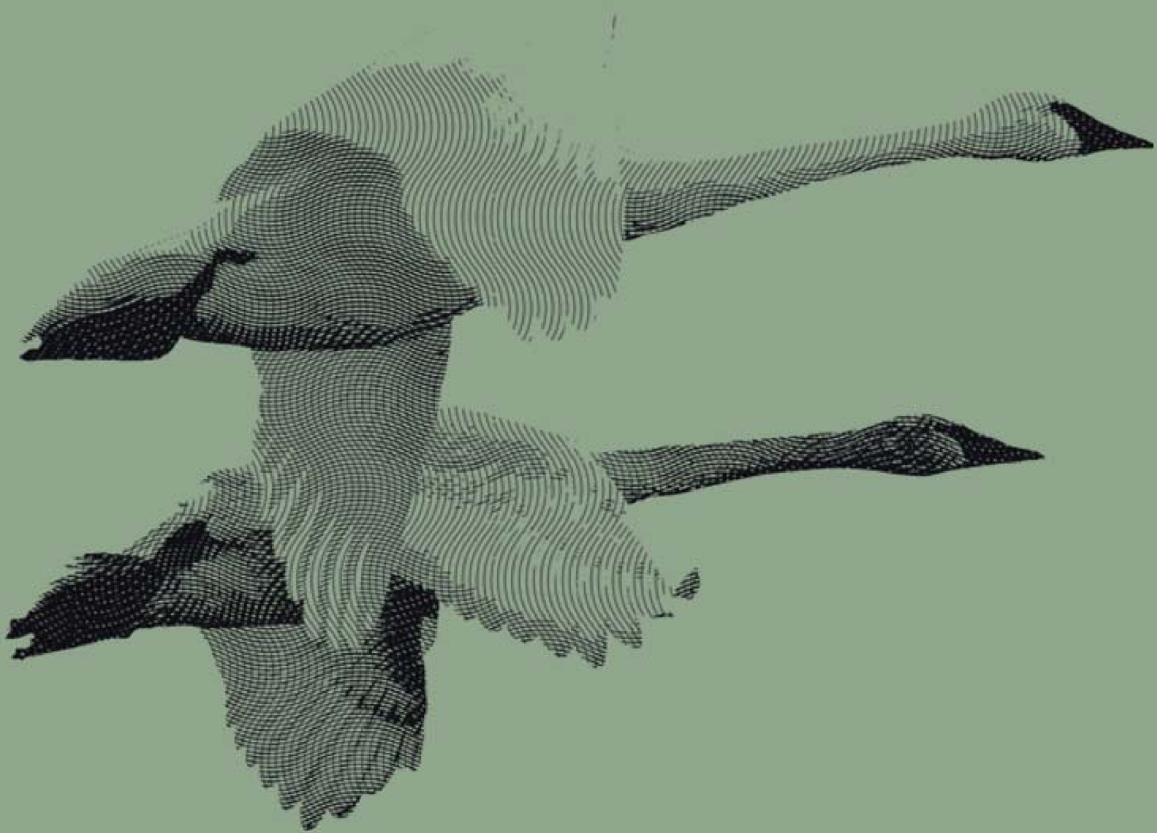
A GUIDE TO RETIREMENT PLANNING

2017

FINANCIAL ADVICE & WEALTH MANAGEMENT



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Have confidence in your pension and peace-of-mind to enjoy life now.

- *Chartered Financial Advisers*
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- *Trusted, established and well resourced*

Co-ordinate your investments, grow capital and increase your income.

The financial challenges facing us today are varied and demanding but one that remains constant is the desire for a secure retirement income.

The provision of a pension beyond that provided by the State is a priority for many. With us all now living much longer the need for choice and security at every stage in life has never been greater.

There are several ways to successfully build a retirement fund through different forms of pension savings that all enjoy attractive tax relief.

