the Money Advice Service

Your pension: it's time to choose

- Thinking about retiring
- Deciding how to take your retirement income
- Shopping around for the best income

The **Money Advice Service** is independent and set up by government to help people make the most of their money by giving free, impartial advice. As well as advice about pensions and retirement, we offer information on a wide range of other money topics.

Visit our website today for advice, tips and tools to help you make informed decisions and plan for a better future.

moneyadviceservice.org.uk

Free impartial advice

- on the web
- on the phone
- face-to-face

Here to help you

This guide is for you if you are a few years or a few months from retiring and have a pension pot to convert into retirement income.

It explains the process you'll go through and the decisions you need to make now to get the best retirement income. As you approach retirement, it's essential to look at your options. The decisions you make now will affect your income for the rest of your life.

Contents

This guide is not for you if you'll be getting a pension that is worked out as a proportion of your pay – in other words, from a defined benefit pension scheme. Speak to your pension scheme administrators to find out more.

Getting started

First things to do

1 Thinking about retiring

- **Around two to five years before you expect to retire.** Start thinking about whether to retire then or earlier or later. Check what income you'll have. Track down any lost pensions.
- **Around four to six months before you expect to retire.** Read the information you're sent by each pension scheme. Ask questions if there's anything you don't understand. Decide whether to retire now or later.

For more information, see pages 4 to 5.

2 Deciding how to take your income

- Find out about different types of retirement income product. Decide what to do if you have several pension pots or only a small one.

  For more information, see pages 7 to 17.
- Gather information on the income you can expect from the different types of retirement income product.

  You can use our **Annuity comparison tables** **moneyadviceservice.org.uk/annuities**

3 Shopping around for the best income

- **Around six to 10 weeks before retirement.** Shop around for the retirement income product you want. You don't have to stay with your current provider because you'll often get a better deal elsewhere.

For more information, see pages 18 to 20.

For help with any of these steps, get advice from a financial adviser – see page 23. They will make recommendations tailored to your own personal circumstances and needs.

Key points

- The Pension Tracing Service – a free, government service can help you find lost pensions. It's run by the government and it's free. See *Useful contacts* on page 27.

- Delaying retirement may increase your pension, but not necessarily – see page 5.

- If you have two or more pension pots, combining them may increase the retirement income you get.

- You don't have to retire all in one go. You might be able to cut down on work, while drawing down just part of your pension.

- You can take up to a quarter of your pension pot as a tax-free cash lump sum, but your pension will then be less.

You can convert your pension pot into income by buying a retirement income product if you have a:

- personal pension, including a self-invested personal pension (SIPP) or a group personal pension scheme (GPPS)
- stakeholder pension
- most Additional Voluntary Contribution (AVC) schemes
- Free-Standing Additional Voluntary Contribution (FSAVC) scheme
- Retirement Annuity Contract (RAC)
- section 32 policy (buy-out bond)
- a workplace defined contribution scheme that is run by a board of trustees.

Step 1: Thinking about retiring

Between five and two years before you expect to retire, most pension schemes will write to you, suggesting that you start thinking about your plans. The key things you need to do at this stage are:

- think about when to retire
- check what income you can expect, including your State Pension
- trace any lost pensions
- check how your pension pot is invested.

What to do now

Know your options

Important points to consider when thinking about when to retire are:

- **What choices are available.** Retirement means the time when you start to take the benefits from your pension. Provided that your pension scheme rules allow it, you can take your pension benefits from age 55 and you don't have to stop working to do this. Some workplace pension schemes have a 'normal pension age' (for example, age 65) at which most workers start their pension. You can start your pension earlier but you need to check the scheme rules to see if you can start it later.
- **Whether some choices involve extra charges.** If your scheme didn't have a 'normal pension age', when you first started the scheme you will have had to state the age at which you expected to retire. Some pensions have charges that will apply if you retire earlier or later than this, or charges may apply on certain dates but not others. If your pension fund is invested on a with-profits basis (where bonuses are added each year), some insurance companies may reduce your pension pot by making a special charge, called a market value reduction. Check what date you have said you want to retire at and whether you will be penalised if you change it.
- **Whether you could stagger your retirement.** You don't have to retire all in one go. You may be able to take your pension in stages, called phased retirement (see page 17). You could combine this with gradually cutting down the hours you work. Not all schemes offer phased retirement, but you could transfer to another that does.

