

WATERMARK

Financial Planning

GUIDE TO

NEW PENSION FREEDOMS

GIVING PEOPLE GREATER
POWER OVER HOW THEY
SPEND, SAVE OR INVEST THEIR
RETIREMENT POTS

FINANCIAL GUIDE



Head Office: 98 Walter Road, Swansea, SA1 5QJ **Tel:** 01792 202332 **Fax:** 01792 241282

Chepstow: 14 Upper Church Street, Chepstow, NP16 5EX **Tel:** 0800 980 9920

Henley-In-Arden: 201 High Street, Henley-In-Arden, Warwickshire. B95 5BA **Tel:** 0800 980 9920

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Chartered Banker

Professional Financial Adviser

GUIDE TO NEW PENSION FREEDOMS

Giving people greater power over how they spend, save or invest their retirement pots

It's important to review your pension savings and estimate the income they're likely to generate in retirement

Whether you're saving for old age, about to retire or already have, you need to give your pension some attention following the announcement of the new pension freedom reforms. Perhaps most important of all were the changes announced in the 2014 Budget, which mean many more will now be able to retire and withdraw money from their pension without buying an annuity.

The new pension savings market gives people greater power over how they spend, save or invest their retirement pots post-6 April this year, which is a positive, but it can be overwhelming. The breadth of the reforms means hardly any aspect of retirement finances is left unaltered. It's an empowering period for investors – but also challenging.

For people planning for retirement in the new world of pension freedoms, there are both risks and opportunities – from passing on your pension to loved

ones, to making the most of tax relief. Almost everyone stands to benefit from reassessing their pension arrangements in light of the range of changes. Everyone needs some knowledge of pensions and how they are changing. Here's what you need to know.

Ten tips to make the most of pension freedoms – what are your next steps?

1. Make sure you have a clear picture of what pensions you have – some people lose track of old pensions from previous jobs, especially after moving property. Use the free government service to track down your money: www.gov.uk/find-lost-pension

2. If you have various pensions from former jobs, think about whether you want to 'tidy up' your pensions – there could be benefits in bringing them together and consolidating them in one pot, so it's easier to keep an eye on what they're worth and how they're invested. This might not

be suitable for everyone, and professional advice should always be obtained.

3. Check if you are making the most of your workplace pension – your employer might match some of what you pay in. See if you could afford a bit extra each month to give yourself a better opportunity to build a larger pension pot. Remember that for every £80 you pay in, and depending on your particular situation, this normally gets topped up with £20 in tax relief, and more tax can be reclaimed if you pay tax at a higher rate.

4. Make sure your Beneficiary Nomination is up to date – the new changes mean it's easier to pass on your pensions to loved ones. Your pension provider will normally look at your Beneficiary Nomination when deciding who to pay your savings to, and your Will usually isn't relevant. Keep your Beneficiary Nomination up to date by requesting a form from your pension company, or you might be able to do this online.

5. Talk to your family – with the new flexible rules about inheritance to bear in mind, you may want to work through these decisions together.

6. Check how your pension savings are invested – you might have selected the funds years ago, and they may no longer reflect your wishes today. Or perhaps you are in a 'default' fund, one which was automatically selected for you at the beginning. Either way, it's prudent to look and see if the funds suit you. If you're not sure, obtain professional financial advice.

7. Other savings – if you're approaching retirement and have Individual Savings Accounts (ISA) or other savings, you may want to review these and consider moving your savings into your pension in order to make the most of tax relief. This won't suit everyone but is worth considering.

8. Be aware of scams – the new flexibilities also give more opportunities

for scammers. So remember, if it sounds too good to be true, it probably is.

9. Consider reviewing your retirement plans in light of the new rules – to make sure you're on track to meet your retirement goals, it's important to review your pension savings and estimate the income they're likely to generate in retirement. If there's a shortfall in your savings, the earlier you spot it, the easier it will be to fix.

10. Think ahead about how you might want to access your savings in retirement – you'll have a choice of accessing cash, keeping your savings invested, drawing a flexible income, buying a fixed income or some combination of these. You'll feel more confident making your final decision if you've spent time thinking about what's right for you in advance.

Are you making the most of your retirement opportunities?

Regardless of the life stage you have arrived at, it is important to receive expert and professional financial advice on your pension plans and requirements. Whether you need to set up a pension or review existing retirement planning strategies, we can advise you to help you make the most of your retirement opportunities. To find out more, please contact us. ■

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

NEED TO CALL US TO CLEAR UP ANY CONFUSION ABOUT THE NEW PENSION FREEDOMS?

Many people have been contacting us to clear up confusion about the new pension freedoms introduced on 6 April 2015. The majority of these have been about how members with private pensions are affected by the reforms, but we've also answered many queries from people already drawing their pension who were wondering whether they could cash it in. To discuss your concerns, please contact us for professional expert pension advice.

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