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here to help you

This guide is part of our **Pensions and retirement series.**



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about your
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options.**

MONEYmadeclear
from the UK's financial watchdog (FSA)

With our **MONEY** made clear range of guides, we cut out the jargon and give you just the facts about financial products and services, helping you to make an informed decision.

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about your
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options.



The Financial Services Authority (FSA) is the UK's financial watchdog set up by government to regulate financial services and protect your rights.

Remember, this is general information and isn't the same as getting financial or other professional advice. For advice based on your own circumstances, talk to a professional adviser.

This guide is for you if

You have

saved or are saving for your retirement in a money purchase pension.

You want

to understand the choices you have when you convert your pension fund into an income for your retirement.

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How your retirement options work

This guide explains your options if you have saved or are saving for your retirement in a money purchase pension such as:

- a **personal pension**;
- a **stakeholder pension**;
- a **group personal pension** plan arranged through your employer;
- a **retirement annuity contract** – this is similar to a personal pension but was sold before 1988 when personal pensions first became available;
- a **free-standing additional voluntary contribution (FSAVC)** scheme.

You have a number of options to choose from to take an income from your pension savings; for example:

- a lifetime annuity – this is the option most people use;
- an unsecured pension using short-term annuities or income withdrawal.

However, by age 75 you must take your pension income, for example as a lifetime annuity.

You may also find this guide useful if you'll be getting your pension income from:

- an employer's occupational pension scheme that builds up your own retirement fund – called a **money purchase** or **defined contribution** scheme. In this type of pension the trustees may pay your pension directly from the scheme, arrange an annuity for you, or you can choose to buy your annuity yourself;
- the type of **additional voluntary contribution (AVC)** scheme that builds up your own investment fund;
- some **section 32 policies** – if you have used one to transfer out of your employer's pension scheme.

See the *Jargon buster* on page 26 for an explanation of some words you may come across.

Key points

- For all these schemes you will have to convert most of your money purchase fund or funds into an income.
- You can decide when to convert your money purchase pension fund – you don't have to stop working to do this.
- You cannot convert your pension savings before you are 50 (going up to 55 by 2010) and you must convert them by your 75th birthday.
- You can take up to a quarter of your pension fund in cash, as a tax-free lump sum before your 75th birthday. You have to use the remaining fund to provide you with an income, which is taxable.
- If you're in an occupational pension scheme, it may have different rules about when a pension can be taken – check with your scheme administrators.
- If the total of all your pension funds is less than a minimum amount, you can take a cash lump sum instead of an income. You must be at least 60 but not yet reached 75 and you have to convert all your pension funds to cash within a 12-month period.

Different types of retirement options

This guide is *not* for you if:

You have been saving for retirement in an employers' occupational salary-related (defined benefit) pension scheme. In these schemes, your income in retirement is provided by the employer's pension scheme and you do not need to buy an annuity.

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Lifetime annuities

Most people will buy a lifetime annuity with their pension funds.

Before you buy a lifetime annuity you'll have to decide what type you want. Start thinking about your annuity choices at least four months before you retire.

There are different types of lifetime annuities to suit your needs and circumstances.

If you have more than one pension plan or scheme, you might get a better income by combining them, although you don't have to use them all at the same time. This is a complicated decision so it may be a good idea to get financial advice.

How lifetime annuities work

A lifetime annuity is a special type of investment because it pays you an income for the rest of your life. If you die within a short time after buying your annuity, you won't have received much from your investment.

You buy lifetime annuities from life insurance companies or other financial institutions. When calculating their annuity rates they take account of the fact that some people live longer than others.

People who live longer than average will take more from their annuity than, for example, someone who dies three or four years after retirement. People who die early subsidise the annuity rates for those who live longer.

Insurance companies adjust rates because average life expectancy is rising. Interest rates also affect annuity rates because insurers base annuity rates on the return they get from investments.

Once you buy an annuity you are locked into the annuity rates offered at that time. You won't be affected if rates fall, but neither will you benefit if rates increase.

How lifetime annuities pay out

The amount of income an annuity pays depends on, among other things:

- the amount you have in your pension fund;
- the amount of tax-free lump sum you take;
- whether you have used your fund to contract out of the additional State Pension – see page 9;
- your age;
- your sex;
- your health (in some cases); and
- the benefits you choose such as whether the annuity is for you or you and your partner.

