UNDERSTANDING THE PENSION SYSTEM IN THE UK

Cashfloat Educational Channel

Guide Disclaimer

We are doing everything in our power to bring you interesting, practical and valuable information. but we would like to make sure that you understand the following: All information and data in this guide are for information purposes only. Whilst we have worked hard to ensure the accuracy of all the information contained therein, we cannot accept responsibility as to the accuracy, completeness, suitability, or validity, of any information provided in the blog. Cashfloat.co.uk will not be liable for any errors, omissions, or any losses, injuries, or damages arising from its display or use. All information is provided AS IS with no warranties and confers no rights.

Because the information in this guide is based on our writers' personal opinions and experience, it should not be considered professional financial advice. The ideas and strategies included here should never be used without first assessing your own personal and financial situation, or without consulting a professional financial advisor.

CashFloat

CONTENTS

CHAPTER 1 Understanding The Pension System In The UK 3

CHAPTER 2 UK State Pensions 7

CHAPTER 3 State Pensions And Pension Credits 11

CHAPTER 4 Recent Changes To The UK State Pension 14

CHAPTER 5 State Pension Forecasts 17

CHAPTER 6 What Age Will You Be Able To Retire 21

CHAPTER 7 A Guide To Company Pensions 24

CHAPTER 8 Auto-Enrolment Into A Company Pension Scheme 28

CHAPTER 9 Pensions And Tax Relief 32

CHAPTER 10 Buying An Annuity 36

CHAPTER 11 Personal Pensions 39

CHAPTER 12 Is YOUR Pension Safe? 42

CHAPTER 13 Thinking Ahead To Retirement 47

CHAPTER 14 What You Need To Know About Pension Freedom 50

CHAPTER 15 Making The Most Of Your Pension Fund 53

CHAPTER 16 Pensions And Divorce 56

CHAPTER 17 What Happens To Your Pension When You Die? 60

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 1

UNDERSTANDING THE PENSION SYSTEM IN THE UK

Organising a pension is one of the most important financial tasks facing ordinary families in the UK. Many people do not understand how the state pension scheme works or the rules regarding company pensions and private pensions. This most important aspect of finance may appear to be complex and confusing but there are a number of places where you can go to get advice and information about how to set up a good pension that will make your later years more comfortable. However, in order to get to grips with the many kind of pension that are available, it may be useful to look back at how the basic state pension scheme has evolved since it was first introduced in the early 1900s.

The first old age pension scheme was defined by certain criteria that no longer exist. It was non contributory, was not paid until the age of 70 and was a means tested benefit.i.e only certain families who were below the poverty line were allowed to claim it. By1925 the scheme had changed and involved manual workers paying some part of the contribution. The pension age was reduced to age 65 but the pension was not available to anyone who earned less than £250

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

per year. Then, in 1946 the state pension again changed into something like the one that is in place today. The scheme was available to everyone on a contributory basis with different amounts paid to single people and married couples. The age when a pension could be claimed was set at 65 for men and 60 for women and this was effective from 1948. The age of retirement and when a pension could be claimed stayed the same until 2005 when, in response to the crisis that was enveloping the pensions system, there was a significant change in the retirement age policy.

Pension Reforms and Politics

The state pension that is paid in the UK has always been an emotive subject when it comes to chasing votes for political parties. In addition, as many people are now living longer than ever, the so called 'grey vote' has become an important part of how pension policies are formed and enacted. The pressure on the government to pay a decent old age pension without raising taxes from the rest of the workforce is a quandary that has yet to be resolved and is one that has been faced by successive parliaments.

Pension reform is one of the political hot potatoes that cannot be ignored but it has proved to be exceptionally difficult to achieve. The long term contract between the government and workers has meant that people expect to receive what they were promised. This means that any changes have to be set in the future and cannot be enacted immediately. This attempt at reform has created a situation where the state pension system in the UK has become extremely complex. There is a lot of confusion about who receives a pension under the older system and who has to wait longer to get a different amount of pension. In turn this has meant that the state pension system has become inefficient as well as complicated and as extra elements have been added it has become even more confusing.

The crisis that threatens to envelope the state pension scheme is partly due to an increase in longevity but is also due to the way that the changes to the system have been performed in a haphazard and ad hoc way that has left the old age pension system in a state of flux. Additionally, there has been some difficulty resolving the differences between short term political policies and the long term aspects of the state pension scheme.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

When the universal old age pension scheme was finally established in 1946 it was designed to pay a flat rate amount from retirement age until death. The amount to be paid was set at a subsistence level as the government envisaged paying just enough for a person to live on with no extras. The pension was to be funded by National Insurance contributions by younger workers but from the outset it was underfunded as the very people claiming the pension had not contributed in the past. This meant that pensions were being paid immediately but the contributions to pay for them were not received until future years. However, the workers paying contributions were viewing National Insurance payments deducted from their pay as a right to a pension when they themselves reached retirement age. The contributions at that point were at a flat rate and not linked to how much a worker was paid. This important point proved to have serious repercussions in later years.

During the 1950's there was a growth in the creation of occupational pensions. That is, pension schemes organised and partly paid by employers as opposed to the government. The state pension came under great pressure even at this stage as subsequent increases in the rate were still not being fully funded by contributions. This meant that every increase put greater pressure on the Exchequer and even though there were increases, the level of pensions was still not the same as the amount paid for National Assistance (subsistence levels).

Luckily for the government the increase in the number of employers who were offering company pensions (occupational pensions) began to increase substantially. By the middle of the 1950s, company pensions made up 33% of the pensions being accrued by workers. In that era, many workers stayed with an employer for life and having an occupational pension was seen as a reason to stay put in a steady job. In fact, the offer of a pension scheme was a great inducement for many people to start work at a company. During this golden age of almost full employment, when companies were positively desperate for a workforce, the attraction of a company pension was obvious.

The First Changes

In the early 1960s the government was still wrestling with the fact that the flat rate pension was inadequate as it failed to keep level with the large rises in wages. To this end, the introduction of an earning related additional pension was created

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

and it was designed to pay out a figure that was equal to half of a salary when retirement age was reached. The extra contributions were collected through the PAYE system and the government envisaged, that as the sum would be invested in stocks and shares, that a large fund would be created which could be used to pay for the improved pension.

This change in the pension scheme was put forward as it was impossible for all workers to join a company pension. The many smaller companies that were then a major part of the British economy meant that some firms could not offer an occupational pension scheme as it was uneconomic to do so. Unfortunately the earnings related pension scheme never succeeded and a limited change to the flat rate scheme was introduced as the 'graduated state pension' which ran for a few years and then this too was eventually dropped. This was superseded by the state earnings related pension scheme in 1978 but again this was relegated to history by the additional voluntary contributions system invoked by the Thatcher government.

There have been so many changes to the state pension scheme that it is easy to see why it has become so confusing and why it is still an important feature in the policies of each parliament. The continual development of the state pension scheme shows that it is not static and changes are inevitable. However, the short term policies adopted by governments (which also continually change) has led to a system that is both complex and confusing. Therefore, the key to achieving a good pension in later years would appear to be taking control of your own pension arrangements and not relying upon the state pension which will undoubtedly be inadequate for the foreseeable future.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 2

UK STATE PENSIONS

Since the introduction of the welfare state all citizens of the UK were assured that when they reached retirement age they would get a state pension. The undertaking by the government was that if the necessary level of contributions had been achieved, both men and women would be entitled to a state pension. Or, if a women had not completed enough contributions a married couple would get a joint pension. However, in recent years there have been some major changes to the system and both the amount of contributions that have to be paid and the age at which the pension will be paid have changed.

In the past there was a set age at which the state pension would be paid and this was age 65 for men and age 60 for women. These ages are now going to be brought into line with both men and women having the same retirement age. This change is due to be carried out not only because the discrepancy challenges the sex discrimination act but also because people are now living longer and are collecting their pensions for a much longer period of time. Some of the changes have already been implemented and there are more to come.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

At the current time, the state pension qualifying age for men is 65 for those born after December 1953 but this will change to age 66 by December 2020 and to age 67 by March 2028. And, similar criteria will also be applied to women. Women can currently make a claim for their state pension between the ages of 60 and 65 depending on when they were born. The idea is to bring together the ages so that pensions are paid at the same time. The government has also stated that reviews of the age at which a pension will be paid will take place every five years to compensate for the estimates of life expectancy.

How Much State Pension Will You Get?

In order to qualify for a full flat rate state pension, a contributor needs to have paid 30 years worth of National Insurance payments. Or, to have qualified for credits. Credits are applied for women who have taken out time for child care, students who have been to university and for people who have been off sick for a number of years. They are also applied to those who are unemployed and who are actively seeking work, women on maternity leave and disabled people who are unable to contribute to their pension record. There are some other qualifying features and you can find a full list of the available situations by looking on the gov.uk website.

The flat rate state pension is a set amount and this is raised each year in line with inflation on earnings, prices or at a minimum rate of 2.5%. The highest of these criteria applies and this is called the triple lock guarantee. Any additional state pension payment also increases at the rate of inflation and if the total amount you are paid each year exceeds your Income Tax allowance then it will be taxed at the usual rate.

Anyone concerned about how much pension they will get can apply for a pension forecast and this is very useful as it allows you to ascertain whether or not you will get a full pension or a reduced one. If there have not been enough contributions made to achieve a full pension then you can pay voluntary contributions to get to the right level.

Plans are in place to replace the current payment with a flat rate pension for everyone and this is being introduced in April 2016. This new pension payment will not be dependent upon the amount of money that has been paid in

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

National Insurance contributions and this means that everyone will get the same no matter how much they have earned. Only the amount of qualifying years will decide whether or not a full pension is due. The system has been designed to form a level playing field where lower paid workers do not miss out on a decent state pension. However, there has already been some dissension about the plan as anyone who was contracted out of the additional state pension scheme may get a lower amount when they are converted to the new system. These differences will be evened out in later years and everyone will get the same amount.

