



taking the cash  
from your pension.

Cash Drawdown  
Service

**my wealth**  
WEALTH at work

“our cash  
drawdown service  
is a simple way to  
draw cash  
out of  
your pension  
when you need it.”

**Mark Hewitson, Head of Retirement Income,  
WEALTH at work**



# introduction.

## **Pension Freedoms**

The pension changes allow the freedom to access pension savings for anyone within a defined contribution (DC) scheme from age 55.

Rather than buying an annuity and paying an inflexible and often poor value retirement income for life, the pension freedoms allow individuals (particularly with smaller DC schemes) the opportunity to simply withdraw retirement savings in cash.

Individuals with a defined benefit (DB) scheme do not have access to these freedoms. However, there may be an option to transfer to a DC scheme to gain more flexibility. This is usually subject to individuals taking advice from a regulated financial Adviser.

Access to pension savings can be taken before retirement or in phases once you have retired. To help you get easy access to your pension money when you want it, we offer a cash drawdown service that allows you to do this.

## **Our Service**

Our cash drawdown service is a self-invested personal pension (SIPP) scheme designed to accept transfers from DC schemes direct from the workplace or other pension providers and hold in cash, or cash funds with us.

Once transferred, you can access your money on a regular monthly basis or as a lump sum whenever you need it and we will send you regular statements to keep you up to date.

Accessing your money is straightforward, you can contact us by telephone or write to us and tell us how much of your money you want and we will arrange the necessary processing on your behalf.

And like any pension, we will do all of the administration for you including managing the transfer documentation from other pension schemes, making payments to you, deducting tax on your behalf from your payments and sending you a notice of this so you can manage your tax affairs effectively.

# your options.

Taking money from your pension savings is subject to income tax. Our cash drawdown service can help you use your pension savings in a tax efficient manner and where possible mitigate paying unnecessary or excessive taxes.

Usually, 25% of your pension savings can be taken free of tax and the rest is taxed as though you earned it as income within the tax year you took it.

For example, let's say you have a pension pot of £36,000.

If you take it all in one go, 25% (£9,000) of it would be tax free but the remaining £27,000 would be added to your income and taxed at your marginal rate. In other words, the highest rate of income tax you are liable to pay in that tax year.

For a non-taxpayer, adding this to their income for the year would probably mean they become a basic rate taxpayer and will have to pay income tax at 20%. Similarly, a basic rate tax payer would likely end up paying some higher rate tax at 40%.

Table 1 shows the maximum effect of 20% and 40% income tax on the income taken from a pension fund of £36,000\*.

Table 2 shows the overall net amount an individual is likely to receive from their fund after deduction of income tax\*.

Many people see a change in their tax rate when they retire, perhaps moving from higher rate tax bands to basic rate tax bands. Spreading your cash withdrawals over a number of years can be helpful in managing the amount of tax you pay on the income taken from your pension pot.

Table 3 shows that it is possible to take the £36,000 pension pot over 3 tax year periods, yet covering just over 1 year in time taken.

This would mean that only £9,000 is added to your total income in each tax year because the first £3,000 would typically be your tax free lump sum. For example, this would typically allow an individual earning approximately £30,000 pa to remain a basic rate taxpayer.

The aim of our cash drawdown service is to allow you to have flexible access to your savings and by doing so, help you manage your tax position more effectively and reduce the amount of income tax you pay.



**Table 1**

Pension Pot	Tax free cash	Taxable amount	Tax at 20%	Tax at 40%
£36,000	£9,000	£27,000	£5,400	£10,800

**Table 2**

Pension Pot	After 20% tax	After 40% tax
£36,000	£30,600	£25,200

**Table 3**

Pension pot	March 2016	April 2016	April 2017
£36,000	£12,000	£12,000	£12,000

\*The actual amounts will depend on your personal circumstances and level of taxable income.

## Costs

Our fees for the cash drawdown service are simple and transparent:

- £200 set up fee – this includes transferring pension monies from your workplace pensions or private pensions
- £100 transfer fee – for any additional pensions transferred in after setup
- £100 annual fee – annual administration fee for the service

(All figures exclude VAT)

# help & guidance

Our service enables you to make your own decisions about accessing your pension savings without seeking financial advice. We will offer you guidance over the telephone to help you understand how the service works, how your income will be taxed when you take it and importantly what risks to 'watch out' for when you take money from your pension savings.

Our team of guidance specialists will talk to you about your options and will check your transfer documents from your other pension schemes to make sure you're not missing out on any valuable benefits, or whether you have to take regulated advice before you access your pension savings.

If you have 'safeguarded' benefits in a pension scheme such as a guaranteed annuity rate, then you may have to take advice before accessing your pension and at the very least you must be made aware of them.

As an additional service for anyone taking money from a DC scheme, the Government has set up a service called Pension Wise. They offer free and impartial guidance on your retirement income options and you can speak to them via the telephone on **030 0330 1001**, web **[www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)** or face to face.

If you don't seek regulated advice on your pension options, then you should seek guidance from Pensions Wise as some of your decisions may be irreversible and they can offer you useful information about the options available.

There may be a number of areas of overlap between what we say to you, the guidance we offer, and that of Pension Wise. As with any important decision, it is a good idea to get guidance from a number of different sources.

## Watch outs

When you access your pension savings there are a number of things to watch out for:

- Fraudsters carrying out elaborate scams to take your money
- Tax issues - especially around the personal income tax you may be liable for
- How accessing your pension savings can affect state benefits
- The risk of running out of money during your retirement

When we talk to you about your options we will highlight the risks specific to your personal circumstances so you can make informed decisions about what you do with your money.

# summary.

## Our cash drawdown service:

- Accepts transfers from most types of UK registered pension schemes but not from schemes that pay benefits linked to final salary, or that contain safeguarded benefits
- Allows you to take flexible levels of lump sum income and/or a regular income
- Provides you with up to 25% of your pension fund as a tax-free cash lump sum
- Enables you to take your pension benefits in stages (often referred to as phased drawdown) to manage your tax payments
- Holds your pension fund in cash on deposit and a money market fund
- Has simple and transparent fees



## next steps.

To find out more about our cash drawdown service or to talk to us about alternative options, contact us on **0800 0238 3200** or visit our website at **[www.wealthatwork.co.uk/mywealth](http://www.wealthatwork.co.uk/mywealth)**

We are a leading provider of financial guidance and education in the workplace with an excellent reputation for delivering real results for its clients.

We will put you first in everything we do, and are committed to competitive charges, jargon-free communication and continually improving our services.

**We provide a:**

**wealth** of knowledge

Our team of professionals with their specialist skills and knowledge are on hand to help and guide you through your retirement income decisions.

**wealth** of experience

With many years of retirement income experience you will always receive a well-considered view.

**wealth** of opportunity

Our tailored approach will help to ensure you always understand your retirement income options.



**Call us on 0800 028 3200 Email us at [mywealth@wealthatwork.co.uk](mailto:mywealth@wealthatwork.co.uk) or visit [www.wealthatwork.co.uk/mywealth](http://www.wealthatwork.co.uk/mywealth)**

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