Usually the starting income from the same size of pension fund is higher for a man than for a woman of the same age. This is because, on average, a woman is likely to live longer than a man of the same age.

Key point

Government estimates for the UK show that life expectancy for people aged 65 in 2007 will be:

- around 85 for men; and
- around 87 for women.

You could be living on your retirement income for many years.

Source: Government Actuary's Department – cohort figures 2006

The older you are when you buy an annuity, the higher the income you get at the start. This is because, on average, an older person has fewer years left to live than a younger person. But take care if you are thinking of delaying buying your annuity to get a higher rate – see

Retiring later and postponing your annuity on page 13.

You can usually choose to have your income paid every month, every three months, every six months or once a year.

Remember – the income from a lifetime annuity is taxable.

Single-life and joint-life lifetime annuities

Basic lifetime annuities can be **single life** or **joint life**. Unless there is a guarantee, a single-life annuity will only pay out during your own lifetime – see page 8. A joint-life annuity continues to pay an income to your partner after your death.

You can usually choose between a joint-life annuity that pays your partner the same as you were receiving, or two thirds or a half of what you were receiving. You can also choose a joint-life annuity that is level or escalating.

If you are not married, check with your provider that your partner will be eligible to receive the income from a joint-life annuity.

With some occupational money purchase pension schemes, you must opt for an annuity that provides a pension for your widow, widower or civil partner equal to half the income you were getting. Your scheme administrator can tell you if this applies to your plan or scheme.

Joint-life annuities are more expensive than single-life annuities because the insurance company will expect to continue paying the annuity for longer.

Level and escalating lifetime annuities

A **level lifetime annuity** pays the same income year after year for the rest of your life.

A level annuity has a higher starting income than escalating annuities but how much you can buy with the income from a level annuity falls as prices rise.

To protect your income from rising prices, you can choose an **escalating lifetime annuity** which pays a lower initial annuity but then increases each year.

There are two main choices:

- **fixed-rate escalating annuities** – your income is guaranteed to increase at a fixed rate each year, say, by 3%;
- **RPI-linked annuities** – your income is adjusted each year to reflect changes in the Retail Prices Index (RPI), so will rise and fall.

With an escalating annuity, the starting income is a lot lower than you would get from a level annuity.

It would take around 14 years for the 3% escalating annuity to catch up with the level annuity.

It would take 26 years before the total you received from the 3% escalating annuity exceeded the total paid by the level annuity.

Lifetime annuities with a guarantee period

If you die shortly after buying an annuity, it will not have paid out much.

To guard against this, you can choose an annuity with a guarantee period.

Guarantee periods are usually for five or ten years' worth of income, even if you die within this period. On your death, the income may continue to be paid for the rest of the guarantee period, or it may be paid as a lump sum to your estate (and tax might be due on it).

If anyone is financially dependent on you, do not look on a guarantee period as a substitute for a joint-life annuity.

If you choose a joint-life annuity, a guarantee period may not be useful as you will have already arranged for a proportion of your annuity to continue to be paid on your death.

Annuity protection lump-sum death benefit

Another way of ensuring that if you die before the age of 75 your money doesn't die with you is an annuity protection lump-sum death benefit. A lump sum equivalent to the pension fund you used to buy an annuity, minus the income you've already been paid, will be paid to your estate or beneficiaries. There will be a tax charge and may also be an inheritance tax charge on this payment.

Impaired life and enhanced annuities

Some companies offer annuities that pay you a higher-than-normal income if you have a health problem that threatens to reduce your lifespan. These are called **impaired life annuities**. Relevant health problems might include, for example, cancer, chronic asthma, diabetes, heart attack, high blood pressure, kidney failure, multiple sclerosis or stroke.

You might be able to get an **enhanced annuity** if you are overweight or smoke regularly. Some companies offer higher rates to people who have followed certain occupations and to people living in certain parts of the country – shop around and compare the income you can get from different providers.

If you have contracted out of the additional State pension

If you have contracted out of the additional State pension, known as the State Second Pension (previously called the State Earnings Related Pension Scheme or SERPS), and put your rebates into a personal pension fund, you must use that part of your pension fund to buy a **protected rights annuity**.