Claiming a State Pension

It is important to note that a state pension is not paid automatically and it must be claimed like any other government benefit. Under normal circumstances you will get a letter around four months before your qualifying retirement age. If this does not arrive and you have recently changed your address you should contact the state pension claims department and ask for a claimants pack.

There are a number of ways you can increase your state pension. The option to defer claiming the pension applies for between one and five years. If you choose this option you can increase the amount you will get by up to 10.4% for every year of deferral. However this will decrease from April 2016 and the amount will be reduced to 5.8% per year. There is no option to take a lump sum if you have chosen deferral and it is important to consider the tax implications of receiving a higher pension payment. Many people find that deferral is not beneficial as they then have to pay tax that would otherwise have not been applicable. So, if you do not make your pension claim the deferral kicks in automatically.

Anyone who has a gap on their National Insurance contribution record is allowed to make voluntary payments to achieve the full 30 years of qualifying. In addition, there is also a pension top up scheme which allows men and women to make a voluntary contribution so that the eventual pension payment is higher. For example, a person aged 65 can add £890 and will then receive a £1 increase per week on the pension. Deciding to go down this route could depend upon how long you think you will live and whether you will recoup the extra amount paid in.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Currently pensioners who are over 80 receive a different amount to the normal state pension and this amounts to £69.50 per week. This is applicable for those who have a reduced state pension due to a lack of NI contributions or those who did not work for enough years. However, this will not apply in the future. The aim of the current changes is to ensure that everyone gets a pension that they can live on. But, as the age at which the pension can be paid is increasing, it also means that unless you have a private or works pension you could well be nearly 70 before you can retire from your working life.

It is clear that the state pension system in the UK is undergoing sweeping changes. The system is very complicated and it also appears to be inadequate for delivering a pension that is enough for either a single person or a married couple to live on. For this reason alone it is important to think ahead and to make good provision for your later years. This can be achieved by either contributing to a company pension or by taking out a private pension with an insurance company. Both of these options will help you to retire at an earlier date and to have that comfortable and enjoyable old age to which we all aspire.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 3

STATE PENSIONS AND PENSION CREDITS

Pension credits were introduced in the UK in 2003 and were designed to supplement the state pension when it fell short of the amount needed to live on for a single person or couple. The aim of the benefit was to lift the poorer sections of society out of poverty and to ensure that many older people could afford to pay for both food and heating without compromising their health and well being.

There are two elements to pension credit. The first part is based upon income and this extra benefit is only available to those whose income falls below a certain level. The second element is based on whether a person has any savings that they have made towards their retirement. And, although the amount you can claim may be small, if you receive this benefit it could entitle you to other payments like housing benefit and a reduction in your council tax bill. Many people have no idea that they could qualify for this means tested benefit and this means they are losing out on what could be a hefty sum of money each year.

The guaranteed part of pension credits apply to those whose income falls below £151.20 per week. Anyone who gets less than this amount will have their pension

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

topped up to reach this level. For two people the relevant figure is £230.85. Applications for pension credit are considered after all your income has been assessed and this includes any income from other properties, dividends from shares, interest from savings or part time work that you may undertake.

The savings credit part of of the scheme is designed to reward those who have put money by for their retirement. If you receive between £126.50 and £188.25 per week you will get an extra 60p for every pound of income over the figure of £126.50 per week. This element of the scheme was formed with the intention of encouraging people to save for their retirement years.

Any savings up to £10,000 are disregarded and any amount over that is presumed to receive £1 per week interest for every £500 invested which in the current climate is impossible. However, if interest rates do ever go up this could be possible. The figure was calculated as a mean average over a number of years as capital has been used up.

The guaranteed element of pensions credit is available to anyone who is resident in the UK and has reached retirement age. The savings part of the benefit is only applicable if you are over age 65. So, if you feel that you could be eligible for this extra sum of money you can claim as soon as you qualify for your state pension. The benefit can be backdated but only for three months.

State Pension Provision in the Uk

Figures recently published show that up to nine million people in the UK have no other pension provision than their state pension. In comparison with other European countries the UK payments do look fairly poor. But, unlike a country such as Sweden where pensions are taxed from the first crown, pensioners in the UK do get a decent income tax allowance and prices here are considerably lower than other European countries. However, there is no doubt that as a percentage of final salary earnings, UK state pensions only reach around 36% compared with 71.2% in Italy and 58.8% in France. And, although the sweeping changes that have been promised by the government will come into force in 2016, they will not mean a huge increase in pension payments.

As life expectancy in the UK has increased exponentially over the last few decades, the new pension age is being increased and is also being equalised

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

between men and women. This means that it is even more imperative for everyone to start earlier to provide provision for their retirement years. So, how best can this be done?

The new government rules have been designed to ensure that everyone will now be automatically enrolled in a work pension scheme and this came into force in 2012. This means that in the future everyone will get another pension besides the state pension payments. However, automatic enrolment does not begin before the age of 22 and workers have to be earning above £10,000 (2014/2015 tax year figures). This means that part time workers could be losing out on a valuable opportunity to gain an adequate pension when they retire and that the scheme may not function for everyone in the community. Part time workers who do earn less can ask to be enrolled but this will strictly dependent upon how much is earned.

The contributions for a compulsory scheme at work are 2% of your earnings and your employer must contribute 1%. The government provides some tax relief and delivers a further 0.2% but these figures are set be increased in 2017 and 2018. The earliest that you can claim your work pension is age 55 and contributions can be increased or decreased as necessary as long as the minimum is paid in.

The best way to avoid losing out on a pension for your later years is to begin a pension scheme of your own as soon as you start work. Even a small sum will soon build up into a healthy pension pot that can be used to buy an annuity which can be used to top up your state and work pension. Unfortunately, as interest rates are at an all time low and have been so for some time, annuity rates have also fallen and this has forced the government to make some other changes to pension rules. Recent legislation means that now you can take out a lump sum from your pension and either spend or save it in any way that you choose. If you do not want to spend the money on an annuity which may pay peanuts you could consider investing in an income fund or, if the sum is large enough, you could consider buying another property that will provide a monthly rental income.

Careful consideration should be given before embarking upon any withdrawal from your pension pot and you always need to think about the implications for income tax. A reputable financial advisor will be able to help you decide the best way to increase your pension possibilities but remember to start early and then you can spend your later years enjoying the fruits of your wise investments.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 4

RECENT CHANGES TO THE UK STATE PENSION

The importance of saving for a pension cannot be underestimated but it is a sad fact that many people in the UK have little or no savings towards their retirement years. The question is why? Unfortunately, there is still a mistaken belief that the state pension, into which we all pay contributions through National Insurance deductions, will be enough to live on after we have finished our working life. This belief is also underpinned by short term thinking that is prevalent amongst younger people. i.e. that retirement is too far ahead for them to be concerned about.

This attitude is perfectly is understandable. After all most people are caught up with trying to get ahead with their career, paying off student loans, setting up home and maybe starting a family. All of these immediate objectives will naturally take priority over saving for a time that looks a long way ahead.

So, perhaps it is a good time to take a look at what is happening with the state pension and consider the sweeping changes that the government has planned. By studying the latest changes to the state pension, you can see exactly how you will be affected and think about what you need to do to improve your retirement situation.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Why Are the Changes Happening?

As the population of the UK continues to live longer the government is rightly concerned about the future. Analysts have predicted that there will soon come a time when there are not a sufficient number of young taxpayers able to support the elderly retired citizens. This will inevitably mean that state pensions will not be robust enough to live on and more top up benefits will be required to support a single pensioner or a married couple. Therefore, plans have been made to ensure that everyone has enough money to support them in their old age and to this end there have been a number of changes to the pension system.

The current pensions minister has stated that people in the UK must accept a dramatic increase in their working lives in order to prevent a serious crisis in health care funding. Currently the average age for retirement is 65 years for men and 63.1 for women. As the number of people aged over 65 is due to increase by 51% in the next two decades, state pensions are being paid for longer and to this end ministers want to increase the retirement age by 6 months every year for the foreseeable future. Many decades of living longer has created the situation where the state pension system will become unsustainable unless retirement age is increased and rapidly. Put simply, as people continue to live and collect their pensions well into their eighties, the bill for the taxpayer will increase and if people continue to retire as early as aged fifty the whole scheme could well founder.

Plans are afoot to make the state retirement age 66 by the year 2020 and almost certainly it will go up to 70 within the next 50 years. The idea is that there should be more people in the working system to support the growing number of longer living pensioners. One other factor to think about is that as people live longer it is no longer a given that they will inherit a property or money from their parents. Living longer can mean bigger health care bills, fees for care home or home carers which means that the traditional model of inheriting in your 40s has almost disappeared. Some recent figures show that pensioners are increasing their life expectancy by as much as three months every year. This staggering figure shows how a crisis in monetary terms for paying the state pension has led to the current need to increase the retirement age.

So, putting aside the social consequences of living and working longer, how is the government encouraging people to save for their old age if they will not get a pension until their late sixties or even seventy?

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Automatic Enrolment in a Company Pension

The year 2016 will see some massive changes to pensions. Basically anyone who employs people will have to enrol them in a pension scheme. This means that when everyone retires they will not only get a state pension but will also get a secondary pension. Workplace pensions are called a number of names including occupational pensions, company pensions and workplace pensions. However, they all operate in a similar way. You will pay a percentage of your salary into the pension fund and your employer will also contribute. The government chips in with tax relief which also helps to build up the pension pot of money. The earliest age you can retire with a company pension is 55 and it is usual for this kind of pension to release up to 25% of the funds as a tax free payment when you do retire.

