Your options at retirement

Your Pension Pot

Six months before your selected retirement date, Aviva will write to you and explain the options available for taking your pension pot.

Your retirement choices are some of the most important decisions you'll make. There are various options as to how you can take your benefits once you reach the minimum pension age. This is currently age 55. From 6 April 2028 this will be age 57 unless you have a protected pension age. To find out more visit **www.aviva.co.uk/nmpa**.

Start by asking yourself what you want from your pension pot. Are you looking for the security of a guaranteed income? Or do you want to take your pension as a cash sum? Perhaps you'd rather leave your pension pot invested, but withdraw an income from it as you need.

You don't have to select just one option - you may be able to combine any of the choices shown on the next page. Whichever, option you choose, you can usually take 25% of your pension pot as a tax-free lump sum. The remainder will be taxed as income at the rate applicable to you. Information on UK tax rates can be found on the UK government website www.gov.uk/income-tax-rates.

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 tax year 2024/25 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.

You can find more information on these allowances at: **gov.uk/tax-on-your-private-pension**. If they're likely to affect you, we recommend you get financial advice.

Annual Allowance

The Annual Allowance is a limit (£60,000 for 2024/25 tax year) on the amount of pension contributions you and your employer can make can make each year before you incur a tax charge. If you earn more than £260,000 your Annual Allowance may be reduced. If you access your pension pot using flexi-access drawdown or withdraw a cash sum your Annual Allowance will reduce to £10,000 for all your money purchase pension plans.

For more information on annual allowance see the **What is the Annual Allowance brochure** at: **https://static.aviva.io/content/dam/document-library/corporate-pensions/fe3537.pdf**

Your options

Annuity income

You can use your pension pot to purchase an annuity which provides a guaranteed regular income, typically paid for the rest of your life.

You can choose to take up to 25% of your pensions pot tax free before purchasing an annuity. This will reduce the level of income that you receive.

How it works

The level of income you receive will depend on the size of your pension pot and the rates available at the time you buy an annuity. Your annuity income will be treated as earned income and taxed according to your personal circumstances.

Once the annuity has been set up it can't be changed. You should shop around to get the best deal for you especially if you're in poor health or have certain lifestyle choices.

Up to 25% tax-free cash sum with flexible, regular withdrawals

Drawdown allows regular flexi-access withdrawals while the balance of your pension pot stays invested.

How it works

If you take up to 25% of your pension pot as a tax-free lump sum, you can leave the rest of your money invested and then take out unrestricted withdrawals, taxed as income at your marginal rate of tax. The funds you leave invested have the potential to grow or fall.

For example, if your pension pot is £50,000 you can take your tax-free lump sum of £12,500 first.
You could then make withdrawals every month. Most people want their pension income to last them the rest of their life, so careful planning will be needed.

Unrestricted cash lump sums with up to 25% tax-free

You can choose to take all or some of your pension pot as cash while any remaining balance of your pension pot stays invested. These are known as Uncrystallised Funds Pension Lump Sums (UFPLS).

How it works

Take up to 25% of the amount you choose to take will be tax-free and the balance will be taxed at your marginal rate of income tax. For example, if your pension pot is worth £50,000 and you take £1,000 withdrawals, £250 of this amount would be tax-free every time. The remaining £750 would be taxable at your marginal rate of tax. It's important to remember that taking out large amounts of money in a year may mean you have to pay higher or additional rate tax on what you withdraw. Most people want their pension income to last them the rest of their life, so careful planning will be needed.

Withdraw money from your pension pot

Flexi Access Drawdown with up to 25% tax free

You can get an income from your pension pot that's adjustable. This means you get a regular income but can change it or take cash sums if you need to.

- You can take up to 25% of your pot as a single, tax-free lump sum.
- The remainder is invested to provide a fund from which you can take a regular, taxable income or ad-hoc payments.
- You can adjust the income you take and when you take it.
- There is no minimum fund value limit to take flexi-access drawdown
- There is no minimum regular or ad-hoc withdrawal limit
- No withdrawal limit in flexi-access drawdown
- Have the ability to pass on what's left of your pension pot to your loved ones when you die

Cash lump sums with up to 25% tax free

You can take lump sums of cash from your pension pot until it runs out. How much you take and when you take it is up to you.

- You decide how much to take and when to take it.
- Unless you take your whole pension pot in one go, your tax-free amount isn't paid in one lump sum – you get it over time.
- Each time you take a lump sum of money up to 25% is tax free and the rest is taxable.
- There are no charges for withdrawals.
- There is no minimum limit for partial withdrawals.
- Have the ability to pass on what's left of your pension pot to your loved ones when you die.