Your pension provider will tell you if protected rights applies to you and what it means in your circumstances.

With a protected rights pension you:

- can take your protected rights pension at the same time as your occupational or personal pension, provided you are over 50 years old and your pension scheme rules currently allow you to take your pension at age 50. This lower age limit will be going up to 55 by 2010;
- can convert up to one quarter of your protected rights fund into a tax-free lump sum;
- will have to buy a joint-life annuity paying a 50% spouse's pension if you are married or have a civil partner; and
- can choose between taking a level or escalating annuity.

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How annuity rates vary – according to age, sex and type of annuity

Notes to the chart opposite

1. **Level (no guarantee period):** The income provided is the same each year for the rest of your life.
2. **Level (guaranteed 5 years):** The income is the same each year for the rest of your life and is guaranteed to be paid for at least 5 years, regardless of when death occurs.
3. **Escalating 3% each year (no guarantee period):** The income increases each year by 3% but stops immediately on death.
4. **RPI linked (no guarantee period):** The income increases each year by the Retail Prices Index (RPI) but stops immediately on death.
5. **Joint lives:** On the death of the scheme member, the income continues (at the level you select when you take out an annuity) to your spouse or partner for the rest of their life.
6. Better rates may be available for people with health problems, or who have followed certain occupations.
7. **Source: Compare products** annuity tables: www.moneymadeclear.fsa.gov.uk. June 2007

You may see an annuity rate expressed as a percentage, or as so many pounds of income for each £10,000 you have invested in your pension fund. For example, an annuity rate of 6% is the same as £600 a year income for every £10,000 in your pension fund. Check annuity rates as you near retirement and shop around for the best deal.

Remember

These figures show annuity rates at one point in time. They are only an illustration to help give you an idea of what you might get. Annuity rates change frequently for several reasons.

The chart below gives an indication of the pre-tax monthly income from an annuity that could be bought in 2007 for a pension fund of £25,000. The figures in the joint-life columns assume the person buying the annuity is a 65-year-old male who is five years older than his female partner.

Types of annuities	Single life				Joint lives (no reduction on death of scheme member)		Joint lives (reducing by 50% on death of scheme member)	
	Male 60	Male 65	Female 60	Female 65	Male 65	Female 60	Male 65	Female 60
	£/mth	£/mth	£/mth	£/mth	£/mth		£/mth	
Level annuities								
Level (no guarantee period)	131	147	122	135	116		129	
Level (guaranteed 5 years)	131	146	111	135	115		129	
Escalating								
Increasing 3% each year (no guarantee period)	90	96	81	95	75		88	
RPI linked (no guarantee period)	82	97	74	87	69		81	

Investment-linked annuities

Investment-linked annuities put your pension fund into investments, such as stocks and shares.

This means that you could continue to benefit from stockmarket investments after retirement, but there is also the risk that the value of your investments could fall.

You should get specialist financial advice if you are considering an investment annuity – see *Useful contacts*.

Investment-linked annuities can be either:

- **with profits**; or
- **unit-linked**.

With an investment-linked annuity you will be linking your income in retirement to the ups and downs of the stockmarket instead of receiving a pre-set income, as you would with a lifetime annuity.

With-profits annuities

Your pension fund is invested in an insurance company's with-profits fund. Your income is linked directly to the performance of this fund.

Your income is usually made up of two parts:

- **a starting income**

This is set at a low level, but, unless investment conditions are very bad, you'll usually get at least this

much income. Some providers may guarantee a minimum level of income.

- **bonuses**

The insurance company usually announces bonus rates once a year.

Bonuses can be both **reversionary** (usually paid each year for the duration of your annuity) and **special** (paid for a year or so) until the next bonus announcement.

The amount of any bonuses depends on many factors, such as:

- how well investments are doing – for example stockmarket performance;
- business risk – the financial strength of the fund; and
- the insurance company's assessment of what it can afford to pay out in bonuses.

Bonuses are not guaranteed. Whether or not you get a bonus depends on the financial strength of the firm.

Unit-linked annuities

Your pension fund is invested in units in investment funds. Your income is linked directly to the funds you have invested in. You can usually choose the types of fund, for example:

- **medium-risk managed fund**

A fund manager selects a broad range of different shares and other investments. Spreading your money in this way may reduce risk, although investment risk cannot entirely be removed.

