



Frequently Asked Questions Taking Tax Free Cash from your Pension Fund

What do we Mean by “Taking Tax Free Cash”

By withdrawing money from your Pension fund prior to the normal retirement age of the Pension scheme is often referred to as pension release or unlocking your pension, as if your money was in some way held prisoner by those evil Pension Schemes (which may be true). Money can possibly be released from all types of Personal and Company Pensions. People considering taking their tax free cash should only do so when they are facing financial hardship and there are no other options available to them, for example they; Have mortgage arrears or other debt and they cannot repay in any other way Have an urgent need to raise money and cannot borrow it. Cannot meet the day to day cost of living Have no other method of improving their financial position

Who Exactly can take Tax Free Cash?

You must be aged at least 55 years old You must have a Personal or Company Pension that you are not currently drawing

What is the Maximum I can take tax free?

You can access a cash lump sum of up to 25% of the value of your pension fund, you can access less than this amount or access the 25% in stages if you prefer. This is tax free and is known as a

“Pension Commencement Lump Sum” (PCLS). The remaining 75% of the fund can be used to provide you with an income that is taxable. You do not have to draw an income other than taking your tax free cash. This is something to consider particularly if you are in receipt of State Benefits.

How does it work?

In order to release the tax free cash from your Pension fund it usually has to be transferred into a new type of Pension scheme. Once the money is transferred across the amount of tax free cash is calculated and paid directly to your Bank Account. The remaining fund is then used to provide you with an income or remain invested until you choose to take an income (this must be done by age 75).

How do I get started?

Simply complete our Letter of Authority and we will begin the process on your behalf. There is no risk, cost or obligation to you for doing this.

What Exactly is the Process?

- A.** Complete our Letter of Authority and return it to us either by post or email
- B.** We will send your Authority to the relevant Companies requesting information
- C.** We will send you our Terms of Business detailing how we work, the services we offer and our charges if you are happy



D. You return one copy of our Terms of Business to us - you are under no obligation to use our services

E. Once we are in receipt of the information in respect of your Pension Scheme(s) we will talk to you in depth about your circumstances, aspirations and options, either face to face or on the telephone if preferred

F. We will provide you with a report outlining your options g. You then need to carefully consider your options and reach a decision

How long does it take?

As we are very often dealing with Insurance Companies who are not keen to part with your money it can often take several months to conclude matters. Anything less than 3 months is a bonus so PLEASE DO NOT make any plans in respect of your tax free cash until it is in your Bank Account!

How much will it cost?

There is no charge for our initial research on your behalf. You will only pay a fee if you wish to proceed and use our services. Our fees are documented within our Terms of Business which we will forward to you upon receipt of your Letter of Authority. Please note WE DO NOT TAKE COMMISSIONS FROM PENSIONS IN ANY FORM. After reading our Terms of Business if you have any questions as to how we get paid please contact us at the earliest opportunity. There could also be charges in

the form of penalties applied by your current pension Company for transferring your fund away but these will be clearly disclosed to you in our report before you proceed.

Do I pay any tax or other payments?

Up to 25% of your pension fund can be paid to you a tax free lump sum. If you choose to draw an income from the remaining fund then these payments will be taxed at source as earned income. You have no other payments to make such as National Insurance for example.

What happens if I die?

If you should die before any transfers are completed then any death benefits payable will be determined by your current scheme's rules. After you have taken your tax free cash, your beneficiaries will have a range of options depending on their relationship to you. These will be documented in our Report prior to you making a decision.

So I get a nice tax free lump sum what's the catch?

It certainly sounds like easy money but is it? Upon reaching 55 it may seem like the ideal Birthday present, but it is not a decision to make lightly. Once you take your tax free cash there is no turning back, the decision you have made will impact on you for the rest of your life.



Do bear in mind that taking your pension now means that your income in retirement will be considerably less than if you waited until your normal retirement age.

This means that you will have less to live on when you retire and Pension unlocking is rarely in anyone's long term financial interests. This course of action should be considered only in exceptional circumstances where you have immediate needs and no other option.

You should remember that there may well be initial charges in setting up your new Pension scheme and ongoing charges for looking after your Pension fund investments. You need to ensure that these charges provide you with value for money and that this course of action is appropriate to your long term financial needs and goals.

D. Annuity levels may be at a worse level when annuity purchase takes place.

E. Taking high levels of income could exhaust your fund and leave you with no income in the later years of retirement.

F. The returns you require to satisfy your income needs may demand a higher risk investment strategy than you wish to take at this stage.

G. Pension release is unsuitable for the majority of people, taking money from your pension fund prior to normal retirement age will mean a smaller income when you come to retirement.

IMPORTANT

(RISK WARNINGS FOR INCOME DRAWDOWN PLANS - PLEASE READ CAREFULLY)

A. High income withdrawals may not be sustainable during the deferral period.

B. Taking withdrawals may erode the capital value of the fund. Especially if the investments returns are poor and a high level of income is being taken. This could result in a lower income when the annuity is eventually purchased.

C. The investment returns may be less than those shown in the illustrations.

