TAKING BENEFITS FROM YOUR PENSION POT

What are your options?

NFU Mutual
RETIREMENT PLANNING

ARE YOU READY TO RETIRE?

You may be considering working less and reviewing whether you have enough income to stop working altogether. If so, with the support of one of our Financial Advisers, planning for a future without work can become a reality.

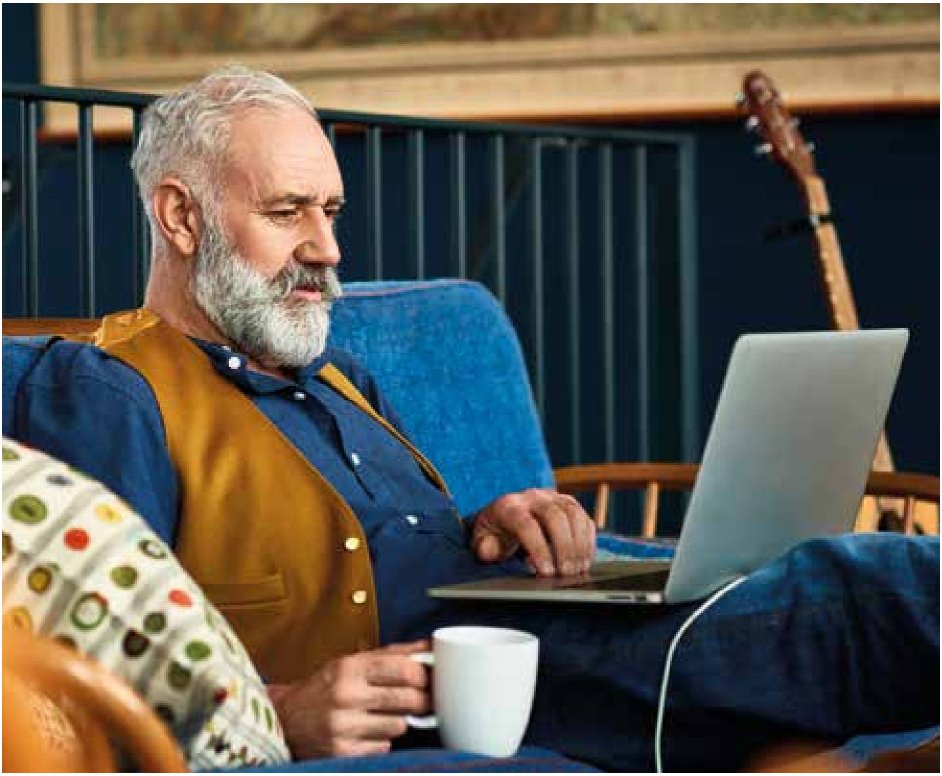
This means you may find yourself with more free time, the opportunity to travel and perhaps visit friends and family, enjoying living a different way of life to when you were working.

Therefore your income is an important part of giving you the lifestyle you want. You may not be aware of all the possibilities, but there are many ways you can take money out of your pension pot and how you do so can make a difference to your income – this guide explains the options.

It’s not too late to pay in more money now if your pot isn’t on target. Your NFU Mutual Financial Adviser will help you decide how much extra you may need to pay in.

New regulations mean that from the age of 50, all customers will receive information at least every five years to remind you where you can go to for pension guidance and for advice.

We know considering what to do with your pension pot can be daunting, but it’s an important step to securing your financial future. Taking the time now to review your pension options could pay dividends in years to come. By taking stock of your finances, you’ll get a clearer idea of how to achieve your long-term retirement goals.



PENSIONS AND INHERITANCE TAX PLANNING

Any money left in your pension pot when you die can normally be left to your family, in most cases free of Inheritance Tax.

For this reason it may make sense for those in a position to do so to consider using other investments, such as ISAs, to provide income before taking money from their pension.

Any growth on investments while held in a pension is normally free of UK Income Tax and Capital Gains Tax. For this reason it's important to take advice before you withdraw money from your pension.