Whatever retirement date you choose, you don't have to get your retirement income from your current scheme. You can transfer to another provider for a better deal.

Check the impact of retiring early

Retiring early usually means you'll get a lower retirement income. This is because your contributions stop so less goes into your pension pot and your pension has to be paid out for longer. On top of this, there may be charges.

To check your possible income if you retire early, ask your scheme for a statement based on that age, or get a rough idea using our **Pension calculator** (see page 13).

Check the impact of retiring later

Retiring later may mean you get a higher income. This is because you can continue paying into your pension pot for longer, and your pension will not have to be paid out for so long. On the other hand, the value of the investments in your pot and the amount of retirement income you can buy could fall.

You can continue working and paying into a workplace scheme run by a board of trustees only if the scheme rules allow – so check with your scheme administrators. With other types of defined contribution scheme, you can usually delay converting your pension pot into retirement income for as long as you like.

You can also delay taking your State Pension and get either extra State Pension when it starts or a one-off taxable cash lump sum. You don't pay any extra National Insurance contributions (NICs), because these stop when you reach State Pension age – currently 65 for men and between 61 and 65 for women depending on when you were born. For information on the State Pension, including how State Pension age is increasing, go to **gov.uk/browse/working/state-pension**

Track down lost pensions

The Pension Tracing Service can help you track down a workplace or personal pension that you have lost touch with. It is a free service run by the government – don't confuse it with commercial services that have a similar name but charge. For information, go to **gov.uk/find-lost-pension**

Review the investments in your pot

With some pension schemes, you choose how to invest your pension pot. As retirement approaches, it's usually sensible to switch from riskier investments, such as shares, to lower risk investments such as bonds. This is to avoid a fall in the value of your pot just as you need to use it to buy your retirement income. If you want help choosing or changing your investments, contact a financial adviser (see page 23).

Key points

- Check with your pension scheme if you are thinking about changing your retirement date. Ask whether extra charges apply and for a statement of the income you can expect.
- Let your scheme know if you've made a firm decision to change your retirement date.
- You can't draw your State Pension early, so you'll have to manage on a lower income for a while if you retire before State Pension age.
- Think twice before transferring your pot if your current scheme offers a guaranteed income – see page 18.

Step 2: Deciding how to take your income

Around four to six months before you expect to retire, your scheme should send you information about the options you have and the decisions you now need to make.

With most schemes, the information will also highlight in particular the possibility of a higher level of retirement income for people with poor health and other issues (see page 22). It will also tell you if your provider is offering a guaranteed annuity rate (see page 18).

What to do now

Read the information

Your provider will give you all the information you need about the money in your pension pot, including details of any guarantees or restrictions. **Keep this information safe, as you will need it when you shop around** (see page 18).

It's important information, so read it carefully and ask your pension scheme or financial adviser about anything that isn't clear. If you don't want to use a financial adviser, the Pensions Advisory Service can talk you through your options – see *Useful contacts* on page 26.

See the *Jargon buster* on page 25 for an explanation of some words you may come across.

Decide whether you want to retire now

Even if you have previously chosen to retire at the date coming up, or it is the 'normal pension age' for your scheme, you may still be able to retire later if you want to. See pages 4 to 5 for things to consider and what to do if you decide to put off retirement for now.

Decide whether to take a cash lump sum

You can take up to a quarter of your pension pot as a tax-free cash lump sum, but this will reduce the amount you have left to convert into retirement income.

If your pension pot is small, you may be able to convert the whole lot into a cash lump sum – though only a quarter will be tax-free. This means giving up the income altogether. See page 8 for details.

Did you know?

You don't have to get your retirement income from your current pension provider. Shopping around can increase your income by as much as a fifth – more if you have health problems, are overweight or smoke.

Choose a suitable retirement income product

You have a choice of options when converting your pension fund into retirement income. We explain these on pages 10 to 17. However, a common choice is to use your pension pot to buy a lifetime annuity – a product which provides you with a regular payment for life – so you may want to start by looking at pages 10 to 15.

