Quilter

How to use the money in your pension pot

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What this guide can help you do

This guide is here to help you plan when and how to take the money in your pension pot with Quilter, alongside any other pension savings and money you might have. We recommend that you speak to your financial adviser given the importance of these decisions. This guide will help you make the most of any conversations you have with your financial adviser. And when you're ready to take your money, it will show you what to do next.

How do you decide what's right for you?

There's no one-size-fits-all approach. What you decide will depend on when you want to retire, and what you want to do. Maybe you're planning to pay off your mortgage or go on a big holiday. Maybe you want to cut down your working hours and use your pension to top up your income. Maybe you want the peace of mind that your everyday finances are taken care of, for life.

Your options at a glance

There are three ways to take your money:

- You can take it all in one go
- You can take it a bit at a time
- You can buy a regular, guaranteed income

You can choose a combination of options. You can also mix and match them over time.

There are different ways of doing all these things and you can find more information about these options in step 2 – **'Choose how to take your money'.**

There's no rush to decide - with most pensions you can leave your pension pot untouched for as long as you want. However some older pension products might end at age 75, so please check with your pension provider to allow yourself time to make a decision.

Step 1: Plan how much you need and when

Your pension pot will probably be the biggest amount of money you'll save during your working life. Before you decide to start taking it, you'll need to ask yourself a few important questions. For example, what kind of lifestyle will you want when you stop working? Do you think your needs will change over time? You'll also have to think about how long you might need your money to last.

Where do you start?

A good place to start is to work out how long you need your money to last. This will depend on how long you are likely to live and when you want to stop working.

How long will you live?

Due to changing lifestyles and medical advancements, people are living longer. For instance a 55 year old man will typically live to 84 and a 55 year old woman will typically live to 87. You can use the Government's life expectancy calculator to get an idea of how long you might live. A link to the calculator can be found on the Office of National Statistics website - ***www.ons.gov.uk*** if you search for the term 'life expectancy calculator'.

When do you want to stop working?

You can start taking money from your pension pot any time after you turn 55 (rising to 57 in 2028). But you don't have to. And even if you do, it doesn't mean you have to stop working. The longer you wait to use your pension pot, the more you can save into it and the more time it has to grow – potentially giving you a bigger pot of money to live on. On the next page are some things to think about, depending on when you want to take your money.

Have you spoken to a financial adviser?

We'd always recommend speaking to a financial adviser about how to make the most of the money in your pension pot. A financial adviser will be able to give you advice based on your individual circumstances. If you don't want to use a financial adviser, you can use the Government's free guidance service, Pension Wise. Pension Wise can't tell you what you should do but can give you information to help you make your own decision. Find out more at ***moneyhelper.org.uk/pensionwise.*** There's more about where you can get help on **page 22.**

Considerations

Things to think about

55	*I want to stop working at 55* *(57 from 2028)*	Your savings may well become your only source of income and you might need that money to last 25 years or longer. If you qualify for a state pension, you'll need to wait at least another 12 years before you start getting it. Could you work fewer hours and use your pension savings to top up your income?
60s	*I want to stop working in my 60s*	You may have saved more into your pension pot by this point, and it will potentially have had more of a chance to grow. If you qualify for the state pension, you'll be able to start claiming it around this time to increase your income. Check your state pension age here: ***www.gov.uk/state-pension-age***
70s	*I want to stop working in my 70s*	With the Collective Retirement Account, you can wait as long as you want before you start taking your money. Some other pension products might end at age 75 which means you will need to decide what to do with your money. Please always double check with your provider. If you qualify for the state pension, you've probably started claiming it by this point.
Gradually	*I want to gradually stop working*	If you want to cut down your working hours, you can use the money in your pension pot any time after age 55 to replace some of your income. This can help if you don't want to stop working completely and you don't want to rely solely on your pension pot. Don't forget the longer you wait to use your pension pot, the more chance it has to grow.

Some people will be able to start taking their money before age 55

If you paid any money into a pension before April 2006, you might have protected your retirement age so you can start taking your money when you turn 50. You can check with us to find out whether you have a protected retirement age – call us on **0808 171 2626**. You might want to check this with any other pension providers you have pension savings with, too.

Considerations

What do you want to do with your time when you stop working or start working a bit less?

Some people may look forward to putting their feet up. Others may want to carry on working or spend more time volunteering, travelling or pursuing hobbies.

It's important to think about what you will and won't want to do with your time when you suddenly have more of it. This will affect how much money you're likely to need and how long it will need to last.

How much money will you have to rely on?

Your pension with Quilter might not be your only source of income during your retirement. It can help to check through all of your savings and investments now, so you have a good idea of how much money you're likely to have. This will also help you plan when to stop working, and how to use the money in your pension.

What happens if you're unable to work for health reasons?

Whilst we all aspire to having a long and happy retirement, sometimes health issues can affect the best laid plans. If you have to stop working because of your health, the following options may be available to you:

Ill health - If you are medically incapable (either physically or mentally) of continuing your current occupation you may be able to access your pension pot early. If you qualify for this access, your options will be a little more limited until you reach age 55. Please call us if you would like to discuss this option more.

Serious ill-health - If you have less than 12 months to live, you may be able to take a serious ill-health lump sum. This is where you can take your entire pension pot as a tax-free lump sum. Depending on your circumstances this may not be the right option for you. Please call us if you would like to discuss this option more.

What other savings do you have to rely on when you stop working?

Your Quilter pension pot	You can see the current value of your pension pot on your latest annual statement, or by logging into ***quilter.com/login/*** To see how much your pension pot could be worth in the future (known as a projection), please call us on **0808 171 2626** or talk to your financial adviser.
Any other private or workplace pensions you have	Make sure you include any other private or workplace pensions you have built up over the years, no matter how small. If you have lost the details of a pension you used to have, the Pensions Tracing Service can help you find it. Call them on **0800 731 0193** or visit ***www.gov.uk/find-pension-contact-details***
Money tied up in your house	Some people choose to downsize to free up extra cash or use 'equity release' to raise money against their house.
Rental income from any other properties	If you're a landlord, include any income you get from letting out your properties.
Any other savings, including ISAs, bonds and other investments	Contact your provider for current valuations.
Inheritance	Consider if you want to use any money you have inherited to support yourself during retirement.
State pension	You can check your state pension age and how much you could get by going to ***www.gov.uk/plan-for-retirement.*** As an idea, the maximum state pension in the 2024/25 tax year is £221.20 a week.