Tax Relief

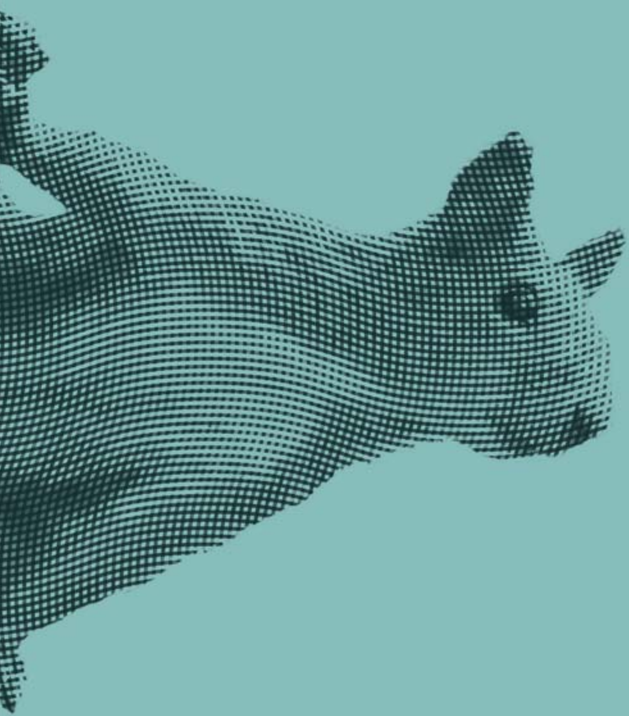
One of the initial attractions of investing into a pension fund is that all contributions, up to the prevailing annual contribution limits attract full tax relief. This means that basic rate tax payers pay the equivalent of 80% of the full cost of the investment, while higher rate tax payers pay an equivalent of 60%. The difference is made up in tax relief claimed from HMRC.

Employers that make pension contributions on behalf of their staff can claim corporation tax relief on payments made into directors or staff pension schemes.

Tax free compounding growth

Contributions into pension funds can be invested into a wide range of assets, from stocks and shares and investment funds to commercial property. The growth of these assets is aided by the fact that no capital gains tax applies to pension fund assets, meaning that pension fund growth is predominantly tax free.

Make better informed pension decisions that are right for you.



When to start a pension

There is a great advantage from starting to build a pension fund as young as possible. Retirement funds benefit from a combination of tax relief and tax free compounding growth. Therefore much of the capital value at retirement is built in the earlier years of long term savings. Starting early gives retirees the options of lower overall cost of contributions, a larger fund and therefore either higher income at normal retirement or the option to retire earlier.

Pension Funding Options

The main funding options available are personal pensions (PPP) and self-invested personal pensions (SIPPs) or a group personal pension (GPPP) or a workplace pension through your employer. Company owners or directors may access a small self-administered pension scheme (SSAS).

The number of people currently enjoying the benefits of an occupational final salary pension scheme through a major employer has significantly reduced. Defined benefit schemes as they are called offer attractive guaranteed benefits.

Unfortunately the major employers see the costs and the liabilities of these schemes as more than they are willing to accept. Many final salary pension schemes are run with large funding deficits and are now closed to new members. Private sector final salary schemes operating at a deficit run the risk of falling into the Government's Pension Protection Fund (PPF) if the sponsoring employer ceases trading.

Members of those schemes who fall into the Pension Protection Fund will have an age determined benefits cap to their pension income.

Large private sector employers invariably now offer a money purchase defined contribution pension instead of a defined benefits final salary scheme. A member's retirement fund will be dependent upon the maturing fund value and the prevailing annuity rates at retirement.

Retirement Benefits

The 2016 pension freedoms have given pension plan holders far greater flexibility and access than before. With these new freedoms come responsibilities to ensure what is quite possibly your largest asset is used wisely. Having spent decades building your nest egg it is important to get the most from your pension fund. These choices may be a guaranteed annuity from your existing plan, an open market annuity from an alternative provider or a flexible income drawdown from your fund itself.

Pension funds can be converted to cash at retirement in full or in part or can fund a guaranteed or flexible level of ongoing income.

People who elect for a flexible income drawdown arrangement are able upon death to pass their funds on to their spouse, children, grandchildren or any beneficiary. Pension funds once seen as retirement only assets are now legacy assets that several generations can enjoy free from inheritance tax.

Personal Pensions

Personal pensions are simple and easy retirement saving schemes that accept private and employer contributions. Contributions are made through monthly direct debit or single payments. All contributions made by the plan holder are made net of basic rate tax with 20% tax relief credited to the plan by HMRC. Personal pensions are a popular way for individuals whether employed or self-employed to build up a retirement fund.