Decide what to do if you only have a small pension pot

If the total value of all your pension funds is not more than £18,000, you can take your whole pension pot as cash instead of income. This is called trivial commutation. The overall limit of £18,000 includes any benefits from workplace pension schemes as well as pots you may have in private pensions such as stakeholder and personal pension schemes. You must be 60 or over, and your pension pots must be converted to cash within a 12-month period. Normally, a quarter of the money you will get is tax free and the rest will be taxed as income. If you have workplace or personal pension schemes valued at £2,000 or less, you may be able to take these benefits as cash even if the total value of your pensions is over £18,000. If you think this might apply to you, speak to your scheme trustee or provider for more details.

Decide what to do if you have more than one pension pot

You may be able to get a higher retirement income if you combine your personal or stakeholder pensions and then convert them into a retirement income (see page 14). On the other hand, if you don't need the income right away, you could buy a retirement income with one pension pot and leave the other(s) until later. It really depends on the types of pension you have, so you may want to get financial advice (see page 23).

A **lifetime annuity** is a type of retirement income which provides you with a regular payment for life. In most defined contribution schemes, you would use your pension pot to buy an annuity. There are different types of annuity for you to choose from, and usually you can shop around to choose which provider you want to buy it from. Once taken out, you can't change your mind, so it's important to get help from a financial adviser first (see page 23).

The information from your scheme

The letter from your scheme will usually contain information about the income you may get if you buy an annuity from that scheme. The simplest type of annuity provides a level retirement income, in other words fixed at the same amount each year for the rest of your life. But the letter may show several other types of possible income, depending on your needs and circumstances, for example:

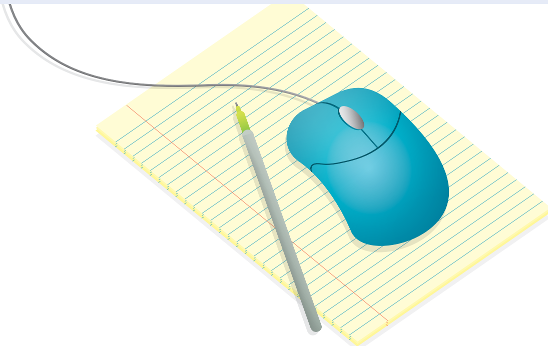
- **a joint annuity.** If your scheme knows you have a partner, there may be another figure for the income that would be paid if you died first and the income carried on being paid until your partner had passed away too.
- **an increasing annuity.** The starting income you would get, assuming that it then increased each following year to help protect your living standards against inflation.
- **an annuity based on your health.** The income you would get if you qualify for extra because your health is poor, you are overweight or smoke.

There is more information about these and other types of retirement income on pages 10 to 17. If your scheme does not offer these types of annuity, then instead there should be statements in the letter alerting you to the importance of checking whether you could get these options from other providers.

Whatever your needs and circumstances, you don't have to buy a retirement income product from your current pension scheme. You can shop around – this is known as the open market option. We explain how to do this on pages 18 to 20.

Once you've taken out an annuity, you can't change your mind and get your pension pot back, so it's very important to get this decision right.

You can also use the Pensions Advisory Service's online Annuity Planner at **pensionsadvisoryservice.org.uk/online-planners** to help you through the decision-making process for choosing a retirement income product. See pages 16 to 17 for retirement income products, other than annuities, that you might want to consider.



Different types of retirement income

This section, pages 10 to 15, looks at different types of annuity that you can buy. Pages 16 and 17 look at other ways of providing your retirement income.

Choosing the right annuity for you

Annuities are sold by life insurance companies and you can add different options and get different types depending on your needs and circumstances.

Single or in a couple?

A **single-life** annuity provides an income just for you. It may be suitable if either you don't have a spouse or partner, or they have their own pension arrangements. If you do have a partner, think carefully before choosing a single-life annuity – it will stop paying out when you die, leaving nothing for your partner. A **joint** – sometimes called a joint-life – annuity will pay out to you and then your spouse or partner after your death (normally at a reduced rate).

Concerned about rising prices?

You can also choose whether you want your single or joint retirement income to be fixed or increasing.

