money into your plan – and benefit from tax relief on your contributions. Of course, tax rules can always change – and how much tax relief you'll benefit from depends on your individual circumstances.

Give your savings more time to grow

As your money remains invested for longer, it'll have more time for potential growth.

While your money stays invested, there are no guarantees it will grow. Indeed, if your investments perform poorly, you could get back less than you started with.

What happens when I die?

The pension savings you have left in your plan can be passed on to your loved ones, usually free from inheritance tax.

- If you die before age 75, your pension savings can normally be paid to your loved ones however they like, free from income tax.
- If you die aged 75 or older, your pension savings can be paid to your loved ones however they like, subject to income tax.

What do I need to watch out for?

As with all retirement options, there are some potential hazards you'll need to watch out for. We've set out some of the more common risks on page 18.

However, if you're thinking of leaving your savings where they are, here are some other things to think about:

You're still exposed to investment risk

While your money stays invested, there are no guarantees it will grow. Indeed, if your investments perform poorly, you could get back less than you started with. Charges will continue to be deducted and could reduce your fund value.

Remember to regularly review your plan

You should continue to review your plan to make sure your investments are performing as you hoped.

Weighing up this option

+ As your money stays invested, it still has time for potential growth.
+ You can still save into your plan – and depending on your circumstances receive tax relief from the government, as long as you're within certain limits.

  You can find out more by searching **Understanding tax relief and annual allowance** on our website royallondon.com

– Any savings you leave in your plan will still be exposed to investment risk – this means you could get back less than you started with.

– You should continue to review your plan to make sure your investments are performing as you hoped. Charges will continue to be deducted and could reduce your fund value.

Find out more

You'll find lots of useful information about leaving things for now on our website.

Simply visit us at royallondon.com/leaveitfornow

Stay alert to risks

Before you choose to access your pension savings, there are some general risks you need to be mindful of.

In this section we explore what these are. You'll find the specific risks that come with each retirement option in the appropriate sections of this guide.

Tax free limits – lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA)

The LSA (£268,275) is the maximum amount of pension savings that you can receive tax-free from your pensions. Normally 25% of the pension savings you take can be paid tax-free, with an overall maximum limit of £268,275. The remainder of your pension savings is taxed at your marginal rate of income tax.

The LSDBA (£1,073,100) is the maximum amount of pension savings you or your beneficiary can receive as a tax free lump sum from your pensions. The total of all tax-free lump sums, including tax-free lump sum death benefits and serious ill-health benefits, will be tested against the LSDBA. Any lump sums paid above this level will be taxed at the individual's or beneficiaries' marginal rate of income tax.

You may have protection that allows you to take more than these limits.

If you think you are likely to exceed either of these limits, you should speak to a financial adviser.

Pension scams

Fraudsters, scammers, crooks. When you're able to access your pension savings, there will be criminals who are eager to get their hands on your money.

So if you're planning to take cash out of your pension to give to someone or to invest somewhere else, you need to tread carefully. You could lose everything if things turn out to be fraudulent.

If you've been advised on what to do with your pension savings, you should always check that person is registered with the Financial Conduct Authority.

You can do this by visiting fca.org.uk/scamsmart

Investing somewhere else

If you're planning to re-invest the money you take from your pension, you should be clear on whether you'll be charged for doing so. You should look at any charges closely and see how they compare with what you'd be paying to keep your money where it is.

It's also a good idea to weigh up the potential returns you could get on your new investment against the risks you'd need to take to achieve them.

Guaranteed annuity rate

If your plan has a 'guaranteed annuity rate' it means, no matter what's happening in the market, you can expect a minimum level of income for the rest of your life.

This is a rare and potentially valuable feature which could entitle you to more money in your pocket.

It's always worth checking whether this feature applies to you – just so you don't do something which would invalidate your guarantee. For example, transferring your savings out of your plan or putting things off until after your normal retirement age.

State benefits

The amount of income and/or tax-free cash you take from your pension savings in any year could affect your entitlement to means-tested state benefits.

In other words, if your regular income or the money you have in the bank rises above a certain level, it could affect your eligibility to such things as housing benefits and council tax reductions.

Debt collection

If you're in debt, either now or in the future, the individuals or companies you owe money to can make a claim for your pension savings as soon as you start taking an income or a cash lump sum.

While the money remains in the protective environment of your plan, it can't be touched by anyone else.

Inflation risk

You may notice that your shopping today costs a little more than it did a year ago – and probably a lot more than it did 10 years ago. That's down to inflation.

When prices go up, it can eat away at the value of your retirement income – meaning your money won't go as far tomorrow as it does today.

Taking cash out of your pension and putting it into a bank account is unlikely to protect you against rising costs. This is largely due to the low levels of growth you can expect from current low-interest bank accounts.

If you're planning to use your pension savings to buy a secure income (see page 4 for details), you can choose to add yearly increases which can help counterbalance the long-term effects of inflation.

Find the support you need

You've got some big decisions ahead – and no doubt you'll have questions. The good news is, there's plenty of support available.

Get some tailored advice

We recommend talking about your retirement options with a professional financial adviser.