Not everyone automatically gets the full state pension

The state pension you get will depend on how much National Insurance you've paid over your working life. You'll only get the maximum pension if you've been paying full National Insurance contributions for 35 years. If you haven't been doing this, you can pay extra contributions to make up the shortfall. To find out more, go to ***www.gov.uk/check-national-insurance-record*** or call HM Revenue & Customs (HMRC) on **0845 915 5996.**

Considerations

How much income might you need?

A financial adviser can help you work out how much income you will need. If you would prefer to work this out yourself you can use an online tool such as the MoneyHelper budget planner found here – ***www.moneyhelper.org.uk/en/everyday-money/budgeting/use-our-budget-planner***

Will you want your income to be steady or variable?

Another useful way to plan your expenses after you retire is to think about the kind of lifestyle you would like. While we might all love the idea of retiring on a luxurious income, the size of your pension pot might mean this isn't realistic.

Some people choose to have a higher income when they first retire, so they can afford all the things they've always looked forward to doing. Then when they get older and are less active, they might need less money. Some people choose to have the same level of income throughout, but that might be a bit less than they're used to. Some people choose to work for longer, so that by the time they stop they have saved enough to give them the standard of living they would like.

Do you have any big expenses you want to pay off?

You can normally take up to 25% of your pension pot as tax-free cash. It's useful to keep this in mind if you have any big expenses you want to pay off, such as a mortgage or loan. But remember that if you spend it all, it's a quarter of your pension pot. The more you take as cash in this way, the less you'll have to turn into an income to last you through retirement.

Are you looking for an income that gives you security, flexibility, or a bit of both?

There are different ways to use the money in your pension pot. They have different advantages and disadvantages. For example, you could buy a regular guaranteed income for the rest of your life. But with this option you can't be flexible about how much you get each year. You could mix and match your options, for example by using some of your money to buy regular guaranteed income and using the rest in a different way. See the next section for more information about your options.

Step 2: Choose how to take your money

Your options at a glance

There are three ways to take your money:

- *You can take it all in one go*
- *You can take it a bit at a time*
- *You can buy a regular, guaranteed income*

You can choose a combination of options. Unless you use all your money to buy a regular, guaranteed income, you can also change your options over time.

There's no rush to decide – with most pensions you can leave the money in your pension pot untouched for as long as you want. However some older pension products might end at age 75, so please check with your pension provider to allow yourself time to make a decision.

Considerations

	Upside	Downside
Take it all in one go	You get a chunk of cash to use straight away.	You could land yourself a large tax bill, and once your money's gone, it's gone.
Take a bit at a time	You have the flexibility to take an income as and when you want, and leave the rest of your money invested so it has a chance to grow. This could be one-off lump sums or regular payments.	You need to manage how much you're taking, so you don't run out of money during your retirement. Because your money is invested, it might go up in value, but it could also go down.
Turn it into a regular, guaranteed income	You get the security of a having a regular, guaranteed income. This can be an income for life, or for a fixed number of years.	Once you've bought a regular, guaranteed income, you can't usually change your mind. Your income might be lower compared to other options.

Taking tax-free cash

Before we get into the 3 ways to take your money, you should know that you can take some of your money tax free.

No matter how you choose to take the money in your pension pot, you're normally entitled to take up to 25% of it tax free, although there is an overall limit on how much tax-free cash you can take (see page 26). The other 75% will be treated as income when you take it out, so you might have to pay tax on it.

You can take your tax-free cash all in one go, if you want to – so that would mean taking a quarter of all the money in your pension pot as a tax-free cash lump sum. Or, every time you take a bit of money from your pension pot, you can take up to 25% of that amount tax-free.

The best way to take your tax-free cash depends on what you want to do with it and how it fits in with what you want to do with the rest of your pension pot. The next few pages take you through the different options to help you work out what's best for you.

You don't have to use all the money in your pension pot in one go. You can make a decision about just some of the money when you need to.

Some people may be able to take more than 25% tax free

If you put money into a pension before April 2006, you might be entitled to take more than 25% tax-free cash. If you have this entitlement, you will only be able to receive this higher amount if you take all of your tax-free cash all in one go. You can check with us if you think this applies to your Quilter pension – our contact details are on **page 26**. If you have other pensions and you think this might apply to them, you should be able to find out by contacting your other providers.

Serious ill-health lump sum

If you have less than 12 months to live and you're under age 75, you can take all of the money from your pension pot tax-free, although there is an overall limit on how much will be tax free (see page 26). Any money in your drawdown pot will be taxable as normal. Taking a serious ill-health lump sum will reduce the maximum tax-free lump sum your beneficiaries can take after you die, although this only affects people with particularly large pension pots. Please see page 26 for more information, or for more details on a serious ill-health lump sum, please contact us.

Check if there's an upper age limit on taking a tax-free cash lump sum from your pension

The Collective Retirement Account has no maximum age for taking your tax-free cash. But check to see whether this is the case with any other pension accounts you have.

Transitional Tax-Free Amount Certificate

If you have taken money from your pension before 6 April 2024, and have not taken tax-free cash since 5 April 2024, it may be worth applying for a Transitional Tax-Free Amount Certificate.

It is specifically relevant if the total of your pensions is around £1million or more, as the certificate might allow you to increase the total amount of tax-free cash you can take from your pensions.

You should seek financial advice if this applies to you.

Considerations

What happens to your money when you die?

Any tax-free cash lump sums you've taken but not spent will become part of your estate. Your estate is made up of all your property, money and possessions. You can name in your will who you want to inherit your estate – for instance your spouse, your civil partner, your children, other people and charities. Depending on how much your estate is worth, there might be an inheritance tax bill to pay. There's normally no inheritance tax to pay when you pass money and assets on to your spouse, though. You can find out more at ***www.gov.uk/inheritance-tax***

Key points

- When you use some or all of your pension pot, you can take up to 25% of it as a tax-free lump sum.
- You don't have to make a decision about the whole of your pension pot, you can just make a decision about some of it when you need to.