A **level** annuity pays out the same fixed amount of retirement income throughout your life. In other words, it doesn't go up in line with inflation. You will get more money to start with than you would from an increasing retirement income, but it will buy you less in the future because of inflation.

An **increasing** annuity will normally start at a lower rate than a fixed retirement income product and will gradually build up. With an increasing retirement income product there are two main choices:

- **fixed rate** – your income goes up each year by an agreed fixed rate (for example 3% or 5%)
- **index-linked** – your income is adjusted each year to reflect changes in the Retail Prices Index (RPI) or the Consumer Prices Index (CPI). The amount by which your retirement income goes up will vary from year to year to match inflation, so the buying power of your pension will stay the same.

Although you will get less money in the early years from an increasing retirement income than from a level one, an increasing income will usually go up each year. Nevertheless, if inflation is low for a long period, it can take 20 years or more for an increasing income linked to the RPI to pay out as much as a level one. But if you don't have an increasing income, even low levels of inflation can, over time, significantly reduce your standard of living.

Worried about value for money?

An optional feature you can include with an annuity is a **guarantee period**. With this, you choose to guarantee that your retirement income will be paid at the full rate for at least a set period – often 5 or 10 years. If you die during this period, the income continues to be paid to whoever you choose until the guarantee period ends. If you live beyond the end of the guarantee period, your pension will continue to be paid for the rest of your life.

It's possible to have both a guarantee period and a joint retirement income. You'll need to decide whether – if you die within the guarantee period – you want your partner's or dependant's pension to start from the date you die or the end of the guarantee period. At the end of the guarantee period, your partner or dependant will receive the dependant's income percentage you chose when you bought the retirement income product.

A **capital protected** annuity is a way of ensuring that whenever you die, your annuity pays out at least as much as you paid for it. Your estate or beneficiaries will receive a lump sum equivalent to the pension pot you used to buy the retirement income, minus the income you've already been paid. There will be an income tax charge, and possibly inheritance tax.

If you choose capital protection, it will reduce the amount of retirement income you get as you will be paying for this protection. A guarantee period may reduce your retirement income, but if it's highly likely that you will live at least that long there might be no reduction at all.

Interested in a more risky but possibly higher income?

You could consider an investment-linked annuity. But these involve extra risk, so you would be wise to get financial advice (see page 23).

Investment-linked annuities put your pension pot into investments, such as stocks and shares. This means you could continue to benefit from stockmarket investments after retirement. But 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 basic annuity.

Investment-linked annuities can be either:

- **with-profits**. Your pension pot is invested in an insurance company's with-profits fund. Your income will depend on the insurance company's annuity rates and the bonuses (if any) added to your pot. Bonuses are not guaranteed – it depends on the financial strength of the firm, or
- **unit-linked**. Your pension pot is invested in units in investment funds and your income is linked directly to the funds you have invested in.

Key points – when deciding to take your retirement income

- Think very carefully about the type of retirement income product you want, as you may not be able to change your mind once you've bought it.
- Check whether you could get a better income because of your health or lifestyle.
- Check whether you need to provide a pension for your partner on your death.
- Consider whether you want your retirement income to keep pace with inflation.
- Investment-linked annuities offer the chance of a higher income in future – but only by taking extra risk.

Want to see the impact of retiring early or late?

Try our Pension calculator

This tool will show you the retirement income you might get from your existing pension pots and by saving extra. You can vary the retirement age you put into the calculator to estimate the effect of retiring earlier or later.

moneyadviceservice.org.uk/pensioncalculator

the Money Advice Service

How annuity rates vary according to age and type of annuity

These figures show average rates at one point in time. They are only an illustration to help give you an idea of how different types of product affect what you might get. Rates change often for many reasons.

Types of retirement income product	Single life £/month	Joint (no reduction on death of scheme member) £/month	Joint (reducing by 50% on death of scheme member) £/month
Level	116.09	97.70	105.63
Level (guaranteed 10 years)	114.43	97.67	104.89
Increasing 3% each year	81.15	67.05	73.49
RPI-linked	68.79	55.39	61.41
Enhanced: diagnosed with high blood pressure, type 2 diabetes, high cholesterol	139.66	105.77	113.72

Source: Money Advice Service Annuity comparison tables (March 2013).