Automatic enrolment means that all employers must put their workers into a pension scheme if they are aged over 22 and earn more than £10,000 per annum. This applies to all people who work in the UK. The minimum you will pay into the pension is 0.8% of your earnings and this is due to rise to 4% by 2018. Your employer must pay 1% of your earnings and this will rise to 3% by 2018. Currently the government will pay 0.2% of your earnings rising to 1% by 2018. As your salary will be reduced by making these payments there are plans ahead to give advice about possible tax credits or income related benefits that lower paid workers may be able to claim.

Once the scheme is up and running you will get a statement each year advisng you how much is in your pension fund and as years go by you can ask for a pension forecast for the date when you plan to retire. Some pensions schemes allow you to nominate a person to receive your pension if you die before you claim it and this would usually be a dependant. i.e. spouse, civil partner or child.

Whilst it is clear that this new scheme is going to help people to better prepare for their retirement years, it remains to be seen whether or not it will work sufficiently well to help everyone in work. There is a choice available to opt out of automatic enrolment and you can decide whether to accept this type of scheme or to go ahead and provide your own pension for the future. However, opting out involves losing out on free money from both your employer and the government and most financial consultants would advise that you grasp this opportunity and make a good start towards saving for your retirement whilst you can.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 5

STATE PENSION FORECASTS

Planning for your retirement can be very challenging. One way to get ahead of the game is to ask for a state pension forecast so that you will have some idea how much money will be coming in from this source of income after you retire. Recent changes that are coming into effect from 2016 mean that, depending upon your age, you may be paid a substantially different amount from that of your colleagues. There will be two schemes running side by side. People over the age of 55 will receive a basic state pension and an additional state pension based upon their National Insurance contributions whilst those currently under that age will get the new style flat rate state pension when they retire.

The Current State Pension

If all this sound very confusing that is because it is. The current state pension is a basic amount of £115.95 per week and this is increased each year according to the triple lock system. That is, increases are governed by the highest of three differentials; inflation rate, the average earnings increase or a minimum of 2.5%. Then, added to this basic amount is the Additional State Pension which is based upon National Insurance contributions. This part depends upon how much you

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

have earned over the years. If you have chosen to contract out of the Additional State Pension by making contributions to a private pension there will be no payment from this part of the scheme. To make it even more confusing, the Additional State Pension is also made up of two parts. From 2002 to 2016, the Additional State Pension has been known as the State Second Pension and prior to that, from 1978 to 2002, it was known as the State Earnings Related Pension Scheme(SERPS). People who chose to contract out of the Additional State Pension paid lower National Insurance contributions.

So, if you are going to qualify for a pension under the current rules you can obtain a forecast of how much this will be at your retirement date. In order to get this forecast you need to be over 55 years of age. Just fill in the application form on the gov.uk website with all your details and you will receive a full forecast. Once you have applied you will get a statement detailing the amount you will get (at today's rates) and whether or not you have a gap in your National Insurance record. That is, you will be told whether you have the right number of qualifying years for a full pension. If there is a shortfall in the number of NI contributions you have paid you may be able to top this up.

The importance of achieving a full state pension should not be underestimated. As many as one in seven people receive this benefit as their sole income in retirement and for many other people it makes up at least a third of their total retirement pay. The present rules ask for a total of 30 years of full NI contributions that provide qualification for a full basic pension. Depending upon your age you can make up as much as £1,300 per year to plug the gap and there is also an option to add to your weekly pension income amount by paying voluntary contributions. The Pensions website has a very easy to use calculator to help you work out what you may be entitled to.

If you are currently near to retirement age you can also choose to defer your state pension and this course of action will increase the weekly amount you get once you do make your claim. However, it is important to take into account factors such as loss of possible pension credits, housing benefits or even tax implications if you are going to opt for a higher weekly pension.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

The New Flat Rate State Pension

From April 2016 there will be a new state pension that has been designed to simplify the pension scheme but it is an innovation that, as it stands, is quite complex. During the period of changeover from the current system to the new one there will be effects for anyone who is planning to retire during this period. Anyone already receiving a state pension will carry on as normal and even those who choose to defer until after April 2016 will still be treated under the current system and will not be affected.

For people who are retiring and who have built up some pension under the current system, their payment will be converted into the new flat rate system. Under the new system the Additional State Pension will be abolished. The new pension will be related only to National Insurance contributions and not on the amount of money you have earned. The qualifying period will be 35 years of National Insurance contributions which will give the full new flat rate. This is a maximum of not less than £152.25 per week (current rates for 2015/2016) but the actual amount will be announced in the Autumn budget statement.

All this means that some people will get lower or higher amounts than others as the changeover period commences. Using the National Insurance record as of April 2016, the qualifying pension will be converted to the new system. The government has guaranteed that no one will receive less than the amount that they would have received under the current system.

Anyone who has a starting amount higher than the flat rate will get the higher amount but will not be allowed to build up any voluntary contributions to qualify for a higher pension. If the starting amount is the same as the flat rate, this is the amount that will be paid and there can be no additional contributions to build up the payment. However, if the starting amount is lower than the flat rate further contributions can be added until pension age is reached. This means that the full flat rate will be payable upon retirement.

So, for anyone just starting out in their working life, it is a very straightforward calculation to understand what they will get when they retire. As long as they have achieved 35 years of full National Insurance contributions during their working life they will get the new flat rate. These contributions do not need to be in consecutive years. Anyone with less than 10 years contributions gets nothing.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

And, anyone with less than 35 years will get an amount based upon the qualifying number of years that they do hold. However, for those who will claim their pension in the interim period of changeover the matter is more complex and this is when a pension forecast can be so useful.

Planning for the future is essential if you want to enjoy your retirement years. The new reforms taking place for occupational and private pensions mean that everyone will have more choice about how they use their pension funds. So, getting an accurate forecast for the state pension will not only give you details about what you will get, but will allow you to take control and plan more accurately how you can secure the best retirement.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 6

WHAT AGE WILL YOU BE ABLE TO RETIRE

Changes to the age at which you can claim a state pension have led many people to have a long hard think about their retirement plans. For many years the age of retirement was stuck at age 60 for women and age 65 for men. However, as better life choices and health care have led to a jump in life expectancy, the Treasury has been paying out state pensions for a much longer period of time. This has resulted in spiralling pension costs that are now underfunded by National Insurance contributions. Something has had to give and so the age at which a state pension can be claimed is going up.

Not only is the age at which women can claim a state pension being brought into line with men but by the year 2026 both sexes will have to wait until they are at least 67 before they can claim their state pension. So, unless you have been paying into a work or private pension, you could be nearing 70 before you can stop work and enjoy your retirement. The government also plans to have reviews every five years of the age at which a state pension will be paid. This means that those who are just starting out in their working life will certainly have to work for more years before they can make a claim.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Planning For Retirement

If the thought of working until you are nearing 70 does not appeal there are a number of ways that you can achieve an earlier retirement. Despite the longer wait for a state pension you will only need 30 or 35 years of National Insurance subscriptions in order to qualify for the pension and once these have been paid if you have another source of income you can go ahead and retire.

You may have made some provision by paying into a work pension or a private scheme but it is important to review these at regular intervals. Even when you are close to retirement there are a number of options that will help you to achieve a more comfortable lifestyle when you do stop working. Planning is the key to success so if you are thinking about retiring in 10 years time there are a few steps that you can take to make your retirement dreams come true.

Figures are at the heart of retirement planning and if you can work out exactly how much you will need for living costs, including important things like holidays, you will be able to work out whether your current pensions are sufficient. Remember to factor in annual rises in utility bills and take out the mortgage payment (as long as this will be cleared by the time you retire). Of course, if you are living in rented accommodation you will have to add in the rental payment to your total living costs.

Once you have a realistic figure for how much your living costs will be you can ask for pensions statements from your company scheme and any private pensions to which you have made contributions. Then, look at ways in which you can enhance the amount that you will get. Is it possible to make higher contributions to boost your pension? Although there are limits to how much you can pay into a company pension, most people do not pay in as much as they are allowed. Can you afford to make some savings in long term income bonds? Ten years is quite a long time for an investment and the time length of the bond is enough to allow for fluctuations in growth.

If you have some stocks and share this is the time to think about moving them to safer investments. A last minute drop in the stock market could easily scupper your pension plans so don't leave this decision until the last few years before you want to retire. And, this is the time to track down any old pensions that you may have paid into when you were young.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Is There an Ideal Time to Retire?

For most people the idea of retirement is a very tempting prospect. However, unless you are well prepared you could find yourself with lots of time on your hands and very little money to spend. A work pension can usually be taken at age 55 and if you have been with the same employer for many years you may have enough money coming in to live on. However, you could find yourself living in retirement for 30 years or even longer. So, the longer you live the more money you will need as income.

Although after retirement you will not be spending money on travel to work and may not have a mortgage to pay, it could be that your heating bill goes up and unless you plan a very frugal lifestyle you will want to spend money on hobbies and holidays. There is also the matter of inflation to consider and whilst at the moment it is very low, prices could start to rise in the future. So, when is the best time to retire?

In April 2015 the default retirement age was abolished in the UK. This means that workers can no longer to compulsorily retired from their job when they reach the age of 65. Many people now reduce their working hours as they approach the age of retirement as a way of easing themselves into a new era of their life. The concept of reaching a staging post as a way to reach a contented retirement is fast gaining ground. So, a pre-retirement stage looks like a good way to ease your way into the next stage of your life.

If you are one of the many people who will not get their state pension at the same time as a work or private pension then part time work may be the answer. Or, if you have been canny enough with investments you may decide to throw in the towel and start your retirement straight away. Everything will depend upon how much income you will have to live on and how you spend it.