Important Information

When reading this guide it's important to understand that the information is based on our understanding of relevant law and regulation as at April 2023. The tax treatment of pensions depends on individual circumstances and may change in the future.

Please note that Inheritance Tax advice is not regulated by the Financial Conduct Authority.

PENSION PLANS – YOUR CHOICES

If you have a pension/s with us or elsewhere, we can help you decide what you should do with these. Customers may find it worthwhile to transfer some or all of the pension plans they have into one – we can help you decide if that's right for you.

When it comes to taking money from your pension pot, your Adviser will consider the ways in which money can be taken out that's right for your financial situation, both now and in the future.

Remember you don't have to take all your money at one time, you can set up an income for life, or you can mix and match the options. Plus, when you take money from your pension to provide an income you can still pay into your pension pot.

Your Financial Adviser will review these options in detail:

- Take a tax-free lump sum from your pension pot and keep the remainder invested
- Move into flexi-access drawdown and take a taxable income by withdrawing money on a regular or ad hoc basis
- Buy an annuity – this is an income for life
- Take all your pension pot as one lump sum, 25% will be tax-free* with the rest taxed as income
- Take regular or ad hoc lump sums – 25% of each payment is tax-free and 75% is taxable.

*In most cases, the maximum tax-free cash you can take across all your pensions is £268,275 unless you have registered for Lifetime allowance protection.

We'll now take a look at some of the ways of using your pension pot in a little more detail, but before making your decision we recommend you take financial advice.

TAKING A TAX-FREE LUMP SUM

From age 55 (this will rise to age 57 from 2028) you can take a 25% tax-free lump sum* from your pension pot. Some pension plans can give you more than 25% as a lump sum, so it's worth checking. Your Adviser can help with this.

When you take your tax-free lump sum you can leave what's left invested until you decide how you want to use this money to provide an income.

You can still pay into your pension if you take a tax-free lump sum, up to the level of your earnings, capped at £60,000 each tax year. If you decide to take a taxable payment, such as a withdrawal, from your drawdown fund the amount you (and your employer) can pay in is reduced to £10,000.

In certain circumstances you can take part of your tax-free cash sum at different times, remembering that you can't take more than the overall tax-free cash sum allowed by your pension plan, which is normally 25%*.