The assets held in the pension plan are usually investment funds. There is a wide choice of pension providers and an even larger choice of investment funds, so care is needed to ensure a suitable provider and investment strategy is selected.

Self-invested personal pensions (SIPPs) give the plan holder greater flexibility in the selection of investments such as stocks and shares, investment funds, investment trusts and commercial property. SIPPs can borrow money to purchase a commercial property in the same way a home owner does. Up to 50% of the pension fund value can be used as mortgage security. This feature is popular with business owners or professional practises who use their pension fund to acquire their office building.

Group Personal Pensions

Group personal pensions work in exactly the same way as a personal pension but are run for a group of people who work together. Employers will offer their staff access to a money purchase group personal pension. The employer and employee usually make monthly contributions as a percentage of the employee's salary.

Employer's contributions are made gross with corporation tax relief claimed later while employee's contributions are paid net with tax relief claimed back by the pension scheme provider.

Work Place Pensions

Progressively since October 2012 employers have had to offer a pension scheme to their staff. Through automatic enrolment all employees aged between 22 and state pension age and earning over £10,000 pa will be enrolled into the work place pension scheme of their employer. Both employer and employees are required to make modest but rising contributions until a combined contribution percentage of 8% of the income band between £5,824 and £40,040 pa is reached.

Work place pensions are simple low cost group personal pensions with a limited number of pension fund choices and retirement options.

Occupational Pension Schemes

People employed in the public sector have access to a defined benefit occupational pension. These final salary or career average schemes provide attractive benefits and are well funded. Typically a member will gain 1/80th of their final years' salary as a pension for every year of contribution and service. Forty years' service would provide a pension of 50% of ones final salary at retirement. This income is index linked and a tax free lump sum is also available. The pension is transferrable in part to your spouse upon death.

Occupational pension schemes offer members enviable benefits and are therefore heavily funded by the employer. The large private sector companies run schemes similar to those of the public sector but over time these schemes due to cost and liability have closed to new joiners. Large private sector employers invariably now offer only a group personal pension to their staff.

Have confidence in your pension and peace-of-mind to enjoy life now.

We take responsibility for people’s life savings. A responsibility we take very seriously.

Basic State Pension

The Basic State Pension is a retirement benefit for those that have made a minimum of 10 years National Insurance contributions (NIC). The value of the Basic State Pension is determined by an individual's contribution history with a current maximum income payable at state retirement age after 35 years of payment. National Insurance is paid by both employee and employer but at differing rates.

The current maximum pension is £155.65 per week for those retiring this year. The pension is increased each year by the highest of - the growth in average earnings, the consumer price index or 2.5%. The Basic State Pension is paid monthly without the reduction of tax but is a taxable income.

People who have had periods of unemployment, maternity leave or ill health are eligible for a national insurance contribution credit so not to be penalised in retirement.

The Department of Work and Pensions provide a forecasting service. This service provides details of one's national insurance contribution history, confirmation of your state pension age and the likely weekly income of your basic state pension.

The state pension age is now age related. It is currently predominantly age 65 for both women and men but starts to rise to age 66 from 2018 onwards, and then rising to age 67 from 2026 and to 68 from 2044.

Make better informed retirement decisions that are right for you.

At retirement from age 55 onwards, pension fund holders have several choices to make in order to secure an income and lifestyle that suits their retirement.

Tax Free Lump Sum

From age 55 onwards a lump sum of usually 25% of the value of a pension fund is available to be taken out of the fund tax free. The lump sum available may sometimes be greater than 25% if the plan holder had a higher protected tax free cash amount as at 5th April, 2006.

On taking the lump sum, the fund remaining is reduced and therefore able to support a lower level of income. Tax free cash is popular as it is just that, tax free. Income from the remaining 75% is taxed at the plan holder's marginal rate. Some pension scheme providers can now arrange for the tax free cash to be paid out as regular income rather than a single payment.

There is no requirement to stop working to access these benefits.

Annuities

You could use your accumulated pension fund and transfer it to an insurance company in exchange for a guaranteed income for life. This income is an annuity.

The level of income or 'annuity rate' is dependent upon age and the prevailing yields on government gilts that back the annuity. Annuity rates can therefore vary but once set up cannot change.

As an annuity is often a main source of secure retirement income it is important to seek the best annuity rates and terms on offer in the market.

