

PENSION DRAWDOWN

A FLEXIBLE RETIREMENT INCOME FOR WHATEVER THE FUTURE HOLDS

LET'S TALK HOW.



INTRODUCING FLEXIBLE RETIREMENT INCOME

What do you think you'll be doing in ten years' time? Or twenty? It's not an easy question to answer and that's why we believe pension drawdown has a valuable role to play in many people's retirement incomes. It gives you the flexibility to take the income you want - and change it whenever you need to.

This short guide answers some of the main questions about pension drawdown - from what it is and how it works to its advantages and drawbacks. As there's a lot to take on board, we also introduce our retirement service and highlight some of the ways they can help you with the things you need to think about.

Important information

This guide doesn't give you advice or suggest you take a particular course of action. Retirement income and pension planning are complex issues, and we recommend that anyone approaching retirement should take independent financial advice.

The value of investments and the income from them can go down as well as up so you may get back less than you invested. Eligibility to invest into a pension depends on personal circumstances and all tax rules may change. With pension products, you will not usually be able to withdraw money until you are 55.

THIS GUIDE HAS EVERYTHING YOU NEED TO:

- **Understand how flexible retirement income works**
- **Weigh up the advantages and drawbacks**
- **Compare your other income options**
- **Receive the support you require – everything from information and guidance to full financial advice**

Want to discuss flexible retirement income?

We're here to give you the level of support you need. You can give us a ring on **0800 368 6873** to ask us any questions you have about retirement planning in general and income options in particular.

The government offers a free and impartial guidance service to help you understand your options at retirement.

This is available via the web, telephone or face-to-face through government approved organisations, such as The Pensions Advisory Service and the Citizens Advice Bureau. You can find out more by going to **www.pensionwise.gov.uk** or by calling Pension Wise on **0800 138 3944**.



WHAT IS FLEXIBLE RETIREMENT INCOME?

Flexible retirement income (also known as flexi-access drawdown) allows you to leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too.

A quarter (25%) of your pension pot can usually be taken tax-free. The rest then moves over into a drawdown account whilst remaining invested. You can choose what funds it is held in and take as much or as little income as you want, whenever you like. This means that, for example, you could take a higher income when you first retire (and are likely to be more active).

Any further withdrawals will be taxed whether you take them as income or as lump sums, alongside any other income you receive (such as the State Pension). This means if you take large sums it could move you into a higher tax bracket.

You do not have to take any income. The more money you take out each time the less money is left to provide a future income.

Generally, this option isn't available in older plans and you may need to move into a new pension plan to do this.



Ways to take income

There are three ways you can take income through drawdown.

■ Natural income

You can take income from the dividends that are paid to the fund, instead of cashing in units or shares. There's more chance of your money lasting, but you won't know exactly how much you'll get from month to month.

■ Capital withdrawals only

You can put your money in investments that aim to deliver capital growth instead of income, and then withdraw money from the capital.

■ Capital withdrawals plus natural income

You can make withdrawals that include the natural income from your investments plus some of your pension pot to get the income you need.

What are the advantages?

1. Flexibility and control

The big advantage of drawdown is that you stay in control of your savings and can choose exactly how much you take and when you take it. If the amount you receive from other sources of income varies, this can be particularly handy, as it means you can manage your tax liability more effectively. As the money remains in your pension, you also keep the option of buying an annuity at a later date, though you need to remember that annuity rates could change during this time.

2. Growth potential

There's even the potential for your pension savings to keep growing – though there's no guarantee – so your income may be able to keep pace with inflation.

3. Leaving a legacy

In addition, you could leave something for your family (or to other beneficiaries or charities of your choice). This can be a very effective way of looking after your loved ones, as any money passed on through a pension is free of tax if you die before the age of 75. (As long as you don't exceed the lifetime allowance – read our Lifetime Allowance guide or call our retirement service if you need to know more about this.)

After this age, money can normally be left to a spouse or child and any income they receive will be taxed at their usual rate.

Call us on **0800 368 6873** and we can help you make sure your pension looks after your family should you pass away.



Call today on

**0800
368 6873**



What are the drawbacks?

1. No guarantees

One of the big drawbacks with drawdown is investment risk. Your money stays invested in the markets and you don't know what will happen in the future. If the markets struggle, you may have to reduce your income or your savings could run out. It's important to make sure your portfolios are well-diversified, balanced and not overexposed to any part of the market, where possible.