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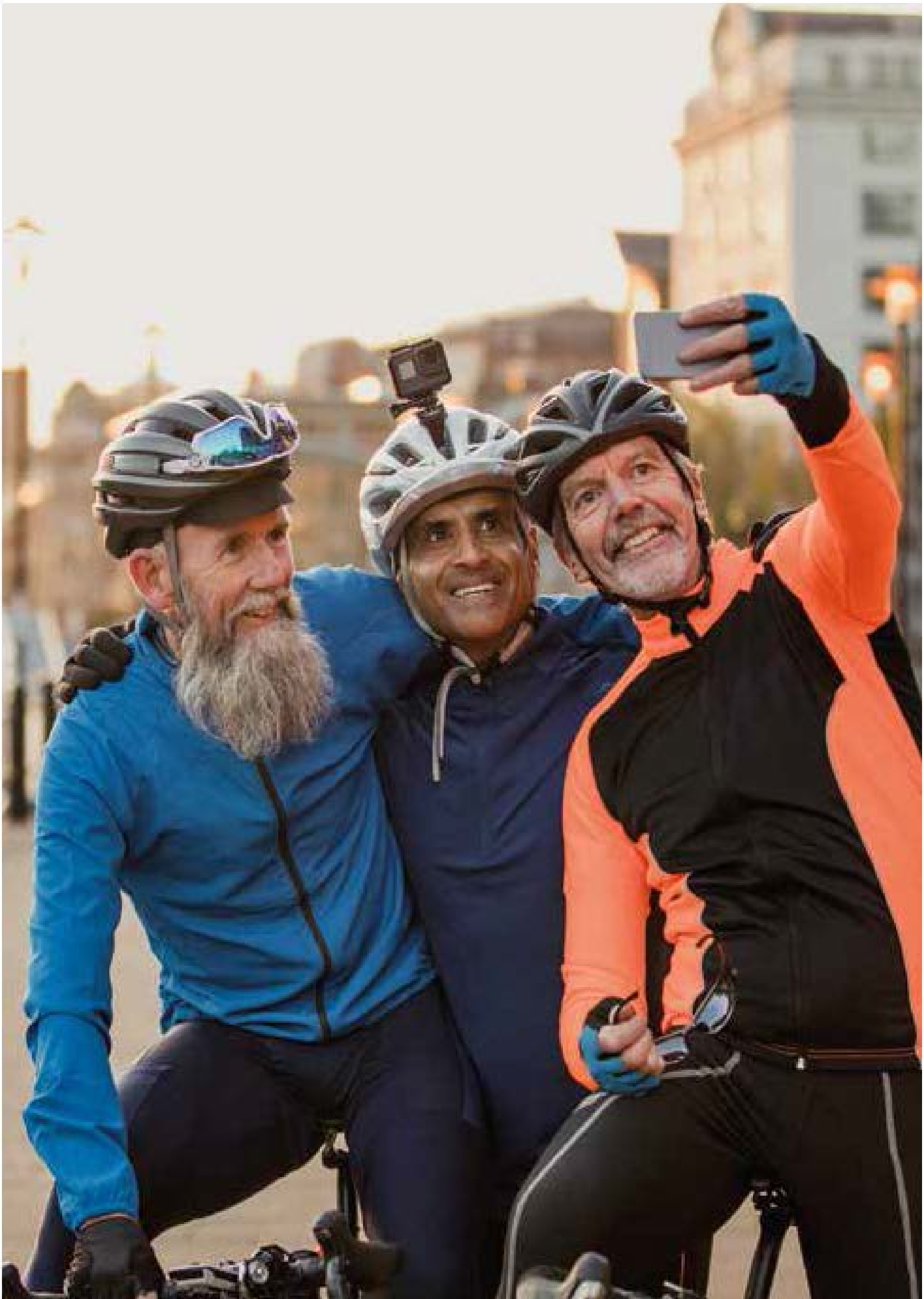

FLEXI-ACCESS DRAWDOWN

Flexi-access drawdown is a way of using your pension pot to provide an income, while keeping what's left invested.

When you move money into this type of pension you'll be able to take a tax-free lump sum, normally up to 25% of the value of the money invested*. For each £1,000 invested 25% would be £250.

*In most cases, the maximum tax-free cash you can take across all your pensions is £268,275 unless you have registered for Lifetime allowance protection.

Flexi-access drawdown is flexible as it allows you to decide how much income you want to take and when you want money to be paid. You can increase or decrease the income paid to you and you can choose to stop and start to suit your circumstances. You can also continue to pay into a pension if you are taking income from a flexi-access drawdown, but the amount you can pay in will be limited. Your Adviser can give you more details.

As your money remains invested with a flexi-access drawdown plan, its value will go up and down. Rising and falling investment values can affect how much you can take from your plan as income and for how long. Therefore it's important to review your investment choices on a regular basis and the income you take out. Remember the higher the level of income you take the quicker your overall value will decrease with a risk of running out.

Flexi-access drawdown is not for everyone as not everyone wants to leave their pension pot invested. Your Adviser will be able to help you decide whether it's right for you or even whether you could combine it with another option.

INCOME FOR LIFE

You can choose to buy your guaranteed income for life from an insurance company with some or all of your pension pot or after you've taken your tax-free cash payment, which is normally up to 25% of your pot's value*. You can arrange for this to continue to be paid to your spouse or dependant after your death too.

The income you receive will be added to any other income you have for that tax year and will be assessed for Income Tax.

To buy your income for life, you buy what is known as an annuity. There is more than one type of annuity – for example you can buy an annuity that pays the same amount each year every year, whilst another may provide an income that increases each year with inflation. Also, the income for life which you receive is influenced by factors such as your age and health. We explain these opposite.

