

HOW TO UNDERSTAND YOUR PENSION

5 TOP TIPS

CHECK WHAT BENEFITS YOU ALREADY HAVE

Some pensions offer a guaranteed income for life from a certain age. However, most modern pensions are a pot of money that you have choice over how you invest and draw from. The first step is to check which of these pensions you have – you could have more than one of each.

1

Once you know what kind of pension(s) you have, check what they are worth and what kind of benefits they could give you. Your annual statement should give you an idea of future income.

CONSIDER HOW MUCH YOU WILL NEED TO SPEND IN RETIREMENT

Once you have understood what pensions you have, you need to ask the question of whether they will be enough? The first step to establishing how much you might want to spend in retirement is to look at what you are spending now.

2

MONITOR HOW THEY ARE INVESTED AND YOUR CONTRIBUTIONS

Pensions and the underlying investments do change regularly, so it's important to keep an eye on these.

3

Those with high earnings can have different contribution allowances. The rules changed in April 2020, so you could have a higher or lower contribution allowance than in previous years.

HOW WILL YOU DRAW FROM YOUR PENSION

If you are going to retire soon, you also need to consider how you will take an income. Do you want to buy a regular income for life, known as an annuity? Or do you want to draw down on the invested fund? These decisions will impact on the suitability of your pension, and the changes you might need to make in the years running up to retirement.

4

GET ADVICE

A financial planner can help you make the right decisions concerning how your pension is invested, whether it's advisable to take money out of your pension and what level of income you can take, without eating into the capital, and that you're doing this in the most tax-efficient way possible.

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