The chart opposite gives an indication of the pre-tax monthly income from a retirement income product that could be bought in 2013 for each £25,000 of pension pot for a 65-year-old, non-smoker, with no guarantee unless stated otherwise. The figures in the joint columns assume the person buying the product is two years older than their partner.

The rate you might get is likely to be different, reflecting your particular circumstances and rates at the time. Annuity rates may also vary with the size of your pension pot, for example:

- some providers will not accept small pension pots at all
- some providers pay higher rates for pots above a specified amount (often £50,000). This creates a 'cliff-edge' so that just £1 less in your pension pot can mean a much lower retirement income.

So different providers may offer you a very different income for the same pension pot – one more reason why it is important to shop around for the best deal.

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 10 years): The income is the same each year for the rest of your life and is guaranteed to be paid for at least 10 years, regardless of when death occurs

3. increasing 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: On the death of the scheme member, the income continues (at the level you select when you take out the product) to your spouse or partner for the rest of their life

6. enhanced: You may be able to get a higher monthly retirement income if you have a health problem, medical condition or any lifestyle factors.

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

Other retirement income choices

If you don't want to buy a lifetime annuity, or if you decide to delay converting your pension pot, then you may want to consider a few other options.

These products are only suitable if you have a large pension pot or other sources of income, and you are comfortable taking some risk with your pension pot, your retirement income, or both. For advice based on your own circumstances, talk to a professional financial adviser – see page 23.

Income drawdown

This option (also called income withdrawal) lets you draw an income from your pension pot while leaving it invested. There are two kinds of drawdown.

Under **capped drawdown**, there is a maximum limit on the income you can take. This is set by reference to the retirement income a person of the same age could get from a lifetime annuity. From 26 March 2013, you can take up to 120% of that amount. There is no minimum. The provider must review your drawdown arrangement at regular intervals, at which time the maximum income you can have may rise or fall. So drawdown is suitable only if you can manage on an income that may vary. There are charges for continuing to run your pension fund and carrying out the reviews.

With **flexible drawdown** there are no limits on the income you can take, but to be eligible you must be able to show that you have secure pension income from other sources of at least £20,000 a year. This limit may change in the future. Types of income that count towards this limit include: your State Pension; a pension paid directly by a workplace pension scheme (such as a defined benefit pension); income from lifetime annuities (but if the income can fall, as with an investment-linked annuity, only the minimum guaranteed amount can count). Because there is no limit on your income, there are no regular reviews.

Income drawdown is an option with some personal pensions that you've taken out yourself and some workplace defined contribution schemes. In some cases, if you are in an employer's occupational trust-based scheme and want to use income drawdown, you must first transfer your pension rights from the employer's scheme to a personal pension.

For more detailed information about income drawdown, visit the Pensions Advisory Service website – see *Useful contacts* on page 26.

Fixed-term annuities

Under a drawdown arrangement, you can use your pension pot to buy a fixed-term annuity. This provides you with an agreed income for the specified term (say, three or five years). It also promises to pay a set lump sum at the end of the term which you can then use, if you wish, to buy a further fixed-term annuity or a lifetime annuity. The retirement income you can buy at the end of the fixed term will depend on annuity rates and your circumstances at that time, so may be higher or lower than the income you had been getting.

Hybrid products

Similar to fixed-term annuities, these products use a variety of different structures to pay a regular income and offer guarantees of either investment growth or the amount of pension fund you will have left to convert into retirement income 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.

Phased retirement

Phased retirement uses part of your pension pot to buy a retirement income. The rest of your pot remains invested. You can later convert another portion of your pot to retirement income. Each time you convert part of your pot to retirement income you can first take some tax-free cash from that portion of the pot. Not all schemes include this option.

Phased retirement and income drawdown can be combined. This means you would start to draw an income from just part of your pension pot on one date, leaving the rest of the pot 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 pot.

Key points

- These options are only suitable if you have a large pension pot or other sources of income.
- Get financial advice if you're considering any of these retirement options (see page 23).

