

How to . . . take tax-free cash and perhaps an income

When you're ready to start drawing your pension, you can take up to 25% of the fund as tax-free cash. You then have a choice over how to use the remaining fund for taxable income. There may be more options than you think.

1. You can choose to set up a secure income (lifetime annuity) from an insurance company. Once set up it can't be changed, so it is absolutely vital to shop around to make sure you get the best deal that's right for you. In December we added £1,399* on average to potential incomes for clients who told us about health and lifestyle. Call us on 0117 980 9940 or visit www.hl.co.uk/annuity to find out more.
2. You can take a variable income, via income drawdown. Your income is not secure so this option is higher risk than an annuity, but you do have more flexibility and get to keep your options open. Find out more at www.hl.co.uk/drawdown
3. Take tax-free cash but no income just yet. You leave the rest invested in income drawdown.
4. Mix and match. Convert some of your pension into a secure annuity income to meet basic living costs, and use income drawdown for the rest.
5. Take unlimited income. This is a relatively new option called flexible drawdown, available if you meet certain criteria, including being in receipt of at least £20,000 a year secure pension. Find out more at www.hl.co.uk/drawdown

**Average increase quoted in December 2013, based on the top and bottom rate for 980 clients entering medical details online. Actual increases will depend on your pension value and personal circumstances.*

Income drawdown sees 44.8% increase in popularity

Income drawdown is the main alternative to an annuity at retirement. Instead of a secure income for life, income drawdown offers an unsecure and variable income with the chance to keep your options open. We've seen its popularity soar 44.8% last year alone.

Does keeping control of your pension appeal?

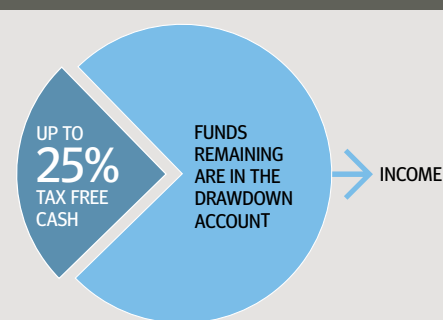
Or do you need a secure income? Income drawdown allows you to take up to 25% tax-free cash (as an annuity does) and then draw income directly from the fund, within limits, if you need. The drawdown pension remains invested and under your control.

They say one man's meat is another man's poison. If you are willing to seize the investment reins and accept the possibility that income could fall as well as rise, then drawdown may be worth a closer look. However, if you can't afford a reduction in income, or if taking control will give you sleepless nights, then drawdown will not be for you.

Might drawdown be for you? Some considerations

- ✓ Whilst an annuity is secure for life, drawdown income is in no way guaranteed. It is undoubtedly more flexible, but more risky, too.
- ✓ Drawdown income could fall if investments don't perform as expected, or if you take too much income. That said, income could rise if things go well and

HOW INCOME DRAWDOWN WORKS



In income drawdown you take taxable income directly from the fund, within limits. Unlike an annuity income it is not secure and could rise or fall in future.

- ✓ this can give valuable inflation proofing.
- ✓ You can vary, stop or start income at will (there are government maximums on the income you can take). Some people may even be able to take unlimited income, via flexible drawdown.
- ✓ You have control over the investments and over what happens to the pension when you die. You keep your options open in case your circumstances change.

» Why not take a look at our investment strategies overleaf?

» If you have any queries please call 0117 980 9940

IMPORTANT NOTES: Annuity quotes are only guaranteed for a limited time; annuity rates can change regularly and may go up or down in future. An annuity is a long term investment. Once set up, income cannot normally be changed or cancelled so it is important to consider your options carefully. It is important to consider the effects of inflation when setting up an annuity income.

Drawdown is a complex product, the income is not secure and your pension remains invested. If the value of the investment falls, your fund value and your income can be reduced, potentially leaving you short of income later in retirement.

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Investment strategies for Income drawdown - where might you invest?

The investments you choose and the way you manage them will have a huge impact on your drawdown plan and the ultimate income it provides.

If the investments perform well and you don't make excessive withdrawals, your pension fund could grow. This allows you to increase your income over time and can help protect against inflation.