Once you have established how much money you need coming in to live the kind of retirement that you envisage, you will have a clear idea of the best age at which to retire. Long term planning for pensions is now essential. With the new rules for compulsory enrolment in a pension scheme for all employees coming into force, the younger generation has a chance to start an immediate savings plan for their pension and will be able to have the choice at what age they want to retire.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 7

A GUIDE TO COMPANY PENSIONS

With the latest pensions reform now underway it is a good time to take a look at company pensions and how this type of saving can help you to enjoy your retirement. It is rapidly becoming clear that starting to contribute to a pension as early as possible is not only a nicety but is a necessity. As the age at which a state pension can be claimed is increasing, anyone who wants to enjoy an earlier retirement should think seriously about making the highest possible contributions to their work pension.

During the early part of the twentieth century occupational pensions were mainly confined to professions such as teaching, nursing and, of course, the civil service. Larger corporations had pension schemes but most medium and smaller companies did not offer any kind of pension plan for their workers. Most people were happy enough to rely on the guarantee that they would get a state pension even though the UK pays one of the lowest state pensions in Europe. However, as people became more aware of the benefits of paying into a pension there was a sea change and instead of being a perk, a work pension became a must have for new employees.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Younger people who would once have considered paying into a pension scheme as a waste of cash are now beginning to understand that if they want to make some sensible savings, a pension plan is a great way to achieve a comfortable retirement. There are also advantages of tax relief and this is another reason why a work pension fund is one of the most sensible ways to save for the future.

The Two Types of Occupational Pension

A work pension can be called an occupational pension or a company pension but however they are styled they all work in the same way. Company pensions are a very tax efficient way to save for retirement and there are two types of scheme.

The Defined Benefit Scheme is sometimes called a final salary pension and it is calculated on how many years you have worked with an employer and the salary that you earned. The pension could be calculated on your final salary or an average over a number of years. Both an employer and employee will have paid contributions into the scheme. Pension payments will increase each year with inflation and the pension scheme is run by a board of trustees. An employer is obligated to ensure that when the time for retirement arrives, there is enough money in the fund to provide the promised pension income.

When retirement arrives you will have a choice about how to receive the money from the fund. If the whole amount is withdrawn there is no tax to pay for the first 25% but the rest will be subject to normal income tax rates. As it is likely that this will take your income for the retirement year over the 40% threshold this is not an option most people would choose.

If your pension fund is less than £30,000 you can take this out as cash. And, if the total amount is £10,000 or less you can take it as cash despite any other pensions funds you may have. A Defined Benefit Scheme is protected by the government backed Pension Protection Fund so even if an employer goes bankrupt the pension is still guaranteed. However, depending upon how much is already being paid to former employees some people's pension income could be less than the original amount forecast.

Due to the high costs to employers and shareholders this type of pension scheme, which was often offered by many large companies in the past, has now

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

become uneconomic and a final salary pension scheme is now rarely on offer to new employees. As people are now living longer many companies have found that the drain on their resources by the pension scheme has become too great and most businesses now offer the second kind of pension scheme.

The other type of work pension is a Defined Contribution Scheme and this is operated by building up a pension fund made up of contributions from both employer and employee. When the age of retirement is reached the employee has access to the pension fund. There are a number of options open to you when the pension fund is available. You can take out the whole lump sum although only 25% of this will be tax free. You can take out lump sums as and when you want them. You can 25% of the pension fund and use the rest of the money to provide an income. Or, you can take the 25% tax free and use the remainder of the fund to buy an annuity.

The amount of money that is in a company pension fund will depend upon various factors. These include how many years you have been enrolled in the scheme, the size of your contributions and those of the employer, how well the investments have performed on the stock market and how much has been charged in administration of the fund.

When you hit the required retirement age your pension provider will offer you an annuity. i.e a regular income based on the size of the fund. However, you are under no obligation to take this offer and can decide to get advice from a financial consultant about how to maximise the income from your pension.

Joining an occupational pension scheme is a no brainer. You are saving, your employer is giving you money and the tax man also stumps up some tax relief on contributions. Some employers will match your contributions, some will pay more and some will pay less. Additionally, if you decide to change your employment you can stop paying into the scheme and the amount saved will be deferred until you retire. Or, you can transfer the pension fund to another employer, to a stakeholder pension or to a private pension scheme. There are some administrative costs for transferring and it is best to take some financial advice before moving the fund.

The latest pension reforms introduced during 2015 have meant significant changes to company pensions. Employers will soon be obliged to automatically enrol new employees into a company pension although after enrolment there is

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

a for employees to opt out. In addition, new regulations mean that from April 2015 you can have a wider choice about how to use your company pension fund as long as it is not a final salary scheme.

Clearly there is a challenge about how best to use the money that has accrued in a company pension. So, find out as much as you can before you reach retirement age and consult a good financial advisor about how to achieve the best results from your hard earned savings. But, don't turn your back on a company pension. If you want to enjoy some of your later years before you can take your state pension, start your company pensions contributions now.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 8

AUTO-ENROLMENT INTO A COMPANY PENSION SCHEME

The laws about work pensions have recently changed and from October 2018 every employer must automatically enrol new employees into a pension scheme. The new rules apply to anyone who works in the UK, is over the age of 22 and who earns more than £10,000 per year. The changes are being set in motion over a period of time to allow all employers to set up the necessary schemes. The government has made these changes to the law as a way of both encouraging everyone to be part of a pension scheme that is not related in any way to the state pension and to ensure that those people who want to retire before the state pension is payable may do so.

Following a start in 2015 by the largest employers, the legislation will be rolled out to medium and small firms and if you are not currently part of a work pension scheme you can ask your employer for the date when one will be available. Workers who are on short term contracts and agency staff will be eligible as long as they earn the required amount. In practice what this means is that a considerable amount of the workforce in the UK who currently have no other

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

pension provision, other than the state scheme, will begin to accrue a pension fund for when they retire.

Everyone is entitled to opt out of a scheme after the enrolment has taken place but this means that any employer's contributions already paid and any tax relief from the government will be lost. The form for opting out has to be completed and returned to your employer and if you take this route within the first month, all the contributions that you have made will be refunded in full. An opt out triggered after the first month means that the contributions stay in the fund and will be deferred until your retirement. There is also a chance to change your mind and rejoin the scheme at a later date and by law an employer must offer this option at least every three years.

How Much Are the Contributions?

The government has set minimum contributions for both employers and employees and there is also a set amount of tax relief that it will pay towards a pension fund. Current (2015/2016) minimum amounts are set at 2% of earnings and this is broken down into 0.8% from an employee, 1% from an employer and 0.2% from the government in the form of tax relief.

This amount is applied to any amount earned over £5,824.00 and the upper limit is £42,385. Any bonuses or overtime that make up a salary are included in the figures. An employer will advise you about the amount needed as a minimum contribution and this will be increased during the tax years 2016/2017 and 2017/2018.

So, unless you are heavily weighed down by substantial amounts of debt, joining a work pension has a lot to recommend it. This is an excellent way of saving and you will be getting top ups from both your employer and the government. The changes have made it much simpler to join a work pension scheme and as employers are required to offer this benefit it makes being part of a pension scheme a much more attractive option.

However, if you do have some serious debts it is always a better option to clear those before embarking upon any kind of savings plan. In addition, if you are quite close to retiring then getting rid of any outstanding borrowing would also be a better way to spend any extra money you may have. With changes

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

underway to the state pension retirement age, joining a work pension will help you to achieve the kind of retirement lifestyle you wish for instead of an existence on the small state pension.

How Does It Work?

Your employer has by law to enrol you in a company pension scheme provided you meet the criteria already mentioned above. If you do not earn enough it is still worthwhile approaching your employer and requesting to join the scheme. When you start a new job your employer will advise you in writing about when the date for the enrolment is set, which kind of pension it is, who will be operating the pension fund and how much you will need to contribute. You will also be told about the opt out option.

Anyone who is already in a work pension scheme will not be automatically enrolled and anyone who does not meet the criteria will be advised whether or not they will be allowed to join the scheme. Once the enrolment is complete your employer will begin to make the deductions from your salary for contributions and will also pay in the minimum requirement for their part.

It is important to understand that an employer cannot force or offer any encouragement for you to opt out. And, you cannot be treated unfavourably if you want to join the scheme. Equally important is the fact that everyone must be allowed access to join a work pension scheme even if they earn below the £10,000 per year limit. Workers who earn over £5,824 per annum will not be

automatically enrolled into a scheme but must be allowed to join if they make a request to do so. In these circumstances an employer is still required to make a contribution to the fund. Employees who earn less than £5,824 per year will not be automatically enrolled either. They can still make a request to join but the employer does not have to make their part of the contribution.

These latest changes to the rules and regulations about work pensions are designed to help all workers save towards their retirement. As there is a high percentage of people in the UK who have made no provision at all for their later years, this government initiative can only be good. But, a recent survey showed that at least a third of people who will be automatically enrolled have decided to opt out. The continued financial pressure that many families are under means

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

that a lot of people feel they are unable to pay even the minimum contributions without losing out on debt payments or a commitment to household bills.

In order for this initiative to succeed the government needs to do a lot more to raise awareness about all the benefits to be gained by joining a work pension scheme. Pointing out the tax breaks and obligatory contributions from employers may help some of the doubtful employees to change their mind and enjoy the benefits of automatic enrolment in a company pension.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 9

PENSIONS AND TAX RELIEF

One of the benefits of savings towards a pension is the tax relief on contributions that is donated by the government. There are set limits to how much you can save without attracting tax and these will depend upon the rate of income tax that you pay. Although you can add as much as you want to your pension fund, there are both lifetime limits and annual limits on the amount of tax relief that is allowable.

Saving for a pension will help to maximise the amount you have to live on after you retire and if you choose to join a company pension the benefits soon become obvious. It is a simple way to save and as auto enrolment will become mandatory by 2018, there will be no need to apply. Joining a work pension scheme can help to double or even triple the amount of pension you will get at retirement and by paying into a work scheme you will beat the taxman at his own game. Finally, as pension savings are not accessible you will not be tempted to withdraw them out and spend them.