How to take your money all in one go

You can take your whole pension pot in one go as a cash lump sum. You normally get 25% of it tax free. The other 75% is treated as income. So, you might have to pay tax on it if your total income for the year is above your personal tax allowance.

You can take your whole pension pot with Quilter as cash. It's usually an option with other pension providers, too, but it's worth checking with them.

Some providers might not let you take your whole pension pot, but they might make an exception if your pot is £10,000 or less. This is commonly called a small pot.

How much tax are we talking about?

You get 25% of your pension pot tax-free. The remaining 75% will be treated as income. So, you might have to pay tax on it if it your total income for the year is above your personal tax allowance.

If you had a £200,000 pension pot, and you wanted to take it all in one go as a cash lump sum, you'd get £50,000 tax free. The other £150,000 would be added to any other income you had for the year. And your tax bill would be based on this total income. So, if you already had income that year of £30,000, you'd be paying tax on a total income of £180,000.

This means that, if you have a large pension pot, taking it all in one go might land you with a significant tax bill. It could even push you into a higher tax bracket for that year.
To learn more about how your pension income is taxed you will find **'A guide to income tax and your pension'** in our online literature library at ***quilter.com/documents/***

When you take your cash, you'll probably pay tax at the 'emergency tax' level. If this happens, you'll probably need to claim back money from HMRC.

If you're taking a small pot, you get 25% tax-free. For the remaining 75%, you'll pay the basic rate of tax, which is 20% (unless we already hold a relevant tax code for you). If you're a higher or additional rate taxpayer, you'll need to pay the difference to HMRC. If you're not a taxpayer, you'll need to claim the difference back from HMRC.

What happens to your money when you die?

Any cash lump sums you've taken but not spent will become part of your estate. Your estate is made up of all your property, money and possessions. You can name in your will who you want to inherit your estate – for instance your spouse, your civil partner, your children, other people and charities. Depending on how much your estate is worth, there might be an inheritance tax bill to pay. There's normally no inheritance tax to pay when you pass money and assets on to your spouse, though. You can find out more at ***www.gov.uk/inheritance-tax***

Key points

- You can take your entire pension pot in one go as a cash lump sum. You'll get 25% of it tax free, and the remaining 75% will be treated as income.
- Cashing in your entire pension could mean a significant tax bill.

How to take your money a bit at a time

You can choose to move some or all of your pension pot into drawdown. This means after you take tax-free cash the pension money you moved will remain invested, and you can take income out a bit at a time. This is also known as 'drawing down' an income.

When you move money from your pension pot into drawdown you can normally take up to 25% of the money you move as a tax-free lump sum. The other 75% is what will end up in drawdown. You don't have to move all of your pension pot into drawdown in one go. If your pension provider allows it, you can move it on a regular phased basis, or as and when you want to. This lets you spread out the benefit of taking tax-free cash, especially if the money you leave invested grows, because then you get 25% of growth tax free, too.

When it comes to taking money out of drawdown, you can choose to take a regular income, a chunk of money every now and then, or leave it all invested until you want it. Any money taken from drawdown will be taxable, even if it grows. There's more detail about how this works on the next page.

1	*Capped drawdown*	If you moved some or all of your pension pot into drawdown before 6 April 2015 you'll have been put into capped drawdown. You might have moved into flexi-access drawdown (explained below) since then. If you are still in capped drawdown the amount of income you can take is capped. The cap must be reviewed at least every three years until you're 75, and then every year after that. As long as you don't take out more than your capped limit, you can put up to the annual allowance into any pension in the future. There is more information about the annual allowance on **page 26.** If you take more than the capped limit, your plan will convert to flexi-access drawdown and the amount you can put into some pensions could be limited. This limit is called the money purchase annual allowance (MPAA). There is more information about this limit on **page 26.**
2	*Flexi-access drawdown*	If you move some or all of your pension pot into drawdown now or in the future, you'll have flexi-access drawdown. Flexi-access means there's no limit on how much you can take from your pension pot every year. You could take it all, you could take a little, or you could leave it all invested. For instance, you might just have taken a tax-free cash lump sum, so you might not need any money from your drawdown for a while. There's more information about how you can mix and match options on **page 20.** However, as soon as you start taking money using flexi-access drawdown you'll be limited to how much you can save into some types of pensions in the future. This limit is called the money purchase annual allowance (MPAA). There's more information about this limit on **page 26.**

Your pension pot with Quilter

Money in your pension pot is invested to give it a chance to grow. When you take it out, you get 25% of it tax free.

Money moves from your pension pot

You can take **25%** tax free

75% goes into drawdown

You can combine **tax-free money with money from drawdown** to give yourself a one-off lump sum or a regular income – or both.

Your drawdown

Your money in drawdown is invested to give it a chance to grow. When you take money out, it is taxable.

Taking money out of drawdown

You can take money out whenever you want to. You can take one-off amounts or give yourself an income by taking regular amounts. The money you take out is taxable.

You could use some or all of the money you build up to buy an annuity. If you do, the income from that annuity would be taxable.

How you can use flexi-access drawdown to give yourself one-off lump sums or an income

Flexi-access drawdown gives you the ability to draw money from your drawdown pot in a variety of ways to meet your needs. Here are some examples of how you can use drawdown to

- take a one-off lump sum that is a just tax-free cash
- take a one-off lump and set up regular payments of taxable income
- take regular payments that are just tax-free cash*
- take a one-off lump sum that is made up of tax-free cash and taxable income
- take regular payments that are made up of tax-free cash and taxable income*

** Not available if you are accessing your pension early due to ill health, you have an early retirement age or you have a higher entitlement to tax-free cash.*

Take a one-off lump sum that is just tax-free cash

Noah is 55

and earns £36,000 a year

He wants a lump sum of £20,000 to pay off his mortgage

Noah asks us to move £80,000 from his pension pot, paying him 25% (£20,000) tax-free cash and **moving the other £60,000 into drawdown.**

He doesn't want to start using the money in drawdown yet. He leaves it knowing that it remains invested and that he can take taxable income from the drawdown pot in the future.