When choosing an annuity the key decisions are around an income that remains level or one that increases each year with an inflationary index. Both level and index linked annuities expect to pay out the same lifelong income but the profile of a level income is higher to start. The index linked pension starts lower but steadily catches up with the level payment and in later life pays out a higher income.

Annuities

Annuities offer guaranteed periods of payment and are often either 5 years or 10 years. In taking a payment period guarantee the annuity will pay the contracted income for the guaranteed period irrespective of the life of the annuitant. Pension plan holders who are married or in a civil partnership can secure a spouse's or nominees pension. This means that the annuity income is transferrable in full or in part to a surviving spouse or beneficiary who can continue to benefit until their death when the income ends.

People who are in poor health can often obtain enhanced annuity or impaired life annuities. These annuities pay a higher than normal level of income due to the fact the annuitant may have a reduced life expectancy.

Some older pension schemes may have built in guaranteed annuity rates that are based on historical annuity rates. Often these historical guaranteed rates are very attractive with income levels far more generous than the current market rates. These guaranteed annuities are worth retaining.

Fixed Term Annuities

Fixed Term Annuities within income drawdown plans can use some or all of their pension fund to purchase a guaranteed income over a specific term i.e. 5 years. A fixed term annuity can provide a generous income and offer a guaranteed capital value at maturity.

Income Drawdown Plan

As an alternative to the fixed structure, simplicity and guarantees provided by annuities, pension plan holders can from age 55 onwards, opt for a pension income drawdown plan.

Income drawdown plans means the plan holder keeps the pension fund and draw a level of income from the fund each month. The level of income can be flexible to the extent that the full fund can be accessed subject to marginal rate of tax. A much more prudent approach is to draw a sustainable level of income throughout your retired years.

The plan holder retains the investment risk, but benefits from control, ownership and flexibility. If the fund falls in value due to market risk while income is being withdrawn, the fund may become exhausted prior to death. Equally the fund may rise in value while a prudent level of income is being withdrawn and the fund retains its value to death.

On the death of the plan holder, income drawdown pensions can be transferred fully to a spouse, nominated to children or even grandchildren allowing a pension fund asset to pass down the generations exempt from inheritance tax.

For plan holders who are content with taking the investment risk, the flexibility and improved death benefits are very attractive.

Have confidence in your pension and peace-of-mind to enjoy life now.

Occupational Pension Schemes

The income options from a final salary occupational pension are defined within the scheme rules. The level of income is accrued over time in service and improved with salary rises. Annual statements provided by the employer will confirm the accrued benefits and a forecast of final retirement income. Typically a member will gain 1/80th of their final years' salary as a pension income for every year of contribution and service. Forty years' service would provide a 50% pension in retirement.

At retirement the options available are usually the choice of a scheme pension or a reduced scheme pension and a tax free lump sum. The lump sum can vary between the standard scheme rules and 25% of the cash value of the accrued pension fund.

Income from final salary pensions is usually inflation linked and part transferrable to a surviving spouse at a rate of 50% or 66% being common. The income ends on the last survivor's death.

If the pension is a private sector final salary scheme or a funded public sector scheme the member has the option to transfer the cash equivalent transfer value to an income drawdown scheme.

Co-ordinate your investments, grow capital and increase your income.

Annual Contribution Allowance

An individual can invest up to 100% of their earned income or £40,000 whichever is the lower and attract full tax relief on the contribution. Payments over this annual allowance are subject to a recovery charge to neutralise the tax advantages. The annual allowance is tapered from £40,000 pa down to £10,000 pa for people having total income from all sources in excess of £150,000 pa up to £210,000 pa.

Companies can pay employees or directors up to £40,000 in pension contributions even if their income is less as part of their overall remuneration package.

If you have not taken up your past annual pension allowances you can go back three tax years and carry forward any unused allowance into this tax year.

Anyone who is in receipt of an income from a flexi access drawdown pension will have a reduced annual allowance of £4,000 pa and can't carry forward any unused allowance.

Anyone who is a non-tax payer can invest up to £3,600 pa and still claim basic rate tax relief on the contributions.

