

BUDGET 2014 - WHAT DOES THIS MEAN FOR YOU AND YOUR RETIREMENT?

THE CHANCELLOR RECENTLY ANNOUNCED WIDESPREAD CHANGES TO PENSIONS. WHAT DO THESE MEAN FOR YOU?

YOUR OPTIONS AT RETIREMENT BEFORE THE 2014 BUDGET

Take a secure **annuity** income – a guaranteed income for life, purchased in exchange for your pension fund.



Take an income directly from your pension, via **capped drawdown** – You control where the pension is invested and how much income you take (up to a maximum amount). Income is not secure.



Take unlimited income via **flexible drawdown** – Unlike capped drawdown there is no limit on the amount you can withdraw. One requirement to qualify is that you must have £20,000 in secure pension income.



Small pots under £2,000 – Pension pots worth less than £2,000 each can be taken as a lump sum in some circumstances. This can be done twice and you must be over 60.



Total pensions under £18,000 – If all of your pensions (including those in payment) are worth less than £18,000 in total you may be able to take these as a lump sum. This can be done once and you must be over 60.



CHANGES TO THESE OPTIONS SINCE 27 MARCH 2014

If you need a secure income you should still consider an annuity. Very few other options guarantee to pay an income no matter how long you live. However, before you act make sure you explore the other options available.

The maximum amount you could withdraw each year has increased from 120% to 150% of an equivalent annuity.

Result = More income available if you require.

The minimum income requirement has reduced to £12,000 per annum.

Result = Flexible drawdown is now available to more pension investors.

The limit has been increased from £2,000 to £10,000 and this option can be exercised 3 times instead of twice.

Result = Larger individual pots can be taken as a lump sum.

The £18,000 limit has been increased to £30,000.

Result = Those with larger pensions can take them as a lump sum.

PROPOSED CHANGES FROM APRIL 2015

The government has proposed comprehensive reforms which are subject to consultation:

- **All pension investors over 55 will be able to take unlimited income from their pensions if they wish.** 25% would be tax free with the rest subject to income tax.
- The existing rules relating to drawdown and small pots would effectively cease to exist.
- The age at which you can take benefits will be reviewed.
- The tax treatment of death benefits will be reviewed.

Those wanting a secure income in retirement will still be able to buy an annuity.

Want to know more?

 **Call us: 0117 980 9940**

 **Visit: www.hl.co.uk/annuity**

IMPORTANT INFORMATION - This factsheet is based on our interpretation of the Budget Statement and supporting documentation, as at March 2014. The proposed reforms from April 2015 are subject to consultation so may change. The rules that apply to your pension may be different to what legislation allows – check with your pension provider for details of the rules that relate to you. This factsheet and our service are not advice. If you are unsure how to proceed we can put you in touch with our advisory team. Tax treatment will depend on your individual circumstances and can change in future. Income drawdown does not provide secure income so may not be suitable for everyone. Taking the maximum income available is not usually sustainable. Excessive withdrawals and poor investment performance will deplete your fund and leave you short of income later in retirement.