Company pensions are a secure way to save for the future and not only do you get free money from your employer, but the taxman chips in some cash as well.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

It is almost like getting a pay rise although you can't spend it until your later years. However, most people underestimate how much they will need to live on after they leave work and a company pension is a great way to plug the gap in finances that can arise once you have stopped full time work.

How Much Tax Relief Can I Get?

The rules about tax relief on pensions may appear to be complicated but in fact they are quite straightforward. A UK taxpayer is allowed to have tax relief on contributions for 100% of their earnings or £40,000 which ever figure is the lower one. i.e. if someone earning a salary of £30,000 wants to put £35,000 into a pension scheme the tax relief would only apply to the first £30,000.

Of course, this is an extreme example and most people are unable to save more than their annual salary into a pension scheme but it is useful to understand how it works. There may be circumstances like an inherited lump sum of money that you want to save towards your pension. Or, you may have sold a property and decide to add this to the pension fund. So, any contributions that are higher than the annual allowance will attract income tax at whatever rate you normally pay.

There is however a clause that states you can carry forward allowances for three years as long as you have been a member of the pension scheme in those years. The only exception to this rule applies if you are enrolled in a Defined Contribution Scheme and have made a withdrawal of any of the funds in the pension scheme. In this instance the annual allowance is reduced to £10,000. Your pension provider will send you a statement every year about the annual and lifetime allowances and this will show exactly how much tax relief is allowable for your pension contributions. After April 2016 the top limit of £40,000 is due to be reduced for those who earn over £150,000.

Even people who do not pay income tax can benefit from the tax relief that is allowed on pension savings. Someone who is on a low income can add £3,600 per year as contributions or 100% of the amount they earn. So, a part time worker would be allowed to contribute £2,880 per year to a pension fund and the government will add another £720 to make it up to the annual allowance. This means that parents and grandparents can make a contribution towards a

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

young persons pensions fund and take advantage of free money from the government.

The lifetime allowance for tax relief is very high. During the tax year 2015-2016, the lifetime allowance is £1.25 million. This is due to drop to £1 million in April 2016. Any amounts above these limits will attract a tax of 25% if paid in as regular contributions or 55% if paid in as a lump sum.

What Are the Benefits of Saving for Pension?

Aside from the obvious benefit of tax relief, which is like the government giving you money to save (a nice change), there are some other obvious benefits to enrolling in a work pension scheme. Just ask the millions of state pensioners how difficult it is to get by on the small sum that they receive. Even though there are plans in place in the future to pay everyone the same amount, there are also plans to raise the pension age and this means unless you have made some provision of your own you could be working until you are nearly 70.

One of the most pleasant benefits of saving for the future is that you beat the tax man with contributions and when you reach the designated retirement age of the scheme you can take a quarter of the pot without paying any tax. And, a large part of these savings will have been made by your employer and the taxman.

There are some new rules attached to pensions that were announced in the last budget and these allow you to have more say about how your pension fund is used. Instead of being forced to buy an annuity you can choose where to put your hard earned savings or you can spend them as you wish. This could mean helping a child with university fees or helping them to put a deposit on a first home. These new rules give you the freedom to choose and put you firmly in charge of your own money.

Investing in a workplace pension is an economical way to save for the future and most pension funds will pay out a lump sum to dependents if you die before retirement age. Many of the workplace pension trusts will also allow the pension to be paid to a spouse or designated partner should you die after you start to claim the pension. Both of these kinds of payments will not attract tax other than normal income tax if the payments cause the beneficiary to go over their own tax allowance.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Finally, saving through a work pensions scheme is one of the cheapest ways to make an investment for the long term. There are little or no administration fees, your contributions are taken from your salary and there is no access so no temptation to draw the funds out. In fact, in the future you will not even need to enrol in a scheme as this will happen automatically to all employees after 2018. Your employer does all the hard work and you will be able to reap the benefits of tax free savings that will provide you with a richer and happier retirement.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 10

BUYING AN ANNUITY

Recent changes to the rules about company and private pensions mean that you no longer have to buy an annuity from your pension provider when you reach retirement age. However, this is still one of the most secure ways of achieving a regular monthly income so it is worthwhile looking at how annuities work.

Unlike a Defined Benefits Pension where you are guaranteed a percentage of your final salary, Defined Contribution Pension plans are comprised of a fund that can be used to buy a lifetime annuity. i.e. a monthly income that will last you the rest of your life or for a specified time period. So, if you do not want to invest your pension pot into any risky ventures, an annuity is a good option that will guarantee a monthly, quarterly or annual payment as income. However, finding the best annuity is a real challenge and the decision once made is not reversible so it is important to shop around in order to get the best possible rate.

The recent changes to pension rules mean that you do not have to arrange an annuity through your pension provider. The opening up of the market means that there are more choices available which will help you to find the kind of annuity that suits your individual plans for retirement. In fact, research has indicated that

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

as many of 8 out of 10 people who purchased an annuity from their pension provider could have achieved a better deal from the open market.

Steps that Will Help You Buy the Right Annuity

There are different kinds of annuities and finding the best one for your particular retirement situation is sometimes difficult. A reputable financial advisor will be able to help you understand how annuities work and which type is the best for you and your family.

Some annuities pay an income for life and these can be basic annuities with a set amount or can be linked to investments. There are also fixed term annuities that pay an income for a set period of time and within these different types there are also sub types with income being paid in different ways.

A lifetime annuity is just that. You can take out the 25% tax free lump sum from your pension fund and use the remainder to buy an income for the rest of your life. A basic lifetime annuity pays out a set sum and an investment linked annuity income will go up and down with the performance of the investments but it has a guaranteed minimum income amount. So, if you want absolute stability a basic lifetime annuity will never change. But, if you are willing to take a small risk you could benefit from higher the returns that are often gained from an investment linked annuity.

Within these options there are other choices to be made. A basic lifetime annuity can be arranged as a single life annuity or you can opt for a joint life annuity which continues to pay out after your death to a beneficiary you have nominated. This is usually for a set number of years after your death.

Some annuities can be arranged to take into account ill health and these can pay out a higher income so don't hide any serious underlying illnesses when you are shopping around for the best deal. A higher income can be made as the term of the annuity could be shorter if you are suffering from a life threatening disease.

An investment linked annuity can also be bought to buy an income for life but the income will depend upon how the investments chosen are performing. There is a chance of a higher income and a guaranteed minimum income but you must expect regular changes to the amount you will receive. These kinds of annuities

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

are also available as single or joint plans. The important point to remember is that once you have chosen an annuity you cannot change your mind.

Once you have found out about the different kinds of annuities on offer you can then consider what your own pension provider is offering as an income. This is a good place to start before making comparisons with plans that are available upon the open market. You can then look at one of the money websites to see whether a better income is available with like for like terms and conditions. It is a quick and easy option to enter in a few basic details including information about your lifestyle and health and then you can see the results from a wide variety of pension companies.

The importance of getting sound financial advice before you commit to an annuity plan cannot be underestimated. You only get one chance to get it right so find a reputable expert in retirement plans and have a serious discussion about what you want from your pension and what is available for the amount you have saved.

There are also some specialist annuity brokers who will provide information about annuities but they are not allowed to give advice. A financial advisor is regulated by the Financial Conduct Authority and must obey their rules. Therefore, if you do feel that you have bought the wrong product due to bad advice from one of the regulated advisors, you will have some redress from the protection afforded by the authority. Additionally, some pension providers give information and advice whilst some only offer facts about the different kinds of annuities available. You should always ask if the details they provide are just information and if this is the case you will have to make the decision based on that information.There will be no comeback if you make a wrong choice. One important fact to add is that a pension provider may give advice but only about their own products so think very carefully before making the final commitment to a pension that will have to see you through to the end of your life.

The way that you choose to use your hard earned pension fund is a decision that can have an effect on how comfortable you are and the enjoyment you will get in your retirement years. So, if an annuity is the way you wish to go, take your time and find out all the relevant details before making your final choice.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 11

PERSONAL PENSIONS

There is no doubt about the importance of saving enough so that you can enjoy a comfortable retirement. Whilst a state pension may be enough to form a base that is barely enough to cover necessities, this will probably not be enough for most people to live on in the manner they wish. As the age at which the state pension will be available is increasing every year most people are now realising that they need something extra to provide a decent standard of living after they have left work. But, are there any advantages to enrolling in a personal pension?

During the preceding decades some employers in medium and smaller companies did not offer any kind of pension plan. In these instances many people turned to personal pension plans as a way of saving for their later years and the plans work in exactly the same way as a company Defined Contribution Pension Scheme. That is, you make your choice of pension provider and make monthly contributions to build up a pension fund. You also make an agreement about where the funds will be invested and the contributions attract tax relief just like company pensions. The tax relief is claimed by the pension provider and this extra money is added to the fund. People who pay the higher rate of tax need to claim an additional rebate when they complete their annual tax return.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Personal pension funds are invested into stocks and shares, bonds and other cash investments. The profit made on these investments is how the pension fund grows so it is vital that you choose an investment opportunity with which you are comfortable. The ones that give higher returns also carry the most risk and a pension provider will usually recommend spreading the fund over a series of investments with some being safer than others.

As you get older it is worthwhile reviewing your personal pension fund at more regular intervals and to think about reducing the exposure to risk especially if you are within a few years of retiring. If you are uncertain about how to make the investments then your pension provider will usually offer a default pension fund investment opportunity that has been put together in a way that will suit the requirements of the majority of people. You may be offered a choice between a fund that offers a specific asset or a mix of different assets.