Step 3: Shopping around for the best income

Six to 10 weeks before you expect to retire, your scheme should write again, reminding you of your options and the need to act.

Most schemes have agreed not to automatically send you an application form for their own retirement income products. So, if you do want to stay with your current scheme, you'll need to ask for application details.

However, it's important to shop around – you may be able to get as much as a fifth more income if you take your pension pot elsewhere. And don't forget to check whether you would be eligible for a higher income from an annuity based on your health or lifestyle.

How to shop around

Check what your current scheme is offering

Use this as a baseline for comparing what you can get elsewhere. Make sure you compare like with like, so don't for example compare an annuity just for you from one provider with a joint annuity from another. Annuity quotes are normally fixed for between seven and 28 days.

Check whether your current scheme offers a guaranteed amount of income – if it does, this will have been set some time ago and may be hard to beat. Check carefully whether any conditions apply – for example, must you take your pension on certain dates to get the guarantee and can it be a joint annuity if you want one or just a single annuity? Be aware that you will lose the guarantee if you take your pension pot to a different provider.

In most other cases, you can usually get a better deal by shopping around. Check how much pension pot you will have, after any charges have been deducted (see page 4), if you decide to buy your retirement income from another provider.

Decide on the type of retirement income product

If you haven't already done this, now is the time to decide whether you want to buy a lifetime annuity or opt for a different retirement income product. Pages 10 to 17 explain your options.

Use our Annuity comparison tables

If, like most people, you choose a lifetime annuity, you can use our online **Annuity comparison tables** on **moneyadviceservice.org.uk/annuities** to compare the features and costs based on the amount in your pension fund and your needs and circumstances. The tables show real-time rates for a range of different types of annuity, including annuities based on your health and lifestyle factors.

Consider using a financial adviser

Financial advisers are qualified professionals who can give you individual advice on your retirement income choices. They can assess your individual circumstances, talk you through your options, check the financial soundness of providers and recommend a provider that offers the right product for you. You should expect to pay a charge for advice – see page 23 and *Useful contacts*.

Talk to the Pensions Advisory Service

If you don't want to use a financial adviser, the Pensions Advisory Service can talk you through your options and how to shop around, but cannot recommend a product provider. Their service is free. You can also use the Pensions Advisory Service's online Annuity Planner to help you choose a retirement income product – see *Useful contacts* on page 26.

Talk to a pension provider

You can talk directly to pension providers. They will help you understand all your options, but will normally only give you information about their own products, so you may get a better deal elsewhere.

Key points

- You may be able to get as much as a fifth more income by shopping around.
- Make sure you check whether you could get more from an annuity based on your health.
- Use our online **Annuity comparison tables** on **moneyadviceservice.org.uk/annuities**

Shopping around: information you will need

When you shop around its important to have information to hand.

In general terms, the amount of retirement income you get will depend on:

- your age (you will get less income the younger you are)
- the rate offered by the insurance company, and
- the type of retirement income product you decide to buy, for example whether the income is fixed or increasing – see *Different types of retirement income* on pages 10 to 17.

Before saying how much retirement income they may pay you, providers will ask for the following information:

- the value of your pension pot
- whether you will be taking a tax-free cash lump sum
- whether you have any other pension pots (you might benefit if you combine them)
- whether you intend to take any small pension pots as cash
- whether you are married or have a partner or a dependant
- whether you are concerned that your retirement income product may lose value because of inflation
- whether you have any lifestyle factors (such as smoking) or medical conditions that may mean you are eligible for an enhanced annuity
- some personal details.

Information on medical conditions and lifestyle

In addition to details about you and your partner (if you have one), you will need to complete a questionnaire about any medical or lifestyle conditions. It's worth completing the questionnaire because if you or your partner answer yes to any of the following questions, you could be eligible for a much higher level of income:

- are you a smoker?
- have you been diagnosed with a medical condition?
- are you currently taking medication for a health condition?

For more about the types of conditions covered in the questionnaire, see *Poor health and other issues* on page 22.

You can get a copy of the questionnaire from your financial adviser, an enhanced annuity provider or from **commonquotation.co.uk**. You may need to check with your doctor for details of any treatment you have had or any medication you are taking.

