

# Answers to questions about **your** **pension policy**



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### **Tax and government legislation**

We've based the information in this leaflet on tax rates and legislation at 6 April 2026. This may change in the future.





As the biggest life and pensions mutual in the UK, we understand pensions and what they mean to you.

Reading the answers to these questions can help you understand your pension. Getting to grips with how pensions work, the choices available to you and the decisions you need to make, can help you gain control of your financial future.

## Definitions

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With pensions changing, the media is full of terms that leave many of us scratching our heads. So it's worth pausing for a second to find out what they mean. The brief descriptions you'll find in the margins will help to shed some light on some commonly used terms – they're the ones you'll see in *italics*.

### Payments

*Money paid into your pension pot, by you, your employer and anyone else on your behalf.*

### Pension benefits

*Pension benefits is the money you take from your pension pot. You can choose from a range of options of how to take this money.*

### Pension pot

*Sometimes called a pension fund, this is the amount of money that you've saved for retirement in a pension scheme. You can have more than one pension pot with more than one provider and the money can be built up by payments from you, your employer and anyone else on your behalf.*

## General Questions

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### Q1 What is the purpose of my pension policy?

Your pension policy is a tax-efficient way of building up a *pension pot* to provide you with *pension benefits*.

### Q2 What should I do if I wish to change my pension payments?

Your pension statement should prompt you to consider whether your pension savings are sufficient to meet your future needs.

Depending on the type of policy you have, you may be able to increase or reduce your *payments*. To find out if you can change your *payments* please call us on 0345 050 2020. If you're thinking about making changes to your pension we recommend that you contact a regulated financial adviser. There are details of how to find a regulated financial adviser under the Help and advice section on page 9.

### Q3 Is there a limit on the amount I can save into my pension?

There is no limit to the *payments* that can be made into your pension schemes each year. There is however, a limit to the *payments* made each year on which you are eligible for tax relief. The limit is the greater of:

- £3,600 and
- 100% of your relevant UK earnings.

*Payments* that exceed the annual allowance will be subject to a tax charge. We explain this further below.

## Annual Allowance

If *payments* to all your pension schemes exceed a limit known as the annual allowance, you may have to pay a tax charge on the amount over the annual allowance. The annual allowance for the 2026/27 tax year is £60,000 although a lower allowance may apply if you have:

- Flexibly accessed pension savings from another pension plan under the Pension Freedoms. In this instance, your limit is reduced to £10,000. This reduced limit only applies to payments made into money purchase or defined contribution pensions, and is known as the Money Purchase Annual Allowance;
- A yearly taxable income greater than £200,000. To find out how this affects you we recommend you ring us, speak to a financial adviser or visit [royallondon.com/taxlimits](https://royallondon.com/taxlimits) for more information.

## Lump sum allowance

Under pension rules, the lump sum allowance (LSA) limits the amount of tax-free cash you can access from your pension plan. Normally 25% of the benefits you take can be paid tax-free, with an overall maximum limit of £268,275. Payments above this are subject to tax at your marginal rate of income tax. You may have protection that allows you to take more than this – your policy documents will tell you if this is the case.

The total of all tax-free lump sums, including tax-free lump sum death benefits and serious ill-health benefits, will be tested against a lifetime limit, set at £1,073,100.

Any lump sums paid above this level will be taxed at the individual's or beneficiaries' marginal rate of income tax. This is known as the lump sum and death benefit allowance (LSDBA).

You can find more information on [hmrc.gov.uk](https://hmrc.gov.uk) and if you think you've exceeded these limits we strongly recommend you seek advice from a regulated financial adviser.

## Q4 Do I get tax relief on my pension payments?

To encourage people to save for their retirement, the Government will add income tax relief to your pension *payments*.

- For example, on a personal pension, for every 80p you pay, the Government will pay a further 20p into it. This is called income tax relief. If you pay income tax at a rate above the basic rate you'll be able to claim further tax relief through your Self Assessment tax return if you complete one, or by asking H.M. Revenue and Customs to adjust your PAYE (Pay As You Earn) tax code if you don't.
- For a retirement annuity (a policy started before 1 July 1988), you can claim tax relief on your *payments* from HMRC through your Self Assessment tax return if you complete one, or by asking H.M. Revenue and Customs to adjust your PAYE (Pay As You Earn) tax code if you don't.

## Annuity

*An annuity provides you with a guaranteed income for the rest of your life. You buy an annuity with your pension pot.*

## Beneficiary

*Someone who gets the death benefits from a pension or annuity when the policyholder dies.*

## Payments

*Money paid into your pension pot, by you, your employer and anyone else on your behalf.*

## Pension benefits

*Pension benefits is the money you take from your pension pot. You can choose from a range of options of how to take this money.*

## Pension date

*You chose this date when you started your policy, usually the date you want to retire. You don't have to take your benefits on this date, you can normally take your benefits at any time from age 55 (changing to 57 on 6 April 2028).*

## Pension pot

*Sometimes called a pension fund, this is the amount of money that you've saved for retirement in a pension scheme. You can have more than one pension pot with more than one provider and the money can be built up by payments from you, your employer and anyone else on your behalf.*

## Q5 How much State Pension will I get?

You can check how much state pension you could get at:  
**gov.uk/check-state-pension**  
or call **0800 731 0175**.

You can't access the state pension before your state pension age.