Lifetime Allowance

As well as restrictions on the annual contributions that can be made to a pension fund, there is also a maximum fund value at retirement that a plan holder can accrue. The lifetime allowance currently stands at £1 million. In past years it has been higher at £1.25 million and £1.5 million. Fund values in excess of this lifetime allowance are subject to an additional tax relief recovery charge of 25%.

It has been possible to protect a pension fund at previously higher lifetime allowances so reducing the amount of the fund subject to the charge.

The lifetime allowance is tested when first taking pension benefits and again at age 75 or on death.This is when the lifetime allowance charge is paid if one applies.

Start and End Dates

Pension contributions can be made as young as 3 months and as old as 75 and still attract tax relief.

Tax free cash and pension income can be taken at any age after age 55.

Pensions can be 'not taken' and held as just death benefits to pass to the next generation exempt of inheritance tax.

Tax Relief on Contributions

Private pension contributions paid monthly by direct debit are paid on a net basis with the pension provider claiming 20% basic rate tax relief from HMRC then adding the relief to the fund. The plan holder uses their self-assessment to recover any further higher or highest rate of tax relief on contributions. Lump sum payments work in the same way.

Pension contributions made through wage deductions into an employer group personal pension are also paid net of tax with tax relief recovered from HMRC. Higher rate tax relief is recovered through self-assessment or notice of tax coding.

Payments of pension contributions unlike wages are not subject to national insurance contributions. This is a factor that makes salary sacrifice for additional pension contributions attractive.

When should I start a pension?

Pension funds are long term savings plans and build value the longer they are invested. There is a great advantage in starting to build a pension fund as early as possible. Retirement funds benefit from a combination of tax relief and tax free compounding growth. Much of the capital value within a fund at retirement is built up in the earlier years as they have the longest to grow. Starting early gives retirees the option of lower overall cost of contributions, a larger fund and therefore either higher income at normal retirement or the option to retire earlier.

What contributions should I make?

While there are annual contribution allowance limits, the simple answer is as much is as affordable. The greater the contributions the greater the tax advantage and ultimately the larger the pension fund.

Often employers offer pensions with matched funding. The employer will match the level of the members contributions. This is very beneficial and should be taken up.

Should I join my company pension?

Invariably an employer will make contributions in addition to the member's contributions. These added contributions provide a significant advantage and should be taken up as early as possible.

When can I retire?

The earliest age you are able to take benefits from a pension fund is age 55. One can take benefits and can also continue to work. Full retirement from a personal pension is very flexible and can take place at any time after age 55. Occupational pensions will have a set retirement date as benefits are calculated to this date. The age is usually 65. Early retirement is often available but with an early retirement penalty charge.

How can I find out about my state pension?

The Department of Work and Pensions (DWP) offer an on-line forecast service called a BR19 request. A BR19 report provides a national insurance contribution history, currently accrued state pension benefits and a forecast of your basic state pension at your actual state pension age.

Should I choose an annuity or drawdown?

The decision over either an annuity or drawdown is often determined by the extent of other assets, the size of the pension fund and your attitude to risk. Both forms of pension income are available at the same time.

If you are fortunate to have built a large pension fund, have other assets to support retirement and have a balanced or speculative investment outlook then drawdown may suit you.

If you have limited assets and your pension is your only retirement asset you may wish to be certain and secure in the lifelong guarantee an annuity offers.

What risk is involved with pension fund investment?

All investment carries risk. We can manage risk to acceptable levels of volatility through the blending of different types of assets that behave in different ways. Asset allocation can give investors' confidence about the likely future range of returns and anticipated average likely return for each risk category of portfolio. We publish these returns every six months.

What returns can I expect?

Each portfolio has a published anticipated average rate of return. This figure is the gross annual anticipated return but is not guaranteed. We publish our past five years cumulative and discrete performance as measured against the most relevant national risk related benchmark every six months. We are pleased to report that our portfolios consistently outperform the recognised national benchmarks.

What are the charges associated with pension investing?

Our ongoing advice, service and investment management charges are between 0.5% and 0.75% per annum depending upon the size of the pension fund we manage. On top of our fees are the custodial charges levelled by the investment platform. These range between 0.1% and 0.35% per annum. The selected funds will also charge for their investment expertise and management. These costs range from 0.07% to 0.85% depending upon the specific fund.

We take responsibility for people's life savings. A responsibility we take very seriously.

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