- **higher-risk fund**

A fund manager selects shares and other investments in a particular country or sector, such as smaller companies. Because your money is less widely spread the risk is higher.

- **tracker fund** which closely follows the performance of a particular stockmarket index and reflects the level of risk within that index.

Usually, these have lower charges than managed funds.

The more risky the underlying fund you choose, the more your retirement income may vary – both up and down.

Retiring gradually

Instead of using the whole of your pension fund(s) to buy an annuity you can retire gradually.

Phased retirement uses part of your fund to buy an annuity. The rest of your fund remains invested. You can later use another portion of your fund to buy another annuity. In this way you can provide a flexible income.

Each time you convert part of your fund to an annuity, you can first take some tax-free cash from this portion of the fund.

Converting portions of your fund regularly – for example, once a year – means you can effectively use the tax-free cash, as well as the annuity, to provide your income.

Insurance companies often set a minimum fund size for annuity purchases so you must convert

enough of your fund each time to enable you to buy an annuity.

Phased retirement can be a useful financial planning tool, for example if you want to ease back gradually on work and start to replace your earnings with pension income.

It also provides more flexible help for your survivors if you die. The part of the fund you haven't converted to annuities can pay a pension or a lump sum for your surviving dependants, depending on the terms of the pension plan.

Retiring later and postponing your annuity

You don't have to buy an annuity with your pension fund at retirement. You may consider postponing buying an annuity until a later date. Alternatively you may decide not to buy an annuity at all and draw an income directly from your pension fund instead – see **Other retirement options** below.

If you delay buying an annuity you might expect a higher annuity rate because you're older. But because people are on average living longer, annuity rates are adjusted from time to time to reflect this. So it could be risky to assume that annuity rates will be much higher if you postpone buying your annuity. And of course rates may fall or rise for various reasons.

You can also postpone taking your State Pension, in exchange for getting a higher pension or a taxable lump sum when you do decide to take it.

See *Useful contacts* for details of how to get a leaflet about this from the Pension Service.

Other retirement options

If, for whatever reason, you decide that you're not ready to buy a lifetime annuity, you will have the following options:

- an **unsecured pension** using **short-term annuities**;
- an **unsecured pension** using **income withdrawal**.

However, by age 75 you must take your pension income, for example as a lifetime annuity, or as an alternatively secured pension.

Unsecured pension

An unsecured pension means that after taking any tax-free cash, the rest of your pension fund remains invested.

Unsecured pension using short-term annuities

With a short-term annuity, you can use part of your pension fund to buy a fixed-term annuity lasting up to five years. You can choose your annuity options in much the same way as basic annuities – see page 7. In the meantime, the remainder of your fund continues to be invested.

At the end of the term of the annuity you can buy another short-term annuity. You can also combine income from a short-term annuity with income

withdrawal. You can continue in this way until you are ready to buy a lifetime annuity or by age 75.

Unsecured pension using income withdrawal

With income withdrawal you can take a taxable income direct from your pension fund. This is also known as **income drawdown** or **pension fund withdrawal**.

Income withdrawal is an option with most personal pensions and some occupational money purchase schemes.

In some cases if you are in an employer's scheme and want to use income withdrawal, you must first transfer your pension rights from the employer's scheme to a personal pension. There will probably be charges for making this transfer.

HM Revenue & Customs (HMRC) sets a limit on the maximum amount of income you take from the fund. You must review your arrangement every five years to make sure it is within this limit. There is no minimum amount of income that must be taken.

For more detailed information about income withdrawal, read our guide **Your retirement options – income withdrawal** – see *Useful contacts*.

Phased retirement and income withdrawal can be combined

This means you would start to draw an income from just part of your pension fund on one date, leaving the rest of the fund intact. To increase your income at

a later date, you could either increase the rate of withdrawal (provided you did not exceed the maximum limit) or start to draw an income from a further slice of your pension fund.

If you use one of the above unsecured pension options you must then decide how to secure an income from your pension funds before you reach age 75. This generally means buying a lifetime annuity.

Alternatively secured pension

An alternative to buying an annuity at age 75 is to use an alternatively secured pension. This works in a similar way to an unsecured pension but has slightly different rules.