Take a one-off lump and set up regular payments of taxable income

Poppy is 64 and Liam is 63

and about to retire

They would like a lump sum of £20,000 to go on a cruise and an income until their state pension starts. They would each like that income to be £12,570 to take advantage of their personal allowances. Poppy has a small pension of £1,000 a year from her employer and her state pension will start in two years. Liam doesn't have an employer pension and his state pension will start in three years.

Poppy asks us to move £30,000 out of her pension pot, giving her 25% (£7,500) as tax-free cash and **moving the other 75% (£22,500) into drawdown.** She then asks us to set up a regular income of £964 per month from her drawdown pot. This income is taxable but as her total income is within her personal allowance she does not pay tax.

Liam asks us to move £50,000 out of his pension pot, giving him 25% (£12,500) tax free and **putting the other 75% (£37,500) into drawdown.** He then asks us to set up a regular income of £1,047.50 per month from his drawdown pot. This income is taxable but as his total income is within his personal allowance he does not pay tax.

With Poppy's £7,500 and Liam's £12,500 tax-free cash combined they have the £20,000 they wanted to pay for their cruise. Poppy's total income is £1,000 (employer pension) + £11,568 (12 monthly payments of £964) = £12,568 per year. Liam's total income is £12,570.00 (12 monthly payments of £1,047.50) per year.

As their drawdown pots are invested, Poppy and Liam will need to keep an eye on the value and choose their investments carefully. If the market drops and the value goes down they may need to reduce their income so that it doesn't run out before the state pension kicks in.

Take regular payments that are just tax-free cash

Duncan is 59
and earns £56,000 a year

He wants to work a bit less, which would reduce his income to £50,000 a year. He wants an income from his Quilter pension of £500 a month to make up the difference without having to pay tax on that income.

Duncan asks us to move £2,000 out of his pension pot every month, giving him 25% (£500) as tax-free cash and **putting the other 75% (£1,500) into drawdown.**

When he earned £56,000 Duncan was a higher rate taxpayer. With his reduced hours reducing his income to £50,000 he is now a basic rate tax payer. After he retires, he expects his income to be lower. So he would rather take tax-free income now to prevent paying higher rate tax and take taxable income from his drawdown pot in the future when he has a lower income. As Duncan's needs change over time, he can change what he is doing.

Take regular payments that are made up of tax-free cash and taxable income

Willow is 67
and about to retire

She wants an income from her Quilter pension of £500 a month to boost what she gets from her state pension and small employer pension.

Willow asks us to move £600 out of her pension pot with Quilter every month, giving her 25% (£150) as tax-free cash and **moving the other 75% (£450) into drawdown.** She's asked us to immediately pay this money out to her again as income. This income is taxed. As her state pension and small employer pension use up all her personal allowance the extra money will mean she is a basic rate taxpayer so she pays tax at 20%. 20% of £450 is £90. So, after tax, her £450 has become £360. Her total income is from her Quilter pension is £360 + £150 = £510 per month.

She's taking an income, but not building up any money in her drawdown at the moment. As Willow's needs change over time, she can change what's she's doing.

Take a one-off lump sum that is made up of tax-free cash and taxable income

Olivia is 61
and earns £14,000 a year

She wants a lump sum of £20,000 to do repairs on her house.

Olivia asks us to move £24,000 from her pension pot, paying her 25% (£6,000) as tax free cash and **moving the other 75% (£18,000) into drawdown.** She's asked us to pay this out too, knowing it's taxable. Even with this extra income, Olivia pays tax at 20%. 20% of £18,000 is £3,600. So, after tax she will get a lump sum of £14,400. Her total lump sum is £14,400 + £6,000 = £20,400.

How does tax work with this option?

You don't pay tax on money when it's in your pension pot or in drawdown. When you move money from your pension pot to drawdown, you normally get 25% of that money tax free. So if your pension pot has grown, you get 25% of that growth tax free, too. **When you take money out of your drawdown pot it's all taxable; you can't take another 25% tax free.** So, unless your total income is below your tax-free personal allowance, you will have to pay tax on money you take out of drawdown. HMRC sets the tax-free personal allowance every year. You can find the current rate at ***www.gov.uk.*** To learn more about how your pension income is taxed you will find **'A guide to income tax and your pension'** in our online literature library at ***quilter.com/documents/***

Early access due to ill health

If you are medically incapable of continuing your own occupation, you may be able to access your pension early. You will need to meet certain conditions every time you take tax-free cash and move money from your pension pot to your drawdown pot. For this reason regular tax-free cash is not an option before age 55.

Is drawdown always available?

Quilter offers the ability to use drawdown in all of the ways mentioned above. If you have pension pots elsewhere you will need to check with the providers to see what options they offer as even if they offer drawdown, they may have limits on how you can use it. If they don't offer drawdown, you may be able to move your savings to a provider who does.

They may also offer another option called UFPLS, 'uncrystallised funds pension lump sum'. This is where you can take a lump sum straight from your pension pot without moving money into drawdown. For each lump sum you take, you get 25% of it tax free. The rest of each lump sum is treated as income. Taking an UFPLS limits how much you can save into some types of pension pots in the future. This limit is called the money purchase annual allowance (MPAA). There's more information about this limit on **page 26.**

Considerations

When you move money from your pension pot into drawdown, you can also choose how your drawdown pot is invested

After you have taken your tax-free cash, the money you have moved into drawdown is invested to give it a chance to grow. However it's really important to know that the investments in your drawdown pot may not grow or may go down in value. You will need to decide how you want this drawdown pot invested. You can do this with the help of a financial adviser or you can decide yourself. For instance, you could put your money in:

- **higher-risk investments –** this will give it more of a chance to grow but also means there is more of a chance the value can go down
- **lower-risk investments –** this gives it less of a chance to grow but means it is more likely to have a steadier value

Which investment is right for you will depend on how much money you're investing, your attitude to risk, and when you're looking to take money from your pension pot. With all investments, there's a risk they might not do as well as you hoped. And you might live longer than you expected, so it can be difficult to be certain that you'll have enough money to last the rest of your life. A financial adviser can help you work out which investments are right for you.