However get it wrong and poor investment performance and excessive withdrawals will deplete your fund, potentially leaving you short of income later in retirement. You must

be able to accept this risk.

The key is diversification. A balanced portfolio should contain a good mix of investments (including different sectors, geographic regions and fund managers) that offer potential for growth to allow you to draw the income you require. Cash and fixed interest investments provide a valuable counter against volatility and can help balance out downturns in the market.

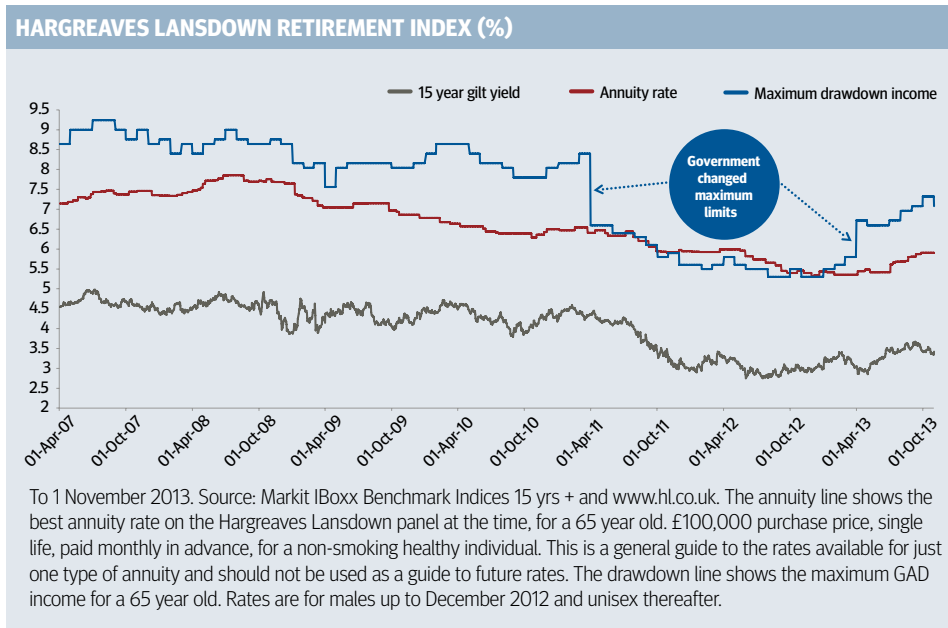
View Mark Dampier's investment ideas for income drawdown at www.hl.co.uk/drawdown-investment-ideas



AT A GLANCE ...

JANUARY 2014 LIMITS FOR INCOME DRAWDOWN				ANNUITY FIGURES FOR COMPARISON	
AGE	MAXIMUM CAPPED DRAWDOWN	MINIMUM	FLEXIBLE DRAWDOWN	SINGLE LIFE ANNUITY	50% JOINT LIFE
60	£6,480	Nil	Unlimited	£5,481	£5,112
65	£7,320	Nil	Unlimited	£6,088	£5,578
70	£8,400	Nil	Unlimited	£6,864	£6,239

Male and female rates equal and based on £100,000 fund, as at 2 Jan 2014. Alternatively, to qualify for flexible drawdown you must meet certain criteria which include already being in receipt of a secure pension income of £20,000 p.a. minimum.



ANNUITY RATE MOVEMENTS - THE FOLLOWING PROVIDERS HAD RATE CHANGES IN THE LAST THREE MONTHS

PROVIDER	DATE OF CHANGE	CHANGE
AVIVA	12/12/2013	↓
	03/12/2013	MIXED
	02/11/2013	MIXED
Canada Life	20/12/2013	↑
	27/11/2013	↑
HODGE LIFETIME	17/12/2013	↑
	13/12/2013	↓
just retirement	26/10/2013	↓
	11/11/2013	↑
	18/12/2013	↓
LVE	11/12/2013	↑
	04/11/2013	↑
Legal & General	05/12/2013	MIXED
	04/11/2013	MIXED
	16/10/2013	↑
PRUDENTIAL	29/11/2013	↑
	13/11/2013	MIXED
Standard Life	25/10/2013	MIXED
	05/11/2013	↓
	23/10/2013	↓