However, the Government has indicated that alternatively secured pensions are only intended for a small group of people who have a religious objection to buying an annuity. You should take this into account when deciding on how to secure your pension – an alternatively secured pension may not be suitable for you. Also, inheritance tax may apply to any left-over funds on your death.

Hybrid products

If you don't want to commit yourself to a lifetime annuity but don't want the investment risks of income withdrawal, hybrid products pay a regular income and offer guarantees of either investment growth or the amount of pension fund you can expect to have left to buy an annuity later on.

They vary in what they're called, the guarantees they offer and the charges they make to cover the cost of the guarantees. You generally have to give up some investment growth potential to pay for the guarantees.

It's a good idea to get professional advice on these and other retirement options.

Key points

- Investment linked annuities offer the chance of a higher income in future – but only by taking extra risk. They may also have high charges.
- Phased retirement is usually only suitable if you have a fairly large pension fund (after taking any lump sum), or have other assets or income to live on.
- Unsecured pensions involve extra costs and extra investment risk when compared with buying a lifetime annuity straight away. They are not usually suitable if you have a small pension fund (after taking any lump sum) or you have no other assets to fall back on.

Key things to think about

Where to buy annuities

Insurance companies or other financial institutions sell annuities and other retirement options. The rates vary from company to company so shop around to find the best deal for you.

You can usually buy an annuity from the same company with which you built up your pension fund, but don't assume it will automatically offer you the best rate. You may do better to shop around and check whether another company could offer you more.

Key point

The rate you get can affect your income by hundreds of pounds a year for the rest of your life so it may really pay to shop around.

In most cases you can use your pension fund to buy an annuity from another company.

Your insurance company must tell you that you can buy your annuity from another company and explain the advantages and disadvantages.

Some companies however will only offer annuities for funds over a certain size – so if you have a small fund you may find it difficult to buy an annuity from a different company.

If you are a member of an occupational money purchase pension scheme, you can also shop around on the open market and find the insurance company with the best annuity rate for you, or your scheme trustees can do this for you if you ask.

Before shopping around, make sure you understand what your existing provider is offering you.

Check

Get a quotation from your pension provider for the type of annuity you want and compare this with quotations from other companies.

Check

Will your existing pension provider impose a charge against your fund if you buy your annuity from another company?

Check

Does your pension provider offer you a 'guaranteed annuity rate'? This is not the same as a guaranteed period. A guaranteed rate means you were promised a minimum annuity rate when you were sold the pension. Now that annuity rates are a lot lower, these guarantees can be very valuable.

Check

If you have an occupational money purchase pension, check what the scheme will offer you and compare this with annuities from other companies.

Tips to help you shop around for an annuity

It's usually a good idea to allow around six weeks to get quotations before you want to buy your annuity.

When comparing different quotes, make sure you base your request on identical types of annuity.

Some companies are keen to attract annuity customers, so they offer competitive rates; others are less keen, so it pays to shop around.

You may want to get financial advice – see page 20.

- Get an estimate of the value of your pension fund, taking account of any charges, from your pension provider.
- Decide how much tax-free lump sum you want to take (usually up to a quarter of your fund) and deduct it from the pension fund value your pension provider gives you.
- Decide whether you want:
 - a single- or joint-life annuity. If joint life, whether the pension to your partner is paid in full or reduced (say by one third);
 - a level or escalating annuity. If you want an escalating annuity, you need to decide whether you want it RPI linked or fixed.

- Think about whether you want payment of your annuity to continue for a specific number of years (five or ten), should you die shortly after retiring.
- Does your fund need to be a certain size to qualify for the better rates offered by another company? You may find it difficult to shop around if you have a small pension fund (say less than £10,000). Some firms may not be interested in advising on small sums.
- Are you a smoker? Some companies offer higher annuity rates for smokers.
- Do you have a medical condition that could reduce your life expectancy? Some providers of impaired life annuities are interested in pension funds smaller than £5,000.

You should now have the facts you need to get quotes from a range of companies.

Remember that annuity quotes are usually only fixed for between seven and 28 days from the date they are issued.

Key point

Check annuity rates by using the unique annuity tables on our **Money**madeclear website. They allow you to check the rate you have been offered by your provider with the rates available from other companies, based on the actual amount you have in your personal pension fund.