We always recommend that you obtain advice from a financial adviser if you move money into drawdown. If you do not then we are required to offer you three options:

- keep your money in your present investments
- move your money into other investments
- move your money into an investment pathway.

An investment pathway is an asset or group of assets that may be compatible with your retirement plans over the next five years, for which we offer four investment pathways. This does not constitute financial advice from us, but it may help you reach a decision about the assets to choose.

We would provide details of how this works prior to you moving your money into drawdown.

What happens to your money when you die?

What happens to the money in your pension pot or drawdown when you die will depend on the rules of your pension. The rules will either say the pension administrator will choose who your beneficiary is, that the money has to be paid to your estate or that you can choose to make a nomination that the pension administrator has to follow (called a binding nomination). If you make a binding nomination or the rules say it must be paid to the estate, this money will form part of your estate for inheritance tax purposes. If the rules say the pension administrator will choose who your beneficiary is, this money will normally not form part of your estate for inheritance tax purposes. The rules of your Collective Retirement Account say that we will choose your beneficiary. When you opened your pension with us we will have asked you to nominate who you would like your money to go to when you die and we will take this into consideration when we choose your beneficiary. It's really important that if you change your mind about who you want us to consider that you fill out a new form and update us.

Your beneficiary might have to pay income tax on what they get. This depends on how old you are when you die and how much you have in pension savings. Please see **page 26** for more information on the tax-free allowances available to you and your beneficiaries.

Income tax

	Income tax
If you die before 75	The payment will be tax free if: – the death benefit claim is settled within two years – the money is paid to your beneficiaries as an annuity or flexi-access drawdown – the money is paid as a lump sum and is within your Lump Sum and Death Benefit Allowance (please see page 26 for more information).
If you die after 75	The death benefit is taxable for the beneficiary. When money is withdrawn, tax will be paid at their marginal rate for individuals or 45% for a company, trust, or charity.

Key points

- Drawdown lets you take cash lump sums or a regular income, while leaving the rest of your money invested so it can grow. Because it's invested, the amount of money in your pot can go down as well as up.
- All new drawdown arrangements are flexi-access – meaning there's no limit to how much you can take each year. Once you start taking income, there's a limit on how much you can save into some pensions.
- You can turn your Quilter pension into flexi-access drawdown at any time – but you don't have to, and it's wise to get advice and shop around **(see page 24).**

How to turn your money into a guaranteed income

You can use some or all of your money to buy a guaranteed, regular income from an insurance company. This is called an 'annuity'.

Annuities can pay you an income for a certain number of years, or for life. They can be helpful if you're looking for security, and don't want the hassle of managing your money throughout retirement yourself.

However, once you buy an annuity you can't usually change your mind. And an annuity won't leave any money to your loved ones when you die, unless you choose a specific annuity product that does this. So, we'd recommend that you shop around to find the right annuity for you. Ideally, we'd recommend you get help from a financial adviser.

You can't buy an annuity from Quilter, but you can buy one from another provider

We don't offer annuities, but you can use the money in your Quilter pension to buy an annuity from another provider. MoneyHelper has an annuity comparison tool you can use to compare annuity products:
www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/compare-annuities.
There are different types of annuities and different add-ons you can choose, for instance, you can choose an annuity that pays your spouse or civil partner an income after you die, or an annuity that increases with inflation. So, make sure you speak with a financial adviser before making a decision.

If you choose an annuity, the income you get will be based on your personal circumstances

Insurers may take your personal circumstances into account to decide how high an annuity income they can promise to pay you. Factors such as where you live, what you do, and whether you've had any serious illnesses help insurers determine how long you're likely to need an income for. It's worth shopping around for an annuity, because all of these factors might mean you get a higher income. If you've worked in certain manual jobs, for instance, you might get a higher income than someone who hasn't.

There are different ways to customise an annuity

1. Choose whether your income lasts for the rest of your life or for a set number of years

You can choose to be paid an income for as long as you live (known as a lifetime annuity) or just for a certain number of years (known as a fixed-term annuity). With a fixed-term annuity, you get a lump sum at the end of the term. This lump sum will be smaller than the one you used to buy the annuity.

2. Choose whether your income grows with inflation (the rising cost of living) or stays the same

You can choose whether you want your annuity to stay at the same level or to increase each year.

- **Stay at the same level:** a level annuity pays you the same amount of income for the entire time you have it. It usually gives you more money to begin with than an annuity that increases each year. But a level annuity might buy you less in the future as prices rise with inflation. For example: if inflation is 3% a year, £10,000 will be worth the same as £7,374 in 10 years.
- **Increase each year:** an escalating annuity will normally start paying a lower level of income and will gradually build up over the years. You can choose to increase it by a fixed amount each year (for example 3% or 5% a year). Or you can ask for it to increase in line with inflation – specifically the Retail Price Index (RPI).
- This is useful if you're concerned about rising prices and want your income to match the current cost of living. The downside is that if inflation stays low, your income won't increase much. For example, it could take as long as 20 years for an annuity linked to the RPI to pay out as much as a level annuity would have done.

3. Choose whether you want to leave an income for your spouse or civil partner when you die

A single-life annuity pays you an income until you die or until the fixed term runs out. A joint-life annuity pays you an income, and when you die it pays a smaller income to your spouse or civil partner. If you want money from a joint-life annuity to go to another dependant when you die, a child, for instance, you will need to check with the provider to see if their product does that.

A joint-life annuity pays a lower income to you than a single-life. That's because the provider will probably need to keep paying it for longer.

4. Choose whether you want to leave a lump sum for your children or other family members when you die

You can choose an annuity that leaves a lump sum for your children or other family members when you die. This is called an 'annuity protection lump sum death benefit'. The lump sum your family would get is usually the amount of money you used to buy the annuity, minus any income you've been paid.

