



# Understanding Your Retirement Plans

There are a number of options available if you are trying to decide which type of pension is right for you.

## Stakeholder Pensions

Stakeholder pensions are typically offered by traditional pension companies (Insurance Company) and are not available as a platform pension.

The government is keen to ensure that as many individuals as possible make provision for their own retirement and providers of a Stakeholder Pension must comply with the following rules:

- Low minimum contribution threshold - £20
- Annual Management Charges must not exceed 1.5% per annum for the first 10 years of membership and not more than 1% afterwards
- Contributions can stop and start without penalty
- No transfer penalties if you want to move your plan to a different provider (if you are invested in a With Profit fund a penalty may be applied)

## Personal Pension Plan

Personal Pension Plans are generally accessed through an insurance company and typically offer access to a wider range of investment funds than can be accessed through a Stakeholder pension.

Unlike a Stakeholder pension, providers of Personal Pension Plans are able to set their own minimum contribution levels and do not have a cap on the charges they can make, although these will always be disclosed to you before you invest.

## General considerations

The value of a retirement plan is dependent on the performance of the assets in which it is invested and the market value of any property held, and is therefore subject to market movements, which can fall as well as rise.

Tax relief on your personal contributions is received at your marginal rate (within prescribed limits) and funds are allowed to grow within the plan free of Income and Capital Gains Tax, providing an extremely tax efficient savings vehicle.

Under current legislation, your pension plan offers tax efficient accumulation of funds. Income tax will be payable on any future income taken, the rate(s) being decided by your total income at the time of payment.

## At Retirement

You can draw benefits in a variety of ways, although the earliest you can access the funds is currently age 55.

On retirement up to 25% of the accumulated funds can be taken as a tax free 'Pension Commencement Lump Sum' (previously known as tax-free cash). When income is taken from the plan it will be subject to income tax at your marginal rate at that time.

The benefits you receive at retirement are dependent upon future contribution levels, the age at which you take benefits and external influences such as investment returns, inflation, interest rates, annuity rates and charges.

## On death

In most modern Stakeholder and Personal Pension plans the full value of the accumulated fund at the date of death will be payable to your surviving spouse or nominated beneficiary/ies.

The options that will be available to your beneficiaries will vary depending on the type of plan you hold and the features of your individual contract.

The tax treatment of the lump sum and any income payments will vary depending upon your age at the time of your death.

## Important Information

Our advice has been prepared based on our company's understanding of the current law and HM Revenue and Customs' practice. Whilst we believe the interpretation is correct we cannot guarantee it.

Tax treatment may change in the future.

The levels of taxation and annual exemptions from taxation are subject to change and their value will depend upon your individual circumstances.

**PLEASE REFER TO OUR SEPARATE DOCUMENT 'GENERAL AND INVESTMENT RISK WARNINGS' FOR ADDITIONAL INFORMATION RELATING TO THE RISKS OF INVESTING.**

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