You need to find the annuity which is right for you, as the income you receive can vary significantly. You need to shop around for the best deal and your NFU Mutual Financial Adviser can help you do that by providing quotes from different companies.

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WHAT INFLUENCES THE AMOUNT OF YOUR INCOME?

When determining the income that can be offered to a customer a company will take in to account different factors, including:

- **Your age –** the older you are the higher the income will be because your life expectancy will be shorter
- **Your health –** if you currently have, or have had, health problems or a lifestyle which could affect your life expectancy such as long-term smoking, you may be able to get a higher income
- **Interest rates and market conditions –** if interest rates are low at the time you buy your income through an annuity, the level of income will be less than if interest rates were higher
- **The type of annuity you choose –** different companies can offer different types of annuity, for example some pay an income for a number of years even if you have died, or you can have payments that increase or remain level. Your level of income will differ depending on the type of annuity you buy.

You can see why we believe it’s important to take financial advice, before deciding if using your pension pot to secure an income for life is right for you.

TAKING LUMP SUMS WHEN YOU NEED THEM

Another option is to take all of your pension pot in one go or as a series of one-off payments. If you do so, then part of each payment will be tax free, normally 25%*. The rest of the payment you take out of your pension pot will be added to your income for that tax year and taxed.

With most of the money taken in this way being taxed, you could find yourself with a large tax bill you weren't expecting. The table below shows the tax cost if you took a lump sum payment of £100,000.

Annual Income	Lump Sum	Tax Cost
£30,000	£100,000	£26,946
£50,000	£100,000	£34,946
£80,000	£100,000	£36,521

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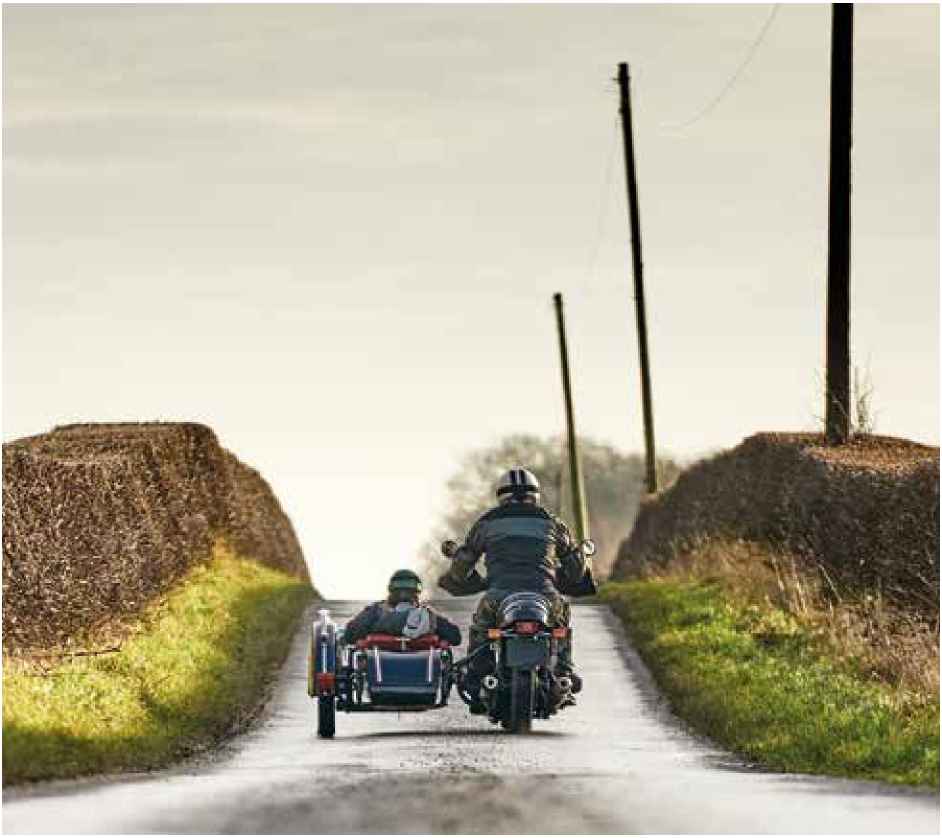


This table is based on the allowances and rates available in the 2023/24 tax year. It takes into account that 25% of the £100,000 is paid tax-free.