Things to consider

- **Taking risk**: depending upon the option you choose your pension pot may remain available to invest in the fund(s) of your choice, so the value of your pension could go down as well as up in value and you may get back less than has been paid in. These fluctuations, along with the charges that are taken and withdrawals you are making, means that your pension may not provide you with an income for life.
- **Taking an interest**: being hands-on and regularly reviewing your income and investments from your pension to make sure your pension fund can support the level of income you want over the period you want it. The investments you've used to grow your pension are not necessarily suitable for those taking an income – you may want to review them.
- **Taking some money**: using your pension will affect your financial position for the rest of your life, so it's important you're comfortable with the implications of taking money from it. Before you decide to take money from your pension, make sure you think about your overall financial circumstances and any retirement goals.
- You may have to pay tax on the money you withdraw, which will be taxed at the highest rate of income tax you pay.
- If you choose either of these options you will be subject to the money purchase annual allowance (MPAA) of £10,000. You will still have an annual allowance of £60,000 in total, but no more than £10,000 can be paid into defined contribution (money purchase) pensions leaving the balance for other pension savings. If you exceed the annual allowance you may be subject to a tax charge on the excess at the highest rate of income tax you pay.

Purchasing an Annuity

Annuities

What are the potential benefits?

- Guaranteed income. It promises to pay you a regular income for life.
- Income choice. You can receive your annuity income monthly, quarterly, half-yearly or annually. Payments can be 'in advance' (from the start date) or 'in arrears' (at your chosen payment interval after the start date).
- You may get a higher income if you don't have a clean bill of health or you have (or have previously had) one of a range of medical conditions affecting your health or longevity. You may also be eligible if you have lifestyle conditions such as you smoke or are overweight.
- The option to provide an income for your spouse, partner, or dependant.
- You can have a level income, or an escalating one which starts lower but will increase over time to offset some of the effects of inflation.
- No reduction in income. Once started, your annuity income will not go down, even if your health, or the health of your spouse, partner or dependant (if you have named a dependant on the policy) improves.
- Aviva offers value protection as standard for 90 days from your plan start date. If you die within this period, a lump sum will be paid to your estate equivalent to the price paid for your annuity, minus any payments already made. You can choose to extend value protection once the standard 90 day period ends. You can choose to protect up to 100% of the price paid for your annuity, either for a specified term or the rest of your life. If you do this, the standard one year guarantee period will no longer apply.
- Aviva offers a minimum one year guarantee period as standard, however you can choose a longer guarantee period of up to 30 years (or up to 10 years for Immediate Life Annuity). If you die after 90 days but within your guarantee period, we will continue to make annuity payments to your estate or dependants until the end of that period. However, this does not apply if your annuity was purchased for you by the trustees of a defined benefit pension scheme.

Things to consider

- Depending on how long you live you may get back less than you bought your annuity for.
- No cash-in value. Once you've bought an annuity it cannot be cashed in at any time.
- Unless you choose to provide an income for a dependant after your death, an annuity may leave no funds to pass on to a dependant.
- Dependent on the options chosen, you may receive a smaller income.

Important information

Nothing in this brochure is a personal recommendation, but if you'd like a personal recommendation based on your individual circumstances you should get financial advice. If you would like more information please see page 7.

How to make the most of your pension

Set a goal

- How much money do you need?
- What do you want your pension pot for?
- Do you need it to provide an income or do you have an alternative source?
- When do you want to retire?

Are you paying enough?

- Make the most of tax relief and employer contributions.
- This may be different for Scottish Rate Tax Payers.
- A £1 contribution only costs you 80p if you pay basic rate tax or 60p for higher rate taxpayers, as the government provides tax relief on pension contributions.
- Tax rules are subject to interpretation, change and individual circumstances.

Where are you invested?

- Throughout our lifetime our needs and circumstances change. Are you investing in funds that are still appropriate for you?
- Check your plan online and see where you are invested.
- The value of this pension plan is not guaranteed and can go down as well as up. You could get back less than has been paid in.

For more help on pensions and retirement

If you want more help thinking about pensions and retirement, a good place to begin is **MoneyHelper**, the government-backed free guidance service. You can access **MoneyHelper** online at **www.moneyhelper.org.uk*** or by phone on **0800 011 3797**.

If you are over 50 you can use the **Pension Wise** (www.moneyhelper.org.uk/en/pensions -and-retirement/pension-wise)* service, from MoneyHelper, online or by phone on **0800 138 3944**. They offer a free face to face or telephone guidance session. They won't tell you what you should do, but they'll provide you with information to help you understand your options.

Financial Advice

For more tailored advice, you should speak to a financial adviser.

Bear in mind they may charge a fee for this advice, but it will be personalised to your individual needs.

If you don't have an adviser, you can find an up-to-date list of regulated advisers at **MoneyHelper** (https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser)*

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