

GUIDE TO

# PENSIONS FREEDOM

HELPING YOU MAKE THE MOST OF  
YOUR NEW FREEDOMS...YOUR  
QUESTIONS ANSWERED

FINANCIAL GUIDE

Cowgill Holloway Wealth Management (UK) Ltd, Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR  
**Tel:** 01204 414243 **Email:** [wealthmanagement@cowgills.co.uk](mailto:wealthmanagement@cowgills.co.uk) **Web:** [www.cowgills.co.uk/services/wealth-management](http://www.cowgills.co.uk/services/wealth-management)

This document is a marketing communication. The information within this document does not constitute personalised advice or a personal recommendation, nor take into account the particular investment objectives, financial situations or needs of individual clients, and as such the investment may not be suitable for all investors. Cowgill Holloway Wealth Management (UK) Ltd is a private limited company registered in England and Wales with registration number 9156218 at Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR, authorised and regulated by the Financial Conduct Authority: 631878.

# PENSIONS FREEDOM

Helping you make the most of your new freedoms...  
your questions answered

**T**he new government pensions freedom rules came into place from 6 April 2015. It's really important to understand the changes and review your options, because from the age of 55, you can now take responsibility for the money you've saved and access your pension pot however you like.

Most people will now have more options when it comes to their retirement choices. But generally they'll still want their pension income to last their lifetime – so careful planning is a must.

You might want to: take it all in cash, have a guaranteed income for life by buying an annuity, have a flexible income or defer your decision until later.

The first point to bear in mind is the new pensions freedom rules only apply to defined contribution pensions. A defined contribution pension is generally a workplace pension, personal pension or self-invested personal pension (SIPP) on which the pay-out depends on fund or stock market performance.

Defined benefit pensions, which offer a pension based on final salary (such as some older workplace schemes, public sector and civil

service schemes), are excluded from pension freedom rules.

Other exclusions include the State Pension and specialist British expat pensions called Qualifying Recognised Overseas Pension Scheme (QROPS).

Everyone needs some knowledge of pensions and how they are changing, so we've provided answers to our top ten most frequently asked questions.

## Your questions answered

### Q. What has changed?

**A.** The changes are designed to give extra flexibility with how you use your pension savings from age 55 onwards. For many people, taking a tax-free cash sum and/or buying an annuity (a guaranteed income) was previously the only option. But this is no longer the case.

### Q. When did the changes take effect?

**A.** The changes took effect on 6 April 2015, with some smaller changes to the rules having been in place since March 2014.

### Q. Who will be affected by the changes?

**A.** The changes give extra flexibility

to anyone aged 55 or over with a 'defined contribution' pension.

### Q. What if my pension is 'defined benefit' ('final salary' scheme)?

**A.** Some defined benefit pensions may be eligible for the new freedoms, but you would need to transfer the money to a suitable scheme first. Under plans put forward by the Financial Conduct Authority (FCA), you must ensure that you have been advised by someone with a specific 'pension transfer specialist' qualification before you transfer your savings to a defined contribution scheme (unless the transfer value is less than £30,000).

### Q. Will I still have to buy an annuity?

**A.** No. However, annuities may still remain an important option. You now also have the option of a flexible access pension or withdrawing cash direct from your pension fund. Before making a decision, it's important to consider each of the options, taking into account the benefits, risks and tax implications of each.

### Q. Has pension freedom been extended to people who have already purchased an annuity?

**A.** Yes, an announcement was made during Budget 2015 to extend pensions freedom to about 5 million people who have already bought an annuity. A consultation published

# 55

From the age of 55, you can now take responsibility for the money you've saved and access your pension pot however you like.

on the day of the Budget on how a secondary annuities market could work suggests mirroring the £30,000 mandatory advice threshold for defined benefit pension transfers.

**Q. Can I withdraw my entire pension pot?**

**A.** Yes you can, as long as your pension scheme's rules allow it. Any amount above your initial 25% tax-free cash sum entitlement would be taxable at your marginal income tax rate as earned income (i.e. before savings or investment income). Depending on the size of the payment (and your other income), this could mean you might be taxed at a higher rate than you normally would. You should also ensure that your overall savings will give you sufficient income in retirement.

**Q. Am I able to leave my pension pot to my loved ones?**

**A.** Yes, if some or all of your money remains invested in a pension fund, then you can pass it on to your loved ones when you die. This would be tax-free should you die before you reach age 75 but taxable after that.

**Q. What are the tax implications?**

**A.** Other than your initial 25% tax-free cash sum entitlement, pension income and cash withdrawals remain taxable. You should take care if you are considering withdrawing amounts of money that could put you into a higher income tax band.

You can still pay into a defined contribution pension after you access your pension fund. But if you take flexible access income or cash withdrawals from your fund, the maximum amount you can pay in each year without incurring a tax charge is £10,000.

**Q. How will I be affected by having only a few small pension pots?**

**A.** Generally, your options remain as before. They include taking the money from any of your small

pension pots as a taxed cash sum (the first 25% of which would be tax-free if you haven't already started taking benefits from them), and you can now do this from age 55. Another is 'consolidating' all or some of your pensions into another pension (or pensions). The implications of this would, however, depend on your personal circumstances.

**The most important decision you'll ever need to make?**

Making the right retirement choices is likely to be one of the most important decisions you'll ever need to make. If you have any questions regarding the pensions freedom changes, then it's essential that you receive guidance and advice to help you decide what to do with your pension savings. For further information or to discuss your requirements, please contact us.

**NEW PENSIONS FREEDOM: SAVE, SPEND OR INVEST**

The unprecedented pension freedoms give over-55s the power to spend, save or invest their money as they see fit:

You can treat your pension as a bank account, dipping in and out as often as you like and taking a quarter of it tax-free (with the rest taxed as income).

Alternatively, you can keep the money invested and draw an income from it as you need (a process called 'drawdown').

You may prefer to go down the annuity route and convert some or all of your money into a guaranteed income for life.

Or maybe you want to cash in the whole lot and invest it somewhere else? The choice is yours.

**MOST PEOPLE WILL NOW HAVE MORE OPTIONS WHEN IT COMES TO THEIR RETIREMENT CHOICES. BUT GENERALLY THEY'LL STILL WANT THEIR PENSION INCOME TO LAST THEIR LIFETIME – SO CAREFUL PLANNING IS A MUST.**

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

## TIME TO CHOOSE HOW TO ACCESS YOUR PENSION BENEFITS?

From 6 April 2015, greater flexibility has been awarded to those who have pensions in the UK. Along with being able to access your pension pots from the age of 55, you can now opt between a larger variety of options when choosing how to access your pension benefits. If you are confused about your new pensions freedom options, please contact us for professional expert pension advice from our team.

*The content of this guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.*