2. Withdrawal rate

Another challenge is the amount you take out. You could live like a king for a few years, but your pension is likely to run out pretty fast. On the other hand, you could keep your costs to a minimum and your pension might even grow in size, but this could mean your retirement isn't as enjoyable. Our team of retirement specialists can help with these difficult decisions – from how much to take at the start (and when to take it) to planning a sustainable income for the long term.

3. Managing your money

Drawdown gives you control over your money, but this also means there is more responsibility for you when monitoring and managing your own investments. If your circumstances change or if at some point in the future you find it more challenging to manage your investments, you have the option to purchase an annuity, which will provide you with a guaranteed lifelong income.

We understand that the income you take through drawdown is only half of the battle. What you do with what's left is just as important.

And whilst it may be possible for you to take a quarter (25%) of your pension tax-free and move into drawdown through your workplace pension, the options you may have for taking further income or lump sums and the fund choices you have available to invest in, may not be the most appropriate to fully meet your needs.

This may mean you need to transfer your pension to another arrangement that better supports your needs. If you need help with how this works and the choices available to you please call our retirement service who can talk you through the different options available along with the advantages and drawbacks.

If you would like more personalised support in structuring your income and investments Fidelity's Retirement Service has a team of advisers that can assist you. The team specialise in every aspect of these decisions – from how much to take cash at the start (and when to take it) to planning a sustainable income for the long term and building an investment solution, which makes the most of Fidelity's range of investment options.

There are charges associated with this service, please call us on 0800 368 6873 to discuss your options, our services and any charges.



Considering flexible
retirement income? Call us
to discuss your options on

0800 368 6873

HOW DOES DRAWDOWN COMPARE?



Here are the different options you have for your pension savings – each with their own strengths and weaknesses. The key point to remember is that you don't have to pick just one.

You can use as many or as few as you need, in whatever combination is right for you – and, in some cases, you'll be free to change your mind later as well. All options come with slightly different tax implications too, so it's important to understand how much tax you may have to pay before going ahead. For more information about all these options, **just visit our website.**

Flexible income (drawdown)

- You can take up to 25% of your pension as a tax-free lump sum straight away, if you want.
- The rest of your money stays invested and you take withdrawals whenever you want.
- You are in control, so you can choose how much you take and how often.
- If you take too much, or your investments underperform, you may run out of money.
- You can leave any funds you don't withdraw to your family, other beneficiaries or charities of your choice.

Cash withdrawal (UFPLS)

- With an Uncrystallised Funds Pension Lump Sum (or UFPLS) you can take out as much as you want straight away and use it for whatever you want.
- You won't pay any tax on 25% of the money you withdraw.
- The remaining 75% of the money you withdraw will be taxed just like your earnings, so if you take a large sum, you could move up a tax band.
- If you take too much you may not have enough left to live on in retirement.
- You are in control and can choose how much you take and how often.
- You can leave any funds you don't withdraw to your family, other beneficiaries or charities of your choice.

A guaranteed income (annuity)

- You can take up to 25% as a tax-free lump sum straight away, if you want.
- You then give your money to an insurance company and they pay you an agreed income (usually for life).
- There are lots of features you can include in an annuity, such as inflation protection and a spouse's pension. If you have any health problems that could reduce your life expectancy you might be able to get a higher income, (this is known as 'Enhanced Annuities').
- As the income you receive from an annuity is partly linked to interest rates, you may not get much income for your money when interest rates are low.
- You may be able to pass something on if you select the right options, but even then there is less flexibility than you would have with drawdown and this type of option can impact your income.
- Once you buy an annuity you can't usually change your mind.

Waiting for later

- Your pension savings have more time to grow if you defer your retirement. However, this is not guaranteed.
- You may also boost the amount you receive from the State Pension each month when you start taking it.
- You can leave any money in your pension to your family, other beneficiaries or charities of your choice.



It really is worth remembering that you don't have to pick just one of these options for your retirement income. We believe most people will want to use a combination of them, which may even change over the years. You should shop around to find a product that is suitable for you. If you need some help working out how to 'blend' them together, just give our retirement specialists a call on 0800 368 6873.

HOW DO YOU START DRAWDOWN?

More control if you bring your pensions together

It can be a lot easier to make plans for your pensions if the savings are all in one place. To find out what you should consider before transferring, please read our Fidelity SIPP [Transfer Factsheet](#).

It's important to understand that pension transfers are a complex area and may not be suitable for everyone. Before going ahead with a pension transfer we strongly recommend you take advice. Our team can explain the advantages of consolidation and help bring everything together. They can also advise whether it is in your best interest to do this for each of the schemes you hold, which is particularly important if you have any 'final salary' pensions. Of course you're free to select your own adviser if you prefer.