Taking your pension pot in one go or as a series of one-off payments may not be right for your circumstances. Your NFU Mutual Financial Adviser will be able to help you decide which option is right for you.

MIXING YOUR OPTIONS

Retirement isn't a one-off event, with many people choosing to gradually work less over a period of time. You can change the way you take money from your pension to match your changing circumstances.

Some people choose to take a tax-free lump sum while still working, to pay off a mortgage or other liabilities while leaving the rest of their pension fund untouched. Others supplement their income by taking flexible withdrawals from their pension, before buying an annuity to provide a secure income later in life.

If you're still working, taking money from your pension can restrict the amount you and your employer can continue to pay in. An NFU Mutual Financial Adviser can help you make the right choices.

Remember that the values of your pension funds can go down and you may get back less than you invested.

MONITORING YOUR INVESTMENT

We have an online system called NFU Mutual My Investments, where you can monitor the performance of your Select Pension Plan. It's an investment platform, available through **nfumutual.co.uk/myi**

When you access the online service, at any time you'll be able to securely:

- View your transactions
- Stay up to date with your fund valuations
- View your correspondence
- Hold multiple investments and see them in one place
- Pay money in with the help of your Financial Adviser or contact us directly
- View money paid in or taken out.

WHY CHOOSE NFU MUTUAL?

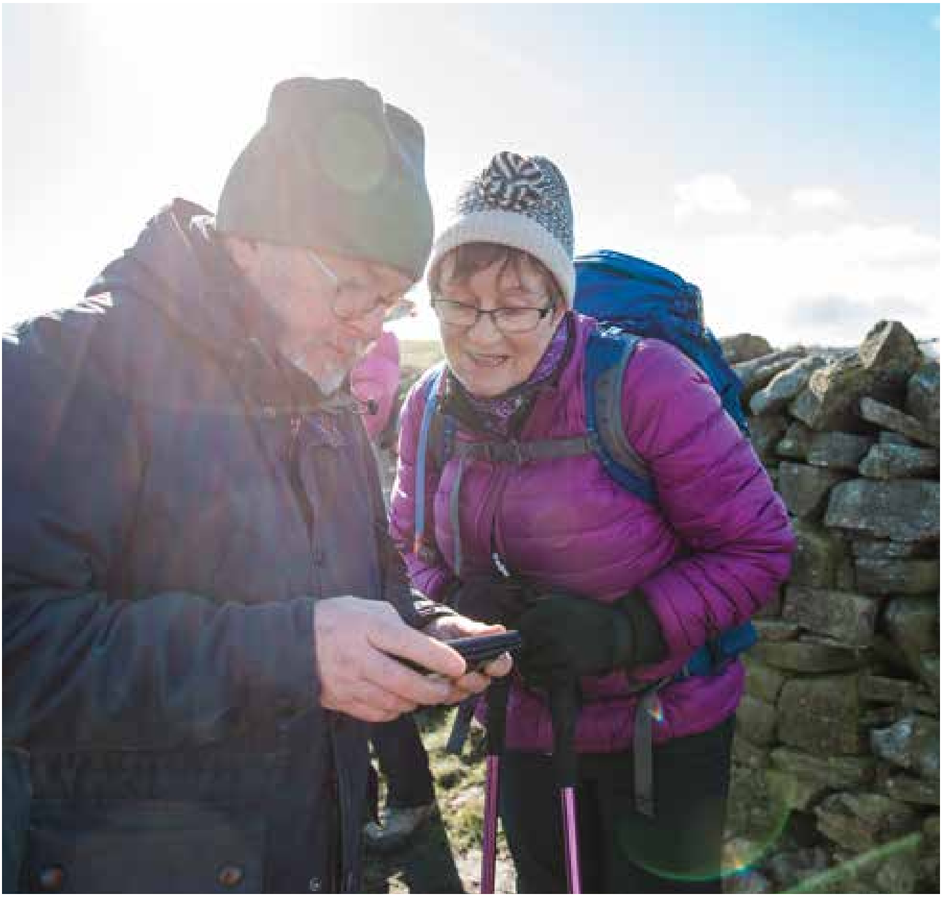
NFU Mutual has been helping customers since 1910.