You can find out your state pension age at:  
**gov.uk/state-pension-age**

## Q6 Can I transfer my pension pot to another pension provider?

You can transfer your *pension pot* to another pension provider.

Remember you must be at least 55 (changing to 57 on 6 April 2028) before you can take your *pension benefits* from your new pension provider, unless you're in ill-health.

Please see the Changes to the minimum pension age section on page 9 for more information about when you can take your *pension benefits*.

Before you transfer your *pension pot* we recommend that you talk to a regulated financial adviser. There are details of how to find a regulated financial adviser under the Help and advice section on page 9.

## Q7 Why doesn't my pension statement include a pension illustration?

Your pension statement won't include a pension illustration in the following circumstances.

- Your policy is a pension term assurance policy. Pension term assurance policies don't provide a pension income. Instead they pay a lump sum if you die before the expiry date, providing we receive all the *payments* that are due.
- Your policy has a *pension date* within the next year. Instead of providing you with an illustration at this time, we'll write to you about taking your *pension benefits* six months before your *pension date* and again six weeks before your *pension date*.
- Your policy needs an individually calculated illustration. We'll send you this in due course.

### Q8 Why does my pension illustration differ from those I've received in previous years?

Your pension illustration will usually change from year to year to reflect:

- changes you've made to your policy, such as stopping making your *payments*,
- actual investment returns from the previous year compared to the investment return assumptions we made for that year,

- changes in the assumptions we've made, for example about the rate at which your *pension pot* will grow or the amount of *annuity* that you'll be able to buy with it, and
- the changed impact of inflation as you are a year closer to your *pension date*.

### Q9 What happens to my pension when I die?

Any money you have left in your pension policy when you die can usually be passed on to your *beneficiary* free of tax.

The income tax rules for your *beneficiary* are as follows:

#### If you die before age 75:

Any money left in the policy is paid income tax free to your *beneficiary*, as long as it's paid within 2 years of us being told you've died. If it's paid after the 2 year limit, the payment is taxed appropriately.

#### If you die age 75 or over:

Any money left in the policy is taxed appropriately.



## Taking my pension benefits

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Pensions may have changed since you last checked. You don't have to retire to take your *pension benefits*. You can take all or some of your *pension benefits* from age 55 (changing to 57 on 6 April 2028) even if you're still working, or you can delay taking your *pension benefits*. You may be able to take your *pension benefits* earlier than age 55 due to ill health. We show you what your options are in this section.

### What choices will I have when I come to take my pension benefits?

You'll normally be able to take your *pension pot* from age 55 (changing to 57 on 6 April 2028), even if you're still working. Only in very rare circumstances, such as ill health, will you be able to take your *pension pot* before age 55. Please see the Changes to the minimum pension age section on page 9 for more information about when you can take your *pension benefits*.

In the five years leading up to when you may take your *pension benefits*, you should start to think about:

- the *pension benefits* that will suit your circumstances, and
- when you want to start taking them.

You can choose any of the following options:

- A quarter (25%) of your *pension pot* can usually be taken as a tax-free lump sum. The rest is then used to buy a secure income for life known as a lifetime *annuity*. The *annuity* payments are taxable.

### Annuity

*An annuity provides you with a guaranteed income for the rest of your life. You buy an annuity with your pension pot.*

### Pension benefits

*Pension benefits is the money you take from your pension pot. You can choose from a range of options of how to take this money.*

### Pension pot

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- You can take all of your *pension pot* as a single lump sum. A quarter (25%) of your *pension pot* can usually be taken tax-free and the rest is taxable.
- You can leave your *pension pot* invested and take it more flexibly. You could take it as a number of lump sums. A quarter of each lump sum is normally paid tax-free with the rest taxed as earned income. Alternatively, you could take it as a flexible income where a quarter of the whole pot is taken tax-free with all future payments taxed as earned income in the tax year in which they are taken. At any time you can use any remaining *pension pot* to provide a lifelong, regular income.
- Reaching age 55 (changing to 57 on 6 April 2028), or whatever age you agreed with your pension provider to take your *pension pot*, is not a deadline to make a decision. You can delay taking your *pension pot* until a time that's more suitable for you.

As your money remains invested for longer, it'll give it more chance to grow. But don't forget that the value of your *pension pot* could go down in value too. Your Royal London pension policy allows you to delay taking your *pension pot* until age 75.

Not all of these options may be available to you under your pension plan and you may need to move to a new pension plan to get the option that you want. We'll tell you more about what you need to do when you come to take your *pension benefits*.

## Changes to the minimum pension age

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The government is increasing the normal minimum pension age from 55 to 57 from April 2028.

This will be the earliest age that most people will be able to access their pension savings.

You should consider these changes and how they might impact your pension plans.

## Help and advice

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If you feel you need advice, we recommend you talk to a regulated financial adviser.

If you don't have a financial adviser, you can get details of local financial advisers by visiting [royallondon.com/find-a-financial-adviser](https://royallondon.com/find-a-financial-adviser)

Advisers may charge for providing such advice and should confirm any cost to you beforehand.

If you have any questions about your policy, please call us on **0345 050 2020**.





If you have any questions about your pension statement or your policy, please call us on **0345 050 2020** between 8am and 6pm Monday to Friday, unless it's a bank holiday in England.

Or write to:

Royal London House

Alderley Park

Congleton Road

Nether Alderley

Macclesfield

SK10 4EL

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



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Royal London House, Alderley Park, Congleton Road,  
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