They'll be able to look at your individual circumstances and give you a personal recommendation on how to get the most from your pension savings.

If you don't already have a financial adviser, you can find one in your area by visiting royallondon.com/find-a-financial-adviser

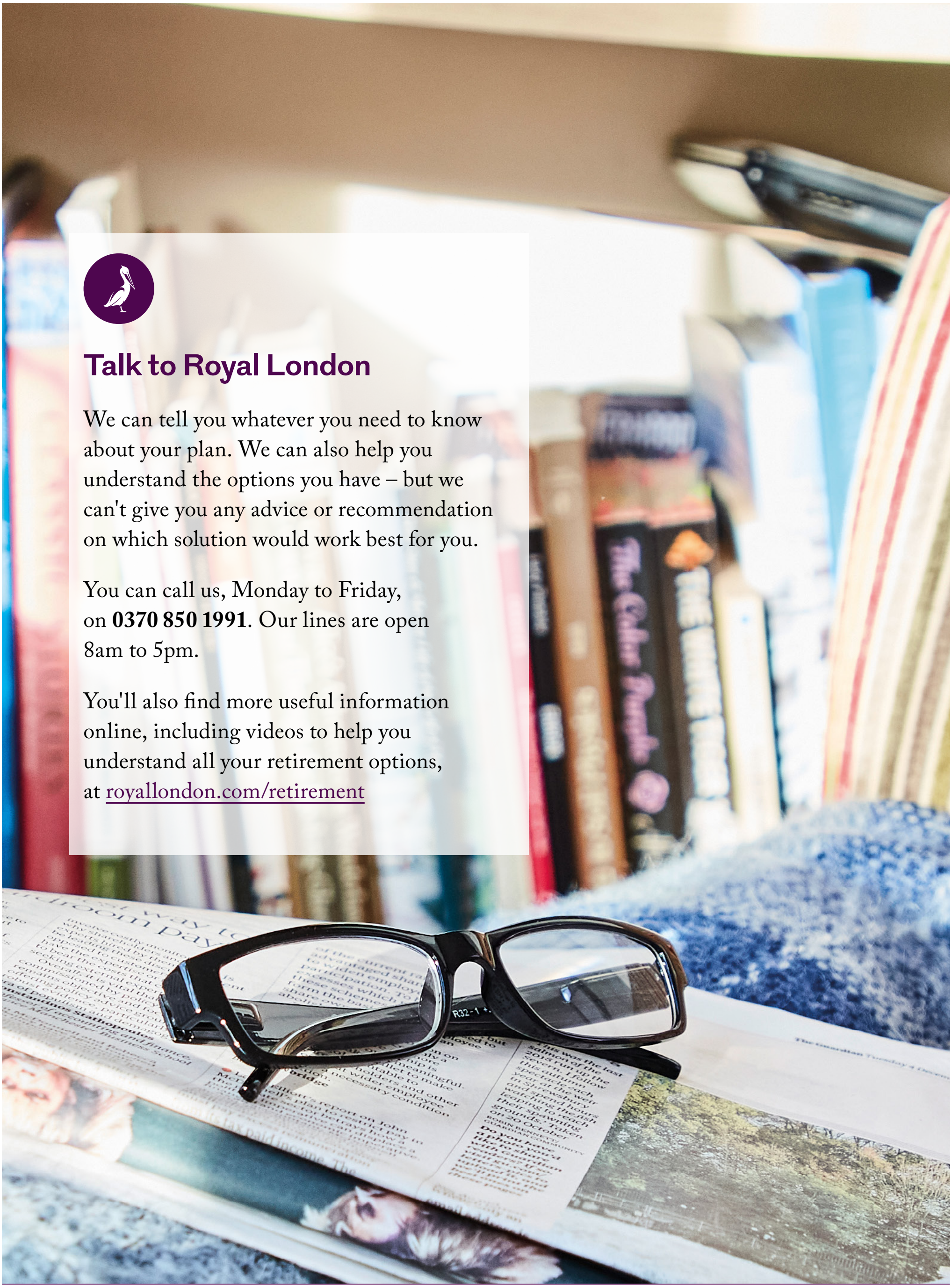
Financial advisers may charge for the services they provide – though they should agree any fees with you up front.

Access support backed by the government

Pension Wise is a free and impartial guidance service backed by the government. You can talk to their pension specialists online, face to face or over the phone.

While they can help you understand your options, they can't give you any personalised advice or recommendation on how to best access the money you've saved.

Pension Wise is part of MoneyHelper. MoneyHelper is here to put you in control with impartial help that's on your side, backed by government and free to use. You can find out more at moneyhelper.org.uk



Talk to Royal London

We can tell you whatever you need to know about your plan. We can also help you understand the options you have – but we can't give you any advice or recommendation on which solution would work best for you.

You can call us, Monday to Friday, on **0370 850 1991**. Our lines are open 8am to 5pm.

You'll also find more useful information online, including videos to help you understand all your retirement options, at royallondon.com/retirement

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We're happy to provide your documents in a different format, such as braille, large print or audio, just ask us when you get in touch.

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