We've successfully built our business on practical, expert advice, backed by a local, personal service delivered through a network of agency offices.

We would always recommend taking expert financial advice about how best to take money out of your pension pot. It's easy to think that you'll find all the answers by researching on the web, but pension decisions are too important to leave to chance.

One of our NFU Mutual Financial Advisers will explain all of your options and their implications and help you to create a unique, tailored plan which addresses your particular circumstances.

It means an investment in time and money now, but it might ensure you have the lifestyle you aspire to in the future by making sound financial decisions, guided by an expert.



To speak to us about your pension options, call:

0800 622 323

Or visit:

nfumutual.co.uk/takepension

FREQUENTLY ASKED QUESTIONS

Is there a cost to taking advice from an NFU Mutual Financial Adviser?

To start with our Adviser will sit with you and discuss your current financial situation, your assets, liabilities and any other investments you may have. Once this picture of your finances has been discussed, the Adviser will explain to you the relevant costs applicable, they will then develop a written financial report which will have recommendations of other products and services we believe would be right for your circumstances. To find out more visit: **nfumutual.co.uk/financial-planning**

How do I know how much I'll have to live off?

You'll first need to get a clear view of what pensions and investments you have and then we can help you to work out what that could mean in terms of income – it's a complex subject and we'll discuss how to make your pension pot and investments work best for you.

What happens to my pension if I die?

In most cases, you can nominate who you would like to receive any money remaining in your pension pot. Your pension provider will take this into account when deciding who will benefit.

Normally this will be free of Inheritance Tax, however there are exceptions which your Financial Adviser can explain.

Depending on the rules of the pension scheme, your beneficiaries can take all the money as a lump sum, or leave it in the pension and take regular withdrawals or ad hoc lump sums as they wish.

If you die before age 75 – there is no Income Tax on any money taken out. If you die after age 75 – money taken out is added to the beneficiaries other income and is subject to Income Tax.

The rules can vary between pensions, so it makes sense to get advice from an NFU Mutual Financial Adviser.

BEFORE YOU TAKE THE PLUNGE

It's really important to start thinking about the retirement you want and about the options for taking benefits from your pension pot.

Before deciding what to do with your pension pot, we strongly recommend that you speak with Pension Wise – a government service that offers free, impartial guidance to help you understand your pension options. If you would like us to book you an appointment with them, please call us on **0800 622323**.

Otherwise, you can find out more by visiting **pensionwise.gov.uk** or calling **0800 011 3797**.

Expert financial advice

If you feel like you need some personal advice about your retirement options, we'd be happy to explain the advice services we offer and the charges.

We can put you in touch with our expert team of NFU Mutual Financial Advisers who advise on NFU Mutual products and selected products from specialist providers.

NEXT STEPS

To discuss your pension options with NFU Mutual and for more advice call

0800 622 323

Or visit:

nfumutual.co.uk

We're committed to supporting our customers, whatever your circumstances or needs we're here to help.

If you'd like this document in large print, braille or audio, just contact us.

If you're hard of hearing or deaf, or you have difficulty with your speech, you can contact us by using the Relay UK app on your smartphone or tablet, or by dialling 18001 before our number on your textphone.

To find out more about how we use your personal information and your rights, please go to nfumutual.co.uk/privacy. To stop us contacting you for marketing write to Marketing Department (Do Not Contact Me), NFU Mutual, Tiddington Road, Stratford-upon-Avon, CV37 7BJ or contact your local agency.

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