If you die before 75, the lump sum is tax free. If you die aged 75 or older, your beneficiaries might have to pay income tax on it, depending on their tax bracket and the amount of money they get paid.

With this option, the annuity income you get will be less than you'd get with a standard annuity that doesn't pay out a lump sum.

5. Choose whether to guarantee your annuity, in case you die within the first few years of taking it

You can choose an annuity with a guaranteed period. This means your annuity guarantees to pay an income for a certain number of years. So even if you die during that time, your income will continue to be paid to your partner, children or other dependants. This might not be necessary if you've taken out a joint-life annuity.

Bear in mind that the longer the guaranteed period you choose, the lower your regular annuity income will be.

6. Choose whether to link your income to investments to give it a chance to grow

You could consider an investment-linked annuity, which invests in things like stocks and shares. This means you could grow your income if your investments do well. But it also comes with the risk that your investments could go down, which would reduce your income. This option is usually only recommended to people who are confident investors and have a financial adviser. If you choose this type of annuity you'll be limited to how much you can save into some types of pension pots in the future. There is more information about this limit on **page 26.**

How does tax work with this option?

- **If you're using money from your pension pot to buy an annuity**

If you're taking money out of your pension pot to buy an annuity, you're normally entitled to take 25% of that money as a tax-free lump sum. This would reduce the amount of money you have left to spend on your annuity though, so it would give you a smaller income. For instance, if you were using £80,000, you could take a quarter of that (£20,000) tax-free, and then use the remaining £60,000 to buy an annuity. It's worth thinking about whether it's more useful to have a lump sum now, or to secure a higher regular income for the future.

Once you've bought your annuity, the money you get from it is taxed as part of your income.

- **If you're using money from drawdown to buy an annuity**

If you're using money from drawdown to buy an annuity, you'll already have had the opportunity to take your tax-free element. You'll have had this opportunity when you were first moving the money from your pension pot into drawdown.

Once you've bought your annuity, the money you get from it is taxed as part of your income.

What happens to your money when you die?

An annuity won't leave any money to your loved ones when you die, unless you choose a specific annuity product that does this. There's more information about this in points 3, 4 and 5 above. Because an annuity stops paying out when you die, there's a risk that, if you die much earlier than you expect to, your annuity won't have paid you much money at all.

Key points

- An annuity is a guaranteed income you can buy from an insurance company. It's paid for a fixed period of time or for life.
- You can customise your annuity to suit you. You can choose whether your income increases over time or stays the same, whether it's just for you or whether it leaves something for your family when you die. The options you choose will affect how much income you get from your annuity. You can shop around to get different quotes and choose one that's best for you.
- Quilter doesn't offer annuities, but you can get one from another company. Make sure to get financial advice and shop around. Once you buy an annuity, you can't usually change your mind.

How to mix and match your options

You don't have to use the money in your pension pot all in one go. You can use it as and when you need to – and this is the case whether you have just one pension pot or multiple pots. This is often referred to as 'phased retirement'.

When you do choose to take money from your pension pot, you have a number of options:

- *Taking it all in one go as a cash lump sum*
- *Taking it a bit at a time as drawdown*
- *Turning it into a guaranteed income by buying an annuity*

You can choose just one option or mix and match some or all of these options.

You can mix and match your options

For instance, you could take a 25% tax-free lump sum and then use some of what's left to buy an annuity and put the rest in drawdown. The annuity would give you some guaranteed income. The drawdown would give you some flexibility, so you could take more income when you need it and less when you don't. You'd need to remember that the money in drawdown is invested, so its value can go up and down, and if you take a large income it could run out.

You can change what you do over time

If you put all of your pot into a lifetime annuity, you probably can't change what you do in the future. But if you leave it invested, buy a fixed term annuity or put it into drawdown, you can change your mind later. For instance, you could put money into drawdown, take an income from it or not, and then later on use the money to buy an annuity. People sometimes do this when they get older and decide that security has become more important to them than the flexibility they wanted when they first retired. You could even decide to take it all out of drawdown as cash, but if there's a lot of money in your drawdown account, you could get a big tax bill too.

Or you can choose not to do anything at all

You can leave your money where it is and think about it later. You can leave your pension pot with Quilter where it is for as long as you like. Most pension providers let you do this. And, the longer you leave it, the more time it has to grow potentially.

Here's an example of how one person might mix and match their options.

Connor is 67. *He wants to retire.*			
Pension savings	**Options**		
	He takes £250,000 from his Quilter pension		
	Cash lump sum	*Drawdown*	*Annuity*
£250,000 in his pension pot with Quilter £75 a week from the state pension	Connor takes a quarter of his pension pot, **£62,500, as a lump sum.** He gets this tax free. He uses the money to pay off his mortgage and do some work on his house.	He puts **£87,500 into drawdown.** He doesn't plan to take money from it yet, but he might take small chunks of money every now and then when he needs it.	He uses the remaining **£100,000 to buy a lifetime annuity, giving him an income of £3,000 a year** for the rest of his life.

Here's an example of how one person might change their options over time.

Jenny is 65. *She wants to cut down her working week to three days, so she needs a bit of money to boost her income. She also wants to pay off the rest of her mortgage.*

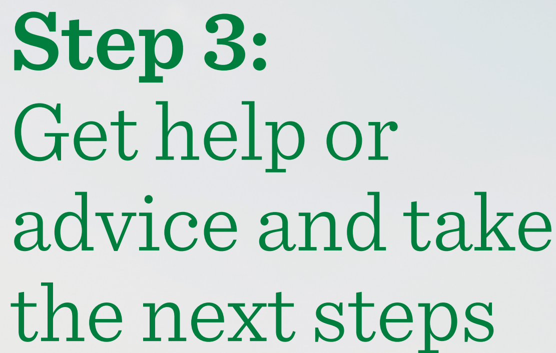
Pension savings	Options		
	She takes £200,000 from her Quilter pension		
	Cash lump sum	*Drawdown*	*Annuity*
£250,000 in her pension pot with Quilter	She takes **25% of this as a tax-free lump sum.** This gives her **£50,000.** She uses this to pay off her mortgage.	She moves **£100,000 of this into drawdown.** She doesn't plan to touch it for a while, so the money has a chance to grow until she needs it.	She uses **the remaining £50,000 to buy a 5-year fixed-term annuity.** This gives her an **income of £2,500 a year,** which helps boost her part time income.