Typically, investments could be in specified European company or a mix of government bonds and global shares. The most popular option is to choose the widest possible spread as this will mitigate the chances of loss due to insolvency or a company collapse. It is useful to know that over a long period of time, shares have performed better than either bonds or cash investments because they give a higher return but, as already mentioned, shares are a higher risk investment. Some pension providers will offer a lifestyle fund. This means that as you get nearer to retirement age the funds are moved to less risky assets. If you choose a fund like this you will not need to do anything as the pension experts at the pension provider will make the necessary changes.

Self Invested Personal Pensions

The SIPP is a slightly different way to save for retirement and it is a more flexible scheme. This type of pension is not suitable for everyone as it relies on you choosing and managing your own pension fund. This would involve switching investments to take advantage of market forces and unless you have sufficient knowledge about investing in stocks and shares it is a risky choice.

However, you can arrange a SIPP and have an investment manager to make the choices on your behalf and many people with large amounts of money to invest go for this option. SIPPs attract higher administration charges than other

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

types of personal pensions and there are some restrictions about where the funds can be invested. Different SIPP providers offer different types of investments but you will almost certainly be offered a range of assets that cover government securities, endowment policies, commercial property and secure investments like National Savings. The range is varied and you are not allowed to invest in residential property unless it is set up as a trust.

Group Personal Pensions

A group personal pension is another option for saving that can be arranged by an employer. The pension scheme will be run by a chosen pension provider arranged by your employer but the actual pension contract is between you and the pension provider. Like other kinds of pension funds, contributions to a group personal pension attract tax relief. Options of how to use your pension pot when you reach retirement are similar to company pensions. Under government rules you can take 25% of the fund as a tax free lump sum. Or, you can take out lump sums as and when you want to but the tax free element still only applies to the first 25% of the pot. Just like other pensions funds the amount you build up will depend upon how much has been contributed and when you reach retirement age you will be offered various choices of how to use the money.

Although employers are now in the process of creating automatic enrolment into company pension schemes, a personal pension can prove to be a more flexible option for many people. The contract is between you and the pension provider, often an insurance company, and you can have a personal pension if you are not working or if you are self employed. Other people can make contributions to your personal pension and there is no restriction about how many personal pension schemes you can join although there is an upper limit on how much can be invested and still get tax relief.

So, if you are working, not working or are self employed a personal pension scheme can be a very good way to save towards retirement. In addition, if you are already in a personal pension scheme and intend to join a company pension you may be able to transfer the fund to the workplace scheme. However, if you are keen to establish a pension that is independent of your company, a personal pension is still a suitable investment that will pay excellent benefits when you finally finish your working life.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 12

IS YOUR PENSION SAFE?

The government has made great efforts to encourage everyone to save for their future retirement and quite rightly so. No one wants to end up scraping along with barely enough to live on and now there is a growing trend for younger people to invest in a pension fund as soon as they start their working life. However, the question is often asked about how safe pension schemes are and is there a possibility that all the hard earned savings could disappear.

There are now very few final salary pensions schemes on offer to new employees and this is due to the high costs of running and paying out on the schemes. People are living longer and investments do not give the high returns that were paid out in the past and this has led to a decline in this gold plated type of pension. However, this is not the whole story. Employers are now required to pay in huge sums to ensure that the pension schemes already in existence are secure and this has led to many companies enrolling their new employees in a money purchase type of pension (Defined Contribution Scheme).

The new schemes remove the risk of funding from the employer and put it on the saver who must invest the fund in stocks and share or other investments and

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

hope for a decent return. After seeing some spectacular failures of pensions funds like that of MG Rover, a company that became insolvent in 2005, those people still in final salary pensions schemes may now be wondering whether or not their funds are safe. In the case of Rover the government stepped in and this company was one of the first to benefit from the newly formed Pensions Protection Fund. So, how safe are your savings?

Final Salary Pensions

Following the financial crisis of 2007/2008 there were some fears that final salary pension schemes were underfunded. Many companies had schemes running that had insufficient assets to pay out the promised sums. This led to the Pension Protection Fund being set up by the government and this organisation was designed to bailout any final salary pension scheme if a company was declared insolvent.

For employees who have already retired and are receiving a pension there is a 100% guarantee that pension payments will continue. This guarantee also applies to anyone who has retired early for health reasons and dependants of a pensioner who are in receipt of their pension. For those still working towards a pension there is 90% guarantee of entitlements but this is capped at a figure of around £29,000 per year. This Pension Protection fund has already paid out large sums to top up pension schemes that have been underfunded and has assets available for at least the next 30 years so for most people their final salary scheme is safe.

Some companies have diverted the costs of their final salary pension schemes and sold them on to insurance companies and whilst this could be some cause the concern, the large companies are regulated by the FCA which again should make them a safe have for pension savings.

Defined Contribution Pensions

Money purchase pension schemes, also known as Defined Contribution Pensions, are the most common type of pension now offered to new employees. The money that has accumulated in the pension fund is invested by a fund manager or an insurance company in a variety of ways including stocks, shares and cash

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

bonds. These types of pensions do not guarantee a set percentage of salary and how much is paid will depend upon the returns from the investments.

There is also the factor of how much an annuity will cost when the saver retires but although these schemes only pay out about half of the figures that a final salary scheme would give they are safe in as much as the only problem that could be encountered is direct theft or fraud. The government also has a Fraud Compensation Fund and this would cover any losses that could occur.

In the past there were some concerns about pensions that had been backed by foreign companies like AIG which came very close to ruin during the financial crisis in the US. But, most pension fund are spread out over a wide variety of investments and this makes them as safe as possible. The key here is to not put all your eggs in one basket.

Personal Pension Schemes

As it is soon to become obligatory for all employers to automatically enrol new employees in a workplace pension scheme, many people may not need to start up a personal pension. However, these private schemes are still needed for those who do not work and are especially important to the self employed who will have to provide for their own future.

In the same way that Money Purchase schemes are subject to the vagaries of the stock market, personal pensions rely on the results of investments and these kinds of schemes maybe the most at risk of loss. However, for those people who are not due to retire for many years the ups and downs of the market are evened out and most financial advisors recommend a move to safer and less risky investments in the last few years before retirement.

As most personal pension schemes are run by large insurance companies which have billions of pounds in assets, the risk is still fairly low that anything could go wrong i.e. complete loss of a pension. Companies like Aviva have withstood the financial crisis and the surplus capital that they hold means it is unlikely that they would become insolvent. In addition, these same companies are regulated by the Financial Conduct Authority and many analysts do not believe that the government would allow a major company to go bust without providing some

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

assistance. In the event of a problem the Financial Services Compensation Scheme would be used to pay for pensions claims.

When a personal pension is started the contract is between the saver and the insurer or other business that offers the scheme. This means that it is up the the company to honour any guarantee that is built into the pension product. But, it is reassuring to know that, should the worst happen, there are some pension protection funds that will ensure that savers do not lose their hard earned money just at the point when they are going to need it the most.

Pension Scams

One final thought about the risk to pensions is a warning about pension scams. The new rules about pensions which came into effect in April 2015 have led to a greater freedom about how a pension fund can be accessed and used. But, there are a lot of con men out there just waiting to take advantage of unwary individuals who suddenly have access to a large sum of money.

People who have recently retired should beware if they have been approached by individuals who claim to offer 'too good to be true' investments. So, any promises of returns that are a lot higher than those offered by household name insurance companies should be treated as bogus. In addition, if an individual is claiming that there is a loophole that will allow access to more than the mandatory tax free 25% of a pension fund, it is likely to be a fraud. And, before embarking upon any kind of investment it is vital to take time to look over every document and to get the opinion of a reputable financial advisor.

There are some signs to look out for that will help prevent anyone being taken advantage of by a pension scam. An approach at the doorstep or a text from an unknown source is immediately suspect. Pressure to sign up straight away in order avoid missing out on a scheme should also flag up danger signals. Contact numbers with no address or email and companies that only have a PO Box are usually scammers and if a business does not give a number for a call back this usually means it is fake.

A pension fund is a one off opportunity to secure the future and however convincing the offer, it is always best to have some confirmation that this is a genuine firm and not a fraudster. The government backed Pensions Wise service can advise about

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

options for investing a pension fund but never makes contact unless a saver has contacted it first. So, unsolicited approaches should be considered dangerous and fraudulent. Help yourself to keep your pension safe and you will enjoy a happy and comfortable retirement.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 13

THINKING AHEAD TO RETIREMENT

Investing in a pension plan is an absolute must if you want to have a comfortable life when you have stopped work. Enjoying a prosperous and happy retirement can take many years to achieve so starting to save early is the key to achieving this aim. What steps can you take now to ensure that you get a bigger pension or build up a large nest egg?

The first important step when thinking about retirement is to make sure that you are enrolled in a company pension scheme. The new rules regarding pensions which started in April 2015 mean that by 2018 everyone will be enrolled in a workplace pension. You can choose to opt out but that would mean missing out on money that your employer will make in their part of the contributions and also the top up in tax that the government contributes.

Some companies will match the amount that you pay in and others will pay in more or less. There is a minimum amount of contributions that companies must now pay. As soon as you get a pay rise why not increase your contributions which could mean your employer paying more too? This is an excellent way to build up your future pension pot. The earlier you start to contribute towards a

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

pension the longer the money will have to grow. Even a modest 6% per year growth could mean that a £100 investment will be worth around £550 after 30 years. And, while this may appear to be a long way off it is amazing how time goes by. While you are busy raising a family and furthering your career your money will be growing year on year and any amount saved will help to give you a better retirement.

Inflation is the enemy of a savings plan and this is why it is vital to keep up contributions and if possible increase them as you get older. Saving in a pension fund is a long term strategy and any bonuses can also be added to the pot as long as you do not exceed the annual tax free allowance.

While you are relatively young you can afford to take some greater risks with your pension investment. The long term nature of investments means that it is usual for any drop in value of shares to be evened out as the years go by. A monthly contribution instead of a lump sum is also a better strategy as the market volatility means that some months prices will be low and some months higher. If you invest a lump sum when prices are high the chances of making a better return are reduced.