Important things to consider

How much income you'll get

The amount of retirement income you get will depend on:

- your age (you will get less income the younger you are)
- the rate offered by the provider. This may be higher if your health is poor or due to lifestyle factors. Some insurers use your postcode as an indicator of the average health of people in your area
- the type of retirement income product you decide to buy, for example level or increasing.

Our **Annuities comparison tables** on **moneyadviceservice.org.uk/annuities** include rates for enhanced annuities.

Poor health and other issues

If you have a health problem that threatens to reduce your life expectancy, you may be able to get a higher monthly retirement income (sometimes called an enhanced annuity). Conditions can range from minor illnesses such as high blood pressure or high cholesterol through to more serious conditions such as cancer, chronic asthma, diabetes, heart attack, kidney failure, stroke etc.

You might also be able to get a higher monthly retirement income than someone in good health if you are overweight or smoke regularly. Some providers also offer higher rates to people who have worked in certain occupations or live in certain areas of the country, so make sure you think about these issues before you shop around.

If your health is very poor and a doctor certifies that you are expected to live less than a year, you can take your whole pension pot as a cash lump sum. The whole sum will be tax-free.

Getting financial advice

There will be a charge for financial advice. You may have to pay this as a lump sum fee at the time you get advice or by instalments. Always ask your adviser how much they are charging.

Different aspects of running, selling and giving advice about pensions are regulated by the Pensions Regulator, Financial Conduct Authority (FCA) or Prudential Regulation Authority (PRA). In particular, firms selling retirement income products must be regulated by the FCA or PRA – or both. The FCA and PRA are the UK's financial services regulators (which, from April 2013, replaced the Financial Services Authority).

Firms have to meet certain standards that the regulators monitor. For example, advertisements, product brochures and other promotions produced by regulated firms must be clear, fair and not misleading.

You can check if a firm is regulated and report any misleading promotions to the FCA by phone or online – see *Useful contacts page 26*.

For more about finding a professional adviser, search *'Getting financial advice'* on moneyadviceservice.org.uk

Types of adviser

Since January 2013, the types of professional financial advice you can get have changed. Advisers can offer either totally independent advice from across all relevant markets or restricted advice.

Where they offer restricted advice, they must explain to you what that restriction is. There are many different types of restriction. For example one restricted adviser might specialise in annuities but not drawdown, yet nonetheless consider all the annuity providers in the market. Another might only recommend products from a handful of providers or be tied to just one company.

Information you will get

You will usually get a keyfacts® document describing the main aspects of a retirement income product, such as its aims and risks. Make sure you read and understand this information and ask questions if there's anything you're unsure about.

You will usually get an illustration showing the amount of retirement income you would get (depending on the size of your pension pot), your personal details and the current rates. The figures are shown after deducting any cash lump sum you have chosen to take.

Once you have taken out a retirement income product, the provider will tell you if there is a short period during which you have the right to change your mind and cancel the contract, and if so, how to cancel.

Getting advice from the Pensions Advisory Service
If you don't want to use a financial adviser, the Pensions Advisory Service can talk you through your options and how to shop around, but cannot recommend a product provider. There is no charge for this service – see *Useful contacts* on page 26.

If things go wrong

If you have a complaint about the advice you received when you bought your retirement income, first take your complaint to your financial adviser or the company that advised you. If they cannot resolve the problem, you may be able to take your complaint to the Financial Ombudsman Service.

You can ask the Pensions Advisory Service to help you resolve a pension complaint or dispute, for example, about delays or mistakes. If you cannot resolve the problem with them, you may be able to use the Pensions Ombudsman.

If your pension provider is an insurance company and goes out of business, the Financial Services Compensation Scheme (FSCS) may arrange to transfer your policy to another insurer, or arrange for a new policy to be issued or, if these options are not possible, provide compensation. The FSCS is independent and its service is free to customers. To find out more, contact them or visit their website.

See *Useful contacts* on page 27 for the organisations mentioned in this section.

Key points

- Make sure your adviser understands your financial and personal circumstances, including future needs.
- Check you understand how the retirement option you choose works and any risks involved.
- Read the keyfacts® document and ask questions if anything is unclear.