The specific way you can take income and lump sums from your pension will depend on your pension provider.

Although it may be possible for you to take cash lump sums through the workplace pension that you may hold with us, our workplace pensions are not designed to provide a regular income and the investment choices you have available are generally more suited to building up savings rather than withdrawing them.

If you are thinking that a flexible retirement income might be the best option for you, then you may need to move your pension pot to an alternative arrangement.

Our low-cost self invested personal pension, known as the Fidelity SIPP, pension has a number of valuable benefits:

- The full range of retirement income options (it may be hard to believe, but not every company offers them)
- No set-up fees, annual fees or annual drawdown fees
- No one-off withdrawal fees
- No drawdown restrictions at 75 (you can leave your money invested for as long as you want)
- No fees for moving other pensions into our SIPP
- The freedom to use full or partial drawdown
- A wide range of funds from over 100 leading companies
- Additional investment options, such as investment trusts and exchange-traded funds (dealing charges may apply)
- 24-hour online access through our secure website
- A UK-based call centre for any questions you have

All you pay is our typical service fee (which is usually 0.35%) and the ongoing charges from the companies that run your chosen funds.

You can find out more about the Fidelity SIPP on [our website](#).

What can our retirement service do to help?

You may have noticed we've highlighted our retirement service once or twice throughout this brochure. They can give you information and guidance, as well as personal retirement advice from a team of fully qualified advisers.

Getting started

We know it can be difficult to pick up the phone and talk about your pension savings. That's why we also offer lots of online information and support, including several free online tools to help you get to a stage where you are happy to look at your retirement income in more detail.

You can also give us a ring on **0800 368 6873** to ask us any questions you have about retirement planning in general and income options in particular.

Getting guidance

When it comes to setting up your income, there are two strands to our support. We know some people are investment savvy and don't need to pay for advice, which is why we offer free guidance.

This provides a safety net that aims to ensure all our customers make well informed decisions, which take into account all the implications of the different income options. If you go down this route for drawdown, you'll have access to a wide range of investment options with low ongoing fund charges starting from just 0.06%, as well as tools to help you find the right funds for you.

Getting advice

That said, it is worth keeping in mind that when you're planning your retirement income, you could be making decisions about thousands of pounds and your choices will have life-long implications. Paying for a specialist to help ensure you're getting the maximum possible from your retirement savings could be a worthwhile expense.

Our retirement service has expert knowledge of every aspect of drawdown - and all the other income options open to you. They can even help with 'final salary' pension schemes. The team will

work with you to identify the best income options for your specific needs (whether you use one option or several) and then help you get everything set up. If you go for drawdown, any investment funds we recommend will be chosen from a selection of Fidelity managed solutions. These will be matched to your retirement objectives and attitude towards investment risk.

Just as importantly, the support doesn't stop there. Our team are available to help you throughout retirement, whenever you need them, all you have to do is pick up the phone.

For a full breakdown of our charges call us on **0800 368 6873**.

What happens when you call the retirement service?

Our aim is to give you the right level of support for your needs and we can only find out what those are by discussing it with you. That's why our retirement service starts with a chat over the phone.

When you ring us, our first step will be to work out if we can help you. We'll talk about your requirements, how well you understand the different income options and whether or not you need advice.

This call can take a little while, particularly if you want more support, but we will not rush you at any point. Equally, if you're familiar with investments we won't take as much of your time but we will have to carry out some regulatory checks.

There is no initial cost and no obligation to use our service during this call. If you decide to go ahead, what happens next depends on the support you want:

- If you feel you would benefit from advice, our team will pass you to our advisers who will work directly with you to build a retirement plan for your specific needs. Any charges would be agreed at this stage.
- If you're happy making your own decisions we'll check what you plan to do and send out the forms you need. Just review and return them to us and we'll do the rest. We will make sure you're not missing out on any valuable pension benefits and then get everything processed for you.



Thinking about your
retirement income?
Call us today on
0800 368 6873
to see how we can help.

READY TO DISCUSS DRAWDOWN?



Have a chat with our
retirement service today
on **0800 368 6873**.



Guidance from the government: Pension Wise

The government also offers a free and impartial guidance service to help you understand your options at retirement. This is available via the web, telephone or face-to-face through government approved organisations, such as The Pensions Advisory Service and the Citizens Advice Bureau. You can find out more by going to **www.pensionwise.gov.uk** or by calling Pension Wise on **0800 138 3944**.