By regularly checking over your pensions investments you can ensure that you are in the right kind of fund. It is also essential to look at what administration fees or charges are made to your pension fund as these can eat into the total amount you are saving.

State Pensions and Personal Pensions

Understanding how the state pension is calculated and whether or not you qualify for the full amount is another step you can take towards ensuring your retirement is comfortable. The new flat rate pension that is being introduced in the next few years will apply to anyone who claims a state pension after April 2016. This simplified version of the state pension brings together previous schemes including the Additional Second State Pension and the SERPs. How much you get will be assessed by your National Insurance record so it is important to make sure that you have enough qualifying years.

The state pension will now be paid at a later age than it was previously but the increase in age is being introduced gradually so find out exactly when you can

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

make your claim and what you will get. The current regulations stipulate a minimum of 30 years of National Insurance contributions bu the new flat rate pension will ask for 35 years. The gov.uk website has all the information about state pensions and you can ask for a forecast at any age.

If you have taken out a personal pension in the past but have lost track of how much you paid in there is a pensions tracking service that you can use to find out what you have saved. Even small amounts that were paid in for a few months or years will either generate a small income paid annually or you may be able to take out the lump sum and add it to a current pension plan. The Pension Tracing service is free so if you have lost paperwork or certificates, as long as you have enough information, you can find out whether there is anything valuable waiting to be claimed.

Independent advice about personal pensions can also help you to achieve a better return for your investments. It could be very worthwhile to employ an independent financial advisor who will be able to advise you about where to place your money to achieve the best results. Unlike the financial consultants who are attached to one company or a bank, an independent financial advisor works for your benefit alone and does not receive commission for moving money from one fund to another.

Summary of Advice

Getting the best out of your pension can be achieved by starting to plan early on and by getting the best advice available. Now that it is no longer obligatory to sign up for an annuity offered by your pension provider you can look for better options and have more freedom about how to use your own money. Of course, sometimes an annuity is still a good option as it gives you an income for life and in certain circumstances you can get an enhanced rate. e.g. if you have medical issues like high blood pressure or diabetes. By shopping around you can get the best deal and the best conditions so start planning your retirement as soon as possible.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 14

WHAT YOU NEED TO KNOW ABOUT PENSION FREEDOM

From April 2015 anyone who has paid into a personal or company pension and has reached the age of 55 has free access to their savings. The changes mean that savers can spend, save or re-invest their pension pot as they wish. Allowing access to the open market means that savers are no longer tied to a poorly paying annuity that the pension provider has chosen. It also means that after their death the remainder of the pension fund can be passed to beneficiaries and does not disappear into the profits of the insurers.

However, as with all things new, the changes to pensions have made it more challenging for savers to make the right choice when they do reach retirement. Do you decide to opt for a 'safe annuity'? Or, do you take out the whole pension fund and spend it? Maybe you think you can dabble in investments and increase your savings?

Following the day when pension freedom was implemented, many people were confused and there were some cases of con men ringing up new 'pensioners' and trying to persuade them to join schemes that promised spectacular returns.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

The amount of people asking for advice from insurances companies rose by an alarming amount and it has become clear that many newly 'retired' people are still unsure about how to tackle their new found pension freedom.

How to Make the Right Choice

The first rule of thumb when handling money is to get specialist advice. An independent financial advisor will work only for you and will be able to lay out all the options available. Although it may be tempting to release all of the money in the pension fund as soon as you can there are tax implications that could cost you thousands of pounds of your hard earned pension fund. If you only have a few thousands in a pension then it could make sense to withdraw the whole amount but savers with a large pension fund could be paying many thousands to the Exchequer in return for unfettered access to their cash.

Annuities have remained a popular choice for many savers who want to make certain that they have an income for life. Others have chosen the draw down option where they can make regular withdrawals and invest in shares when the prices are at their lowest. However, investments on the stock market are always risky and you need to know what you are doing or you could lose the lot.

Pension freedom can allow you to access your pension fund a bit like a bank account. Each withdrawal that you make contains a tax free element of 25% and the rest of the fund continues to grow. There is also the option of taking an immediate tax free lump sum equal to 25% of the total fund and then making withdrawals as and when you want to but these will attract income tax at the normal rate. In some cases this could mean paying the 40% tax rate if your income for the year goes over the higher tax threshold.

Other options allow you to pass on your pension tax free to a spouse or dependent child. And, finally there is the choice of taking out the lot and spending it or investing it exactly as you choose. Perhaps if you have no dependents or family you may want to take that world cruise you have promised yourself. Or, invest in a property that will provide a rental income. This is what pension freedom means. You have the choice of how to spend your own money.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

How Have Savers Responded?

It would appear that savers fully approve of the new pension freedom with many relishing the chance to take control of their own money. But, with choice comes responsibility and it is not always easy to turn a lump sum into an income for life without getting some professional advice. Additionally, many people do not realise that by accessing the whole amount of their pension pot they are lining the coffers of the Exchequer which charges income tax on 75% of the fund if you choose to draw it all out.

Adding even more confusion to pension freedom is the fact that state pensions are now also going through many changes. Retirement age for a state pension is on the increase and the new flat rate state pension that is due to be implemented in 2016 has also added to the uncertainty about exactly who gets what.

Using your pension pot that has taken many years to build up is your one and only chance to get it right. Financial advice from a reputable consultant is the best option for anyone who is at all unsure about what to do to secure their financial future.

Before making any choices about what to do with a pension fund it is always best to get as much information as possible. Find out what state pension you will get and at what age it will be paid. If you have more than one personal pension then try to get all the funds together into one scheme. When your pension is available don't be tempted by offers of unrealistic returns. If the scheme looks too good to be true it probably is.

Having the freedom to choose what to do with your own money gives you choices that were not previously available. But, it also means that the onus is on you to save or spend it wisely. Make a decision about what you want to achieve using your pension fund and a financial advisor will be able to help you realise your aim.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 15

MAKING THE MOST OF YOUR PENSION FUND

The changes to pension rules that came into effect in April 2015 have given people fairly unfettered access to their savings and more freedom to choose how these savings are used. One of the most important features of the new rules is that in future no one will be forced to accept an annuity that pays out an inadequate annual sum or one that was not designed for how the saver wants to use their pension fund. In the past many savers saw that their pensions would fall into the hands of the insurance companies as soon as they passed on but the new rules mean that savers can choose exactly what happens to their hard earned money as soon as they reach 55 and after they have passed on.

Of course, there is still the opportunity to buy an annuity that will give you a pension for life but there are also now more options that could affect how you enjoy your retirement years. Once you reach the age of 55 you can have access to your company or personal retirement savings and can decide whether you want to retire immediately, work part time or work as normal until you get older.

If you have a family you may want to make sure that they have some income after you have passed on or you may decide to draw out all of your pension

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

fund and either spend it or invest it. Making the right choices when you reach the age of 55 can enable you to have a comfortable retirement sooner or later but the decision is now yours and not that of the pension provider.

Your Options

If you decide to defer your pension to a later date you can take advantage of the extra growth and add further contributions of up to £40,000 per year with tax relief. As long as there are no restrictions in the terms of the contract such as foregoing a guaranteed annual income, the money will potentially generate a higher income when you do decide to take it. However, the rise and fall of stocks and shares can affect what you will receive so this could be the time to move the savings to safer havens.

If you choose this option and pass on before you have reached the age of 75, you can nominate a dependant to receive the pension fund. If it is paid out within two years of your death it can be taken as a tax free regular income or lump sum. After that period of time it will be taxable. However, if you die after age 75 then the dependant nominated can receive the funds as an income but it is fully taxable.

Having chosen not to defer your pension what other options are available? You can take 25% of the pension as a tax free lump sum and then buy an annuity with the remainder of the money. This will give you an income until you die and there is a choice of products so that the remainder of the fund can be passed on to a dependant.

There is also the choice of a flexible income which is arranged by taking up to 25% out and allocating the remainder of the money into a flexible draw down income. This means that you can have the funds as and when you want them instead of receiving a monthly income. This option still allows you to use the funds to buy an annuity at a later date if this is what you want. However, it also means that you can tailor the draw down to your own specific requirements. So, if you are a player on the stocks and shares markets you can buy shares when they are low and sell when they are high to make money or you can choose shares that pay good dividends which will top up any other income such as a state pension.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Anyone who chooses to go down this flexible draw down route should be careful to regularly review their investments. This option is not available with all pensions schemes and financial advice is essential if you are not experienced in investing. Money that is taken as draw down is added to your annual income and taxed accordingly. So, if you take out a large sum it could mean paying the higher tax rate in any one financial year. In addition, as money is withdrawn from the pension fund the amount of tax relief on further contributions also falls. The draw down option is a complicated product and sound financial advice is recommended so that your pension fund is protected as much as possible.

Another option that was not previously available is to take out small sums as cash and leave the rest of the fund to carry on growing. Each cash sum taken has the first 25% tax free and the remainder is taxed as normal. Some pension providers make a charge for each withdrawal so it is important to know and understand all the terms of the product. And, this kind of option has more implications for tax and will not provide an income to any dependants.

Finally, you can make the decision to take out all the money from your pension fund. Only the first 25% is tax free and the rest of the fund will attract income tax. This will usually mean a large tax bill for the year in which the withdrawal is made and it could potentially reduce your pension fund by many thousands of pounds. There will be no regular annual or monthly income and if you live longer than you expect you could end up with nothing once the funds have been spent or put into bad investments. Of course, you do have a chance to mix and match all of the above options and this is where good financial advice comes into its own.