Jenny is now 70. *She wants to stop working completely and go travelling – so she needs to take some more money from her savings.*

Pension savings	Cash lump sum	Drawdown	Annuity
£50,000 left in her pension pot with Quilter £175 a week from the state pension			Once the 5-year fixed-term annuity ends, Jenny gets £38,000 back from her annuity provider
	She takes the remaining £50,000 from her Quilter pension		
	She takes **25% of the money left in her pension pot with Quilter as a tax-free cash lump sum.** This gives her **£12,500.** She uses this to go travelling.	Her **drawdown's grown to £130,000 over the last 5 years.** She doesn't need to take income from it yet though, especially because her state pension has kicked in.	She uses **the remaining £37,500** from her pension pot with Quilter, **plus the £38,000 from her fixed-term annuity that's just ended.** With this money, she **buys a lifetime annuity, which gives her £3,000 a year.** Now she's older, the income she gets from her annuity is higher than if she'd used the same amount of money to buy an annuity earlier.

Jenny is now 80. *She wants to make sure her money will last as long as she does. She's still healthy but she'd rather stay put at home than travel.*

Pension savings	Cash lump sum	Drawdown	Annuity
£180 a week from the state pension – it's increased to keep up with the cost of living.		**Her drawdown is now worth £200,000** She starts to **take an income from drawdown** to boost what she gets from her lifetime annuity and state pension. She uses the money to pay bills, for hobbies, and a few house repairs.	Jenny **still gets her £3,000 a year from her lifetime annuity.**



Step 3: Get help or advice and take the next steps

The decisions you make about your pension pot will affect your income for the rest of your life. To help you think about what's best for you, it's always wise to talk through your particular situation with a financial adviser.

Income tax guide

To learn more about how your pension income is taxed you will find 'A guide to income tax and your pension' in our online literature library at ***quilter.com/documents/***

Get financial advice

A qualified financial adviser who is registered with the FCA can give you personalised advice about what to do with your pension savings. You should always check that your adviser is registered with the FCA as this will give you and your money protection if things ever go wrong.

An adviser will assess your whole financial situation. They'll look at all the pension arrangements you have, along with any other income and savings. They'll also discuss with you the sorts of things you plan to do with that money in retirement. Then they'll talk you through your options and recommend the best products and providers for you. You'll have to pay for their advice.

Some advisers are independent financial advisers. They can look at all the providers when they're finding the best products for you.

Some advisers are restricted financial advisers. They'll only look at a certain number of providers when they're finding the best products for you. They'll explain any restrictions.

If you haven't got a financial adviser, you can access a choice of advisers from Quilter or the whole of market at ***quilter.com/find/***

Get free help and guidance

Financial advice is where you are given a recommendation based on your circumstances, needs and goals. If you are not using a financial adviser, you can get guidance instead. Guidance will give you information to help you make your own decision.

You can get guidance from:

Pension Wise

Pension Wise is a free and impartial service from MoneyHelper, a government backed organisation. The service helps you understand what you can do with your pension money.

They offer telephone or face-to-face appointments with highly-trained professionals. You can also explore you pension options on their website.

You'll get:

- Guidance on how best to make the best use of your money
- Information about tax when taking money from your pension
- Tips on getting the best deal, including how to compare products, get financial advice and avoid scams.

9 out of 10 people who have had a Pension Wise appointment would recommend it to friends and family, so book yours now.

Phone number: **0800 138 3944**

Website: ***www.moneyhelper.org.uk/pensionwise***

MoneyHelper

MoneyHelper is here to help, so you can move forward. Here to cut through the jargon and complexity, explain what you need to do and how you can do it. Here to put you in control, with free, impartial help that's quick to find, easy to use and backed by government.

Whatever your circumstances or plans, MoneyHelper is on your side. Online or over the phone, you'll get clear money and pensions guidance, and pointers to trusted services, if you need more support.

Open to everyone, MoneyHelper is helping people to clear their debts, reduce spending and make the most of their income. To support loved ones, plan ahead for major purchases and find out about entitlements. To build up savings and pensions, and know their options.

If you're thinking about drawing your pension, MoneyHelper is here. Here to listen and give free, impartial, trusted guidance. Based around you and backed by government.

For money help all in one place that's free to use, just get in touch with MoneyHelper.

Phone number: **0800 011 3797**

Website: ***www.moneyhelper.org.uk***

Shop around to find the best product for you

People often don't realise they can shop around for the best retirement income deals. They tend to stay with the same provider. But you might be able to get a better deal by shopping around.

If you have a financial adviser, they can shop around for you

A financial adviser can usually shop around the market for the best products for you. If you don't want to use a financial adviser, you can shop around for products yourself. Bear in mind some product providers will only sell products through a financial adviser.

If you shop around on your own, here are some things to look for

To help you research and compare different products and pension providers, you can ask questions like:

- How will they let you use the money that you move over to them?
- How frequently will they let you take your money?
- How much will the charges cost for things like the product, the administration, the funds and taking money out of your pension?
- How can you invest your money with this provider?

You can also ask different providers for a drawdown projection or an annuity quote so you can compare them.

While the most important thing is that you find an option that gives you what you want from your retirement income, you might also want to consider some non-financial factors like:

- How good the provider's customer service is
- What tools they have online to help you
- How easy their website is to use
- Whether their call centre is open at convenient times.

Do what is right for you

When you do shop around, other providers may have a product that is more appropriate for your needs and circumstances or offer you a higher level of retirement income. You should always do what is right for you which could mean moving your pension elsewhere.

Here's some information to have to hand

When you're shopping around, the providers you look at will probably need a few details from you to answer your questions.