Go to the **Compare products** section of our **Money**madeclear website – see *Useful contacts*.

Do you want information or advice?

When buying an annuity the general information you get from a firm either verbally or in print will usually just describe the products or services they provide. It won't give you advice based on your particular needs or circumstances. To get this type of financial advice, you'd need to see a financial adviser.

You don't have to take advice but if you don't and the annuity you buy turns out to be unsuitable, you will have fewer grounds for complaint.

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Getting financial advice

Firms selling pensions and annuities must be regulated by us. This means they have to meet certain standards which we monitor and we can take action if they don't. Advertisements, product brochures and other promotions produced by firms we regulate must be clear, fair and not misleading.

You can check if a firm is regulated and report any misleading promotions to us by phone or online – see *Useful contacts*.

You can also use the Financial Ombudsman Service if things go wrong; and the Financial Services Compensation Scheme if your adviser stops trading – see **If things go wrong** on page 25.

Firms we regulate must only recommend schemes that are suitable for you and must give you certain information about the firm, their services and costs.

Important information you'll get

You will also usually get a **Key Features document** describing the main aspects of the annuity, such as its aims and the risks. Make sure you read and understand this information and ask questions about anything you are unsure about.

With basic annuities, you'll usually get a projection showing the amount of income you would get, given the size of your pension fund, your personal details and current annuity rates.

The figures are shown after deducting any sum you have chosen to take as tax-free cash.

In most cases the projection for a with-profits or unit-linked annuity will include examples of how your annuity income might vary in future years. These projections will probably be based on standard assumptions about the growth of the underlying investment fund – the fund will not necessarily grow at these rates.

If you choose a with-profits annuity, you should ask about the company's approach to running its fund and setting bonus rates.

If you are considering an unsecured or alternatively secured pension, the illustration could include **critical yield** figures.

These may show:

- how much your pension fund needs to grow to let you withdraw an income equal to what you would have got if you'd bought an annuity straight away; and
- how much your pension fund needs to grow to maintain the level of income you have chosen.

Remember that if your investments fall, you may lose money and have a much lower income in retirement. Think carefully about getting financial advice.

Key points

Make sure that:

- your adviser understands your financial and personal circumstances, including future needs;
- you understand how the retirement option you choose works and any risks involved;
- you read the Key features document and ask questions if anything is unclear.

Your questions answered

Question

How can I work out what type of lifetime annuity I need?

Answer

The type of annuity you buy is usually based on your personal circumstances. For example, if you are single, you would usually choose a single-life annuity, which could be either **level** – it would pay you the same income for the rest of your life – or **escalating** – your income would start at a lower rate than a level annuity and would usually alter each year.

If you have a partner you want to provide for after your death you can buy a joint-life annuity. This too can either be a level or escalating annuity.

Question

Do I have to buy a lifetime annuity?

Answer

You do have options other than an annuity such as an unsecured pension with a short-term annuity or income withdrawal. But you need to remember that these options involve extra costs and extra investment risks.

However, at your 75th birthday you have to secure an income from your fund by buying either a lifetime annuity or using an alternatively secured pension.

Question

I'm a smoker. Will this affect the annuity rate I'll get?

Answer

Some companies will offer you an enhanced lifetime annuity if you're a smoker. Shop around to compare rates on offer. You can see which companies offer enhanced annuities on the **Compare products** section of our Moneymadeclear website – see *Useful contacts*.

Question

If I buy a lifetime annuity then decide that it is not right for me, can I change it?

Answer

You can't usually change a lifetime annuity once you've bought it so it's important to make sure that you choose one that is right for you.

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Next steps

Step 1

Decide how much tax-free lump sum to take from your pension fund – this will reduce your overall fund.

Step 2

Decide on the type of retirement option you want based on your personal circumstances.

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Step 3

Get a quote from your pension provider for the type of annuity you want. Find out about guarantees and charges.

Step 4

Shop around. If buying a lifetime annuity, remember you can use the annuity tables on the **Compare products** section of our Moneymadclear website – see *Useful contacts*.

If things go wrong

If you have a complaint about the advice you received when you bought your annuity or other retirement option, first take your complaint to your adviser or the company. If you cannot resolve the problem with them, contact the Financial Ombudsman Service – see *Useful contacts*.