Jargon buster

Additional State Pension
Part of the State Pension, where the amount you get depends on your earnings and National Insurance contributions paid during your whole working life. For people reaching State Pension age from April 2016 onwards, it is due to be replaced by a new single flat-rate State Pension.

Annuity
A type of retirement income which provides you with a regular payment, usually for life. In most defined contribution schemes you would use your pension pot to buy an annuity.

AVCs – Additional Voluntary Contributions
A pension top-up policy for a workplace pension. You pay contributions into a scheme run by your employer.

Cash 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, but it is usually up to a quarter of your pension pot.

FSAVCs – Free-Standing Additional Voluntary Contributions
A pension top-up policy for a workplace pension, but separate from your employer's pension scheme and normally run by an insurance firm.

Income drawdown
Allows you to draw an income from your pension scheme while leaving the pot invested.

Inflation
Increase in the general level of prices of goods and services.

Market value reduction
A reduction to your pension pot that could apply if you want to cash in your with-profits policy before or after its maturity date or other date(s) specified in the policy.

Open market option
Your right to shop around and buy your retirement income product from the provider offering the best deal for you.

Retirement annuity contract (RAC)
Similar to a personal pension, but was sold before 1988 when personal pensions first became available.

S32 policy (buy-out bond)
Used by members of some types of workplace pension schemes when they leave service or the scheme is wound up.

Trivial commutation
Taking your whole pension pot as cash if your retirement savings do not exceed a certain level.

Useful contacts

Money Advice Service

The Money Advice Service is independent and set up by government to help people make the most of their money by giving free, impartial money advice to everyone across the UK – online, over the phone and face-to-face.

We give advice, tips and tools on a wide range of topics including day-to-day money management, savings, planning your retirement and for your future, as well as advice and help for life changing events such as starting a family or losing your job.

For advice and to access our tools and planners visit
moneyadviceservice.org.uk

Or call our Money Advice Line on
0300 500 5000*

Typetalk
1800 1 0300 500 5000

Financial Conduct Authority (FCA)

To check the FCA Register, or to report misleading financial adverts or other promotions.

Consumer helpline: 0800 111 6768
Typetalk: 1800 1 0800 111 6768
fca.org.uk/register

Pension information and advice

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

The Pensions Advisory Service

For free independent information and guidance on all pension matters, including specialist advice on annuities and help with resolving a pension complaint or dispute. They also offer various online planners, including an Annuity Planner.

0845 601 2923
pensionsadvisoryservice.org.uk

GOV.UK

For information about planning and saving for retirement, including State Pensions, and how to find a lost pension.

State Pension statements
0845 300 0168

State Pension deferral
0845 606 0265

The Pension Tracing Service
0845 600 2537
gov.uk

Finding a financial adviser/planner

Unbiased.co.uk

For financial advisers in your area.
unbiased.co.uk

Personal Finance Society

For financial advisers in your area.
findanadviser.org

Institute of Financial Planning

Financial planners can help you to achieve your goals by planning your finances.
financialplanning.org.uk/general-public/find-planner

Complaints and compensation

Financial Ombudsman Service

0800 023 4567 or 0300 123 9123
financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

0800 678 1100 or 020 7741 4100
fscs.org.uk

The Pensions Ombudsman

020 7630 2200
pensions-ombudsman.org.uk

Use this page to record your notes

Use this page to record your notes

the **Money Advice Service**

Your pension: it's time to choose
is one of the guides available from the Money Advice Service. To see our full range of guides and request copies visit
moneyadviceservice.org.uk

Money Advice Line **0300 500 5000***
Typetalk **1800 1 0300 500 5000**

If you would like this guide in Braille, large print or audio format please contact us on the above numbers.

*Calls to 0300 numbers are free if you have free or inclusive call minutes as a part of the contract you have with your landline or mobile phone provider. If you don't have free or inclusive call minutes then calls to 0300 numbers will be charged at standard rates for UK geographic numbers (eg UK numbers starting with 01 or 02). To help us maintain and improve our service, we may record or monitor calls.

Information correct at time of printing (May 2013).

FSC www.fsc.org MIX Paper from responsible sources FSC® C006509

May 2013

Ref: YPITTC0001A