So, it's a good idea to have this information to hand:

- The value of all your pension pots
- If you're thinking about taking 25% tax-free cash
- Whether you're thinking about taking any small pots as cash
- If you're married, have a partner or any dependants
- If you're buying an annuity, if you have any lifestyle choices (like smoking) or health conditions that may affect the amount of income you can get
- If you're buying an annuity, what kind of annuity you want (see **page 18** for all the options)
- Your personal details.

Watch out for pension scams

Pension scams are on the rise, and scammers posing as financial advisers are using increasingly sophisticated tactics.

Scammers can seem professional and knowledgeable with websites that look credible. The websites might have customer reviews and product brochures that look real. They can approach you out of the blue with investment proposals that seem very good value. However you could end up invested in high-risk investments like overseas property, renewable energy bonds, forestry, storage units or your money is simply stolen outright.

Be on the alert for any of these warning signs:

- Contact out of the blue about your pension – cold calls are illegal in the UK
- Free pension reviews – professional financial advice is never free
- The promise of high or guaranteed returns – if it sounds too good to be true, it probably is
- The offer to access your pension before you're 55 – you could be left with a tax bill for taking your money before the minimum pension age, or you could lose that money, or both
- Pressure to act quickly – scammers might rush you, so you don't have time to realise it's a scam. Make sure you don't rush making a decision
- Unusual and complicated investments that don't make it clear where your money will end up – if you don't understand how your money is invested, it's probably not a good idea
- Involvement from lots of different parties – all taking a fee and some who may be based overseas

If you're concerned about whether the person who has approached you is a scammer, the first step is to check if their name and firm is registered with the Financial Conduct Authority (FCA).

Visit the FCA's website for more information on how to spot a scam at ***www.fca.org.uk/scamsmart***

If you suspect a scam, report it

Report to the Financial Conduct Authority (FCA)
By contacting their Consumer Helpline on **0800 111 6768** or using the contact form at ***www.fca.org.uk/consumers/report-scam-us***

Report to Action Fraud
On **0300 123 2040** or at ***www.actionfraud.police.uk***

If you're in the middle of a transfer
Contact your pension provider immediately and then get in touch with MoneyHelper on **0800 011 3797** or at ***www.moneyhelper.org.uk***

What to do next

There's no need to do anything until you're ready. In the meantime, keep this guide somewhere safe in case you want to refer to it.

When you're ready, check you're not going to exceed any allowances

1. Allowance for tax-free cash you take during your lifetime

Tax-free cash: Normally you can take up to 25% of your pension as tax-free cash. However there's an overall limit on how much tax-free cash you can take in total. This limit is currently £268,275 and is known as the Lump Sum Allowance (LSA).

Taking it - you have options: You can take your tax-free cash in one go or a bit at a time. Regardless of how you take it, each amount of tax-free cash you take (except for a serious ill-health lump sum) will use up some of your £268,275 allowance until it's gone.

Personal Allowance: If you are also taking income from your pension, you may also get a personal allowance, which lets you receive a certain level of tax-free income.

Enhanced Allowance: Your lump sum allowance may be higher if you have a form of protection that enhances your allowance. Your financial adviser or pension provider can tell you more about this.

2. Overall tax-free allowance for money taken during your lifetime and after death

Lump Sum and Death Benefit Allowance: As well as the lump sum allowance, there is an overall limit on the amount of tax-free lump sums that can be taken from your pension during your lifetime and by your beneficiaries after your death. Currently this limit stands at £1,073,100.

Your Lump Sum and Death Benefit Allowance will be reduced whenever money is taken tax free under any of the following circumstances during your lifetime:

1. You take tax-free cash covered by your lump sum allowance (described above).
2. You take a tax-free serious ill-health lump sum before age 75.

Beneficiaries: If you die before age 75, the remaining Lump Sum and Death Benefit Allowance will be available to your beneficiaries. Should they decide to take your pension fund as a lump sum, any amounts within this allowance will be tax free, while any amounts exceeding the allowance will be taxable.

Enhanced Allowance: Your Lump Sum and Death Benefit Allowance may be higher if you have a form of protection that enhances your allowance. Your financial adviser or pension provider can tell you more about this.

The annual allowance

There's a limit on how much money you can save or build up in all of your pension savings each year without having a tax charge. This is called the Annual Allowance. Normally the Annual Allowance is £60,000 but it could be a lower amount if you take income in a way that is considered 'flexible' or if you have a large 'income'. These lower Annual Allowances and how they work are briefly explained below.

If you go over your limit, you'll have to pay extra tax. So you'll need to think about this if you're putting money in at the same time as taking it out, which might be the case if you're continuing to work while taking some of your pension.

The money purchase annual allowance

Your Quilter pension is a money purchase pension. A money purchase pension is a pension pot where the money that is saved into it is invested and the value depends on what those investments are worth. This brochure describes the way you can use the value of your money purchase pension pot.

When you take your pension pot all in one go **(page 12),** take money from your flexi-access drawdown **(page 13),** take an uncrystallised funds pension lump sum **(page 15)** or an investment linked annuity **(page 19)** you are considered to have flexibly accessed your pension. At this point, the amount you can save into your money purchase pension without having a tax charge is £10,000. You may still be able to build up more savings than £10,000 without a tax charge if you have a defined benefit pension.

A defined benefit pension is one where you will receive a pension income for life, based on your earnings and the amount of time you have worked for the employer who offers that pension.

The tapered annual allowance

If you have a high 'income' your annual allowance might be reduced depending on the amount of 'income' you have. The 'income' for this purpose takes into account your taxable income for the year and the amount of pension savings made in the same tax year. Working out whether it applies to you can be complicated so you should seek financial advice or guidance if you are not sure.

To get the ball rolling, speak to your financial adviser

Whenever you are ready, you can get the ball rolling by talking to your financial adviser, getting guidance from Pension Wise or getting in touch with us on

Telephone: 0808 171 2626

Email: ask@quilter.com

You can also see details of your pension and get a valuation without picking up the phone. Just visit our online Customer Centre: ***quilter.com/login/*** or download the Quilter app to your smartphone.

quilter.com

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Quilter is the trading name of Quilter Investment Platform Limited which provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA) and Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).

Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431 respectively.

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