If a provider has difficulties and becomes insolvent, the Financial Services Compensation Scheme (FCSC) may be able to help you. Read the FCSC guide **How we can help you** – see *Useful contacts*.

If you have a problem with an **employer's scheme**, first contact the pensions administrator at work.

Your employer's scheme must offer a formal complaints procedure. If you cannot settle the matter, contact the Pensions Advisory Service. It will attempt to mediate between you and the scheme.

If necessary it will help you to take your case to the Pensions Ombudsman – see *Useful contacts*.

Jargon buster

Lifetime annuity

A lifetime annuity converts money from your pension fund into pension income which is taxed. There are different types to suit your circumstances.

Money purchase pension

Your contributions are invested in, for example, the stockmarket. The size of your fund depends on how much is invested and how well those investments do. At retirement, some or all of the fund may be used to buy an annuity.

Occupational pension

Available through employers and run by pension scheme trustees. There are two types – salary-related (defined benefit) and money purchase (defined contribution).

Open market option

Your right to shop around and buy your annuity from the company offering the best deal for you.

Personal pension

A money purchase pension from a financial services company into which you and/or your employer make contributions.

Protected rights pension

The part of your pension fund which was used to contract out of the State Second pension (or SERPS) that must be used to buy a protected rights annuity.

Salary-related occupational pension scheme (final salary or defined benefit)

A type of occupational pension. The amount of pension you get is worked out on your salary at or near retirement, or when you left employment, and your pensionable service.

Stakeholder pension

A type of personal pension that has to meet certain standards set by the government.

State Second Pension

An additional State pension paid on top of your basic State Pension. This used to be called SERPS. Self-employed people cannot build up a State Second Pension.

Tax-free lump sum

An amount of cash set by HMRC which you can take at retirement free of tax. Individual pension schemes may have different rules on the amount of tax-free cash you can take.

Unsecured pension

Allows you to draw an income from your pension fund up to age 75 while leaving the fund invested – either through income withdrawal or short-term annuity.

Useful contacts

Call rates may vary – check with your telephone provider for their charges.

To order other Moneymadeclear guides, check our Register or for general information or guidance

Financial Services Authority (FSA)

Consumer Helpline: 0845 606 1234
Minicom/Textphone: 08457 300 104
www.moneymadeclear.fsa.gov.uk

To report misleading financial promotions

08457 300 168

Other Moneymadeclear guides

- **About the Financial Services Authority**
- **Getting financial advice**
- **Making a complaint**
- **Pension transfers**
- **Retirement options – income withdrawal**

Pension information and advice

For details of your occupational pension scheme talk to your pensions administrator, pensions manager or pension trustees at work.

The Pension Tracing Service

(at The Pension Service)

To trace pensions you've lost track of
0845 600 2537
www.thepensionservice.gov.uk

Future Pension Centre

For a forecast of your State Pension
0845 3000 168
Textphone: 0845 3000 169
www.thepensionservice.gov.uk

The Pension Service

To find out about deferring your State Pension

Leaflet: **Your State Pension Choice – Pension now or extra pension later: A guide to State Pension Deferral (SPD 1).**

0845 6060265
www.thepensionservice.gov.uk

The Pensions Advisory Service

For general pension queries and leaflets
0845 601 2923
www.pensionsadvisoryservice.org.uk

The Pensions Regulator

www.thepensionsregulator.gov.uk

The Pensions Ombudsman

020 7834 9144
www.pensions-ombudsman.org.uk

HM Revenue & Customs (HMRC)

For tax queries
0845 010 9000
www.hmrc.gov.uk

Financial advisers/planners

IFA Promotion

0800 085 3250 (freephone)
www.unbiased.co.uk

Provides a list of eight independent financial advisers in your area

Institute of Financial Planning

0117 945 2470
www.financialplanning.org.uk
For help in planning your finances

The Personal Finance Society

www.thepfs.org/finadanadviser
Will provide a list of up to 6 financial advisers in your area

Complaints and compensation

Financial Ombudsman Service (FOS)

Complaints resolution
South Quay Plaza
183 Marsh Wall
London E14 9SR
0845 080 1800
www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

For help if the firm goes out of business.
7th floor, Lloyds Chambers
Portsocken Street
London E1 8BN
020 7892 7300
www.fscs.org.uk