Take the money in your pension pot, as and when you need it

You can leave your money in your current pension pot and take cash from it as and when you need it. The rest of your pot will remain invested. For each cash withdrawal normally up to 25% will be tax-free, but you'll need to pay tax on the rest at your marginal rate of tax by adding it to your income.

Pension Wise from MoneyHelper is a free, government-backed service offering clear, impartial and specialist guidance on your retirement options. If you're aged 50 or over, this service is available to you. Visit **moneyhelper.org.uk/pension-wise** or call **0800 138 3944** for full details of the service. The enclosed 'Making your retirement choices-help and guidance' leaflet gives details of where you can find help and information.

Things to think about:

- This option won't give you and/or your dependants a guaranteed income in retirement.
- There are no limits on how much you can withdraw overall, so you'll need to make sure you don't withdraw too much too soon as this could increase your tax rate and also leave you with insufficient money for the rest of your retirement.
- There are some restrictions on how you withdraw your money from your Aviva pension plan. The maximum amount you can take is 100% of your pension pot.
- Taking money from your pension pot as and when you need it means the money that remains invested in your pension pot can still be used to provide further retirement benefits at a later date. However the value of your pension pot can go down as well as up over time and you may get back less than has been invested.
- If you have any integrated life cover and/or waiver of contribution on your current plan, this will stop when you take money from your pension pot. If you still want life cover, you'll have to set up another policy.
- Any funds left when you die can be passed to your beneficiaries. If you're under the age of 75 when you die, normally benefits will be paid tax-free. If you're 75 or older when you die, your beneficiaries will pay tax on any benefits at their marginal rate. If the value of tax-free benefits taken from your pension plan(s) during your lifetime and on death, is more than your remaining lump sum & death benefit allowance, the beneficiaries may pay income tax on the excess.
- Beware of pension scams – don't be taken in by firms offering a free pension review and the chance to invest your cash for high returns. You could lose all of your money and face a large tax bill. Find out how to protect yourself at **scamsmart.fca.org.uk**
- Any entitlement to means tested benefits – which you may receive if your income and savings are below a certain level – could be affected when you take your pension benefits. You can find out more on the 'What you can do with your pension pot' page at **citizensadvice.org.uk**.
- When buying a product to supply your retirement income, you don't have to use the company where you built up your pension. You can choose another provider. Shopping around is important as it can affect how much pension you receive.

What about tax?

- Normally for each cash withdrawal, 25% of your pension fund will be tax-free, but you will need to pay tax on the remaining amount at your marginal rate. That means the amount you receive will need to be added to any other income you receive. If your total income takes you over your relevant threshold, you may have to pay income tax at a higher rate than you normally pay.
- Taking money from your pension pot in this way will trigger the money purchase annual allowance (MPAA).

  This means that the annual allowance (£60,000 in total) remains the same, but no more than £10,000 can be paid into a defined contribution (money purchase) pension.

A defined contribution pension is one where you build up a pension pot, and your pension benefits are based on the contributions made, investment returns and charges.

If you have an income (including the value of any pension contributions) of over £260,000 and an income (excluding pension contributions) in excess of £200,000 your annual allowance may be reduced. If you wish to contribute to a pension in the future you should seek financial advice or guidance before choosing this option.

- Depending on your personal circumstances, taking money from your pension pot could move you into a higher tax bracket. This is because any cash withdrawal you take above 25% of the fund is treated as part of your income, so you may have to pay a higher rate of tax on some or all of your other income for that tax year.

Lump Sum Allowance and Lump Sum & Death Benefit Allowance

HMRC places limits on the amount of tax-free benefits that can be taken from pension schemes. The limits apply to benefits during your lifetime and on death. Income tax is payable on benefits taken above these amounts.

For the current tax year the standard Lump Sum Allowance is £268,275 and the standard Lump Sum & Death Benefit Allowance is £1,073,100. Your remaining allowances reduce each time you take benefits. Your personal allowances may be higher than the standard amounts if you've been granted one or more of the types of protections by HMRC.

Normally 25% of the cash withdrawal will be tax-free and you'll pay income tax on the rest. If you don't have enough allowances to cover that amount, the tax-free part will be reduced. The tax-free part of the lump sum will count towards your Lump Sum Allowance and your Lump Sum & Death Benefit Allowance.

If you think you're close to, or might not have enough of, the allowances to allow payment of the tax-free part of the lump sum, it's important that you talk to a financial adviser. If you do not have a financial adviser, you can find one at **unbiased.co.uk**. You may be charged for any advice provided. If you think you won't have enough allowances or you have any form of protection, please contact us on the number shown on the enclosed letter.

To work out if you've enough remaining allowances you need to work out the total value of your tax-free retirement benefits. This includes benefits you're currently receiving or which you've received in the past. You don't need to include state benefits or any benefits paid to you as a dependant.

If you only have one pension plan, your illustration will show the amount of allowances you've used. If you have more than one pension plan, you'll need to find out the value of each plan. Your pension providers will be able to tell you how much of the allowances each of your pensions has used or will use.

Tax treatment depends on your individual circumstances and is subject to change in the future.

When you sign the application form you're confirming you've enough remaining allowances.

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