Once you get to the age of 50 it is time to start some serious planning for how you will use your pension fund. The flexibility of the new pension rules gives you more control over how you will spend your retirement years. So, don't blow the chance to get the best out of your savings which have taken so many years of hard work.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 16

PENSIONS AND DIVORCE

When a long term relationship breaks down for married couples or civil partners it can be difficult to make new financial arrangements and this is especially complex when it comes down to pension funds. Many people do not realise that individual pensions are counted as family assets and when a divorce or break up occurs both partners could have future pensions that could be affected. It is important to get the best professional advice about a divorce settlement and where pensions are concerned it should not be assumed that just because you have paid the money in yourself that it will all belong to you in the future.

A divorce or dissolution of a civil partnership can result in a list of options that many people do not fully grasp so getting expert advice is a must. There are several ways in which pension assets can be divided and personal circumstances will make each set of break up conditions different. There are also some big differences between the laws in England, Wales and Northern Ireland and those that apply in Scotland.

When a break up occurs and a solicitor is preparing a financial disclosure you will be asked to make a list of all your pensions and this will include schemes in the

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

workplace, personal pensions and any additional state pension that has accrued. The basic state pension is not affected and cannot be split up but it can affect either one of the parties when they come to claim a pension.

In Scotland only pension funds that have been accumulated during your married life or civil partnership will be taken into account. In the rest of the UK, all pensions except the basic state pension will be counted as assets. Remember that giving a truthful account of what pension savings you have accrued is vital and your pension provider will be able to deliver information about what you have built up. There may be a charge for this information and this could affect the size of the pension fund.

Splitting Up Pensions

There are a number of ways that pensions can be split up when a divorce or civil partnership dissolution is underway. The pension(s) can be shared with one party getting a percentage of their partners pension assets. The amount that has been agreed can be transferred into a pension fund that already exists or the partner receiving the shared amount can start up a pension and the funds will be deposited. You cannot have a share of a pension as a cash sum and it must be put into another pension fund.

The second option is to come to an agreement that the value of pensions will be offset against any other assets like the family home. So, you may come to an agreement that one partner will get a larger share in the equity of the family home instead of having a share of the other party's pension funds.

There is also the option of deferred pension sharing which comes into effect when one partner has already retired and the other is too young to receive a pension of their own. This involves an agreement to share the pension at a later date when the younger partner is ready for retirement. This is a more complex agreement and should be avoided whenever possible as the legal fees to make this kind of arrangement are considerably higher and it also means that there is no clean financial break after the divorce. Since most people wish to move on with their lives this is not the ideal solution but may be used when one partner is a lot wealthier than the other.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

In some cases a partner will be granted a deferred lump sum payment i.e. a sum to be paid when the partner actually retires and claims their pension. And finally, you may ask for a pensions attachment order. This means that when

your partner does retire you can get an income from their pension. For couples who have retired and then want to divorce the rules are different. You can claim an income from a pension but not part of a lump sum payout.

Pension Valuations

Pension valuations can only be obtained by the person who is a member of a pensions scheme. This means that only you can apply to find out how much is in the fund. The value of the fund is assessed at a 'transfer value after charges'. So, you will be given the figure that would be available if the funds were to be sent to another scheme or, in this instance, another persons scheme. In some cases this figure could be lower than the basic fund value. For schemes that are workplace Defined Contribution pensions and personal pensions, the pension provider will send out a written valuation. Final salary pensions are more complicated to value since the provider will not know how much you will be earning in years to come but you can still get a cash valuation as the fund stands at the time of asking.

Although a basic state pension cannot be divided upon divorce or dissolution of a civil partnership, one partner may be able to claim a state pension in their own name using the NI contributions record of the other. But, this can only be done once both parties have reached state retirement pension age.

In Scotland the rules for pension valuations are different. A valuation will apply to the pension fund at the date that the couple separated and even then only the amount of contributions that were made during the marriage or civil partnership will be counted. A pension provider can give you an accurate figure for the amount of the pension fund at the date of separation and will be able to state how much of the fund was built up during the actual partnership.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Coming to an Agreement

Most people agree that a divorce should include a clean financial break as well as a relationship break. Both parties will undoubtedly want to move on with their lives and to have a clear idea how much pension they will have accrued. In order to achieve this, many couples choose to offset any pension fund against other assets. Or, if they have more than one pension they will transfer the amount in one as a form of lump sum pension settlement. As long as it is part of a financial settlement that accords a clean financial break, this is one of the best ways to split up pensions that have been accrued during the relationship.

It is always important to get advice from a solicitor especially when the marriage or partnership has been a long one and one partner may have made the sacrifice of being unable to build up a pension by staying at home to bring up the children. By disclosing fully and frankly all the assets including pension funds your divorce or dissolution of partnership can be arranged fairly so that no one partner is left financially worse off. Ultimately, a solicitor or financial advisor is the best option when you are divorcing or breaking up and you need to make some arrangements to spilt up a pension.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

CashFloat

CHAPTER 17

WHAT HAPPENS TO YOUR PENSION WHEN YOU DIE?

If you have made a lot of effort to save up for a pension that has been designed to provide a comfortable retirement, you may want to think about what would happen should you suddenly die. Unless you want the whole amount to go back into the profits of the pension provider it is important to consider how you can arrange the best possible options for your spouse or other dependants.

The death benefits that are included in any one pension plan can vary and sometimes it will depend upon whether or not you have actually started your retirement before you die. In some cases the full value of a personal or workplace pension can be passed on to your beneficiaries and this could be free from income tax. However, the amount could also attract inheritance tax unless the pension plan is written up as a trust. Fortunately most pension plans are arranged this way but it is essential to check this fact so that your family does not get lumbered with a huge tax bill after you have gone.

If you have more than one pension provider you should ensure that you have completed nomination forms which will specify who is to receive the benefits of

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

the fund after your death. The benefits can be split into whatever proportions you choose. Any pension that was taken out in place of the state second pension, that is, if you opted out of the state scheme, is treated in a different way. In these instances the pension must provide an income from an annuity or other similar product.

There are some older types of pension products that will return the full amount of paid up contributions to your beneficiaries if you die before retirement and these will obviously return less than the amount from a modern pension product. If possible you should either cash these in or transfer them to a more updated type of pension fund. Now is the time to check what you are holding in the form of pension funds so that money is not lost to either the taxman or to a big corporation should be suddenly pass on.

State Pensions

If your civil partner or spouse dies then you can contact the Pension Service to see if you can claim any part of their state pension. Someone who does not already get a full pension (because of a lack of National Insurance contributions) may be able to increase the amount they can get by using their partner's contributions record in order to qualify for the full amount of state pension. A spouse who is not yet at retirement age can also use their partner's qualifying years to create enough contributions to get a full state pension when they do retire. However, this will only apply if they have not remarried or formed a civil partnership before they reach the allotted state retirement age.

Single or divorced adults who have died after retirement age but who have not made a claim for a state pension may have up to 3 months worth of pension payments added to their estate. Any state pension that has been deferred is also available to a spouse or civil partner and can be paid as a lump sum but if the deferment has been arranged for less than a year then they will be granted an extra pension income and not a lump sum. Again this will only apply if they have not remarried or entered into a civil partnership with someone else.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

Personal and Company Pensions

When someone dies it is important to check through their paperwork to see if there are any pensions to be claimed. If you do find a contract then the pension provider will be able to deliver a valuation of the fund and will advise you about what steps need to be taken. You can also contact the Pension Tracing service to find out about any other unknown pensions that you may have heard mentioned but for which you are unable to trace any paperwork. The Pension Tracing service will search using a National Insurance number to see if there are any old pensions to which you can make a claim.

Company pensions may be one of two kinds, a Defined Contributions Pension Scheme or a Defined Benefit Pension Scheme. When the deceased has been in a Defined Contributions scheme and has died before they are 75 there are a number of situations that can occur. If they have been receiving income from an annuity this will stop unless the income has been protected by an insurance policy which will allow it to be paid to the beneficiaries. If the pension fund had been arranged to provide draw down then the remaining funds will be paid to the beneficiaries as a tax free payment.

Pension funds that have not been touched can remain intact for two years and can continue to grow. However, if the funds are not claimed until after two years have passed then either the income or the lump sum will be taxed. Finally, any investments that have been made using the pension fund will just be treated as part of the estate of the deceased.

Different rules apply to anyone who dies after the age of 75. This means that unless they took out an income protection plan, any annuity payment will immediately stop. And, if there are any funds left in the pension fund the beneficiaries will have to pay income tax on any lump sum or income that is derived from the fund.

With final salary or Defined Benefit Pension Schemes the rules are also different. If the member of the scheme dies before they have retired the fund will usually pay out a tax free lump sum. In addition, there could be a pension paid to a spouse, civil partner or to a child or children who are dependants of the deceased.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.

If the deceased person has already retired then it is usual for their spouse, civil partner or other dependant to receive an income. Each scheme will differ so this is another important factor to check when you are thinking about making plans to look after your family after you have gone.

Although it is not a particularly nice subject to consider, thinking about what will happen to your pension after you die could help your family financially just when they need it the most. Take the time to look into the exact terms and conditions of all your pension plans and if necessary take out income protection insurance or fill in the required nomination forms. This will ensure that your family does not lose the full value of the contributions you have made to company and personal pensions. In addition, it could mean that any tax due after your death will be kept to a minimum.

The very nature of pensions makes these financial products extremely complicated. Each pension has different terms and conditions and many older products are not now as suitable. as they were when they were taken out. Looking into what could happen after your death and making the best arrangements possible for your family is not an easy job but it is vital if you do not want them to suffer financially should you have an early departure from this life. So, while you are still fit and healthy, take the time to find out what exactly will happen to your pensions if you die.

We aim to redefine the payday loan industry with fundamentally good morals and advanced technology designed to help and protect people when taking payday loans online. We strive to make payday loans safe, fair, affordable and available for citizens of the UK in times of need.