Frequently Asked Questions:

PENSIONS ESSENTIALS

Integrity 365

Welcome

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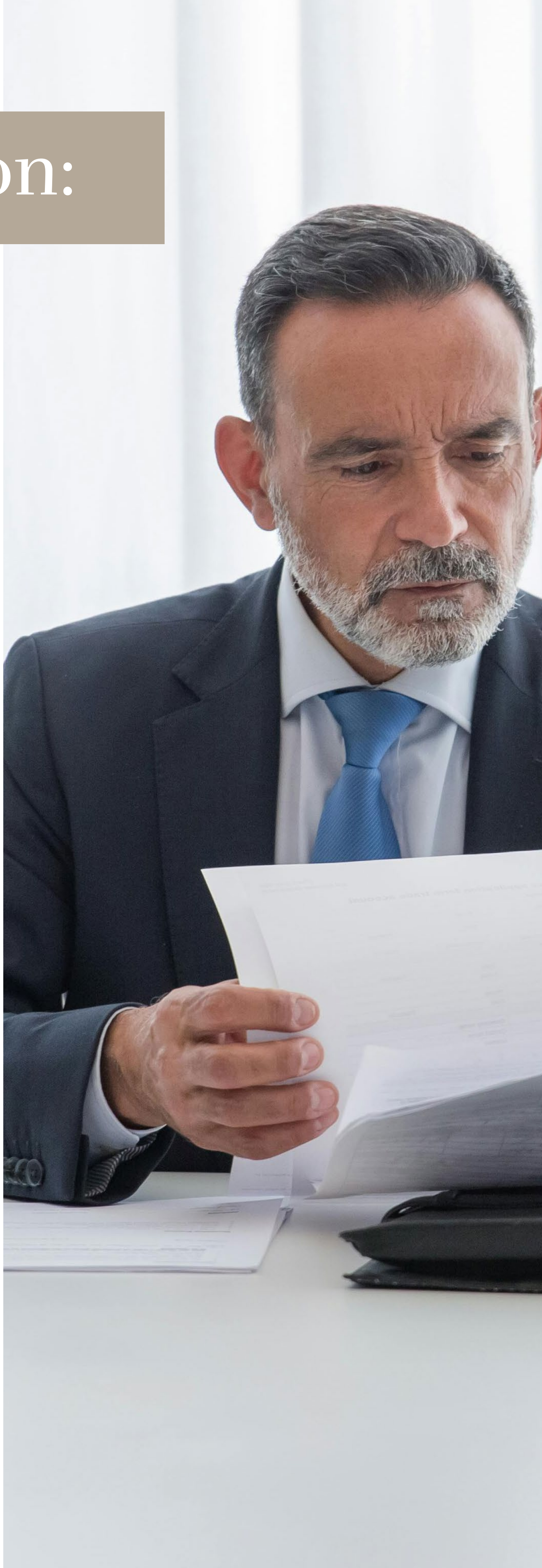
Introducing Integrity365

Integrity365 provide trusted Independent Financial Advice and excellent client service to individuals, families, business owners and corporate organisatiosn throughout the UK.

In this short, helpful guide Senior Corporate IFA Consultant Craig Pritchard discusses some frequently asked questions that employees may have on Workplace Pension Schemes.

Essential Action:



"Should I complete a nomination of beneficiary form?"

Yes, too many people forget to tell their pension scheme provider who they would like to receive their pension in the event of their death.

This only takes a few minutes to update, and most pension providers provide the facility to do this online or via a mobile app, although a paper form can also be requested from most providers if required.

If you have completed a beneficiary form, remember to keep it up to date if your personal circumstances change.

"Can I contribute more than the minimum amount set by my employer?"

The minimum automatic enrolment contribution rates set by the Government (typically 3% employer/5% employee) are not sufficient to give most people the level of income they require in retirement.

Therefore, the more you can afford to contribute, the better. It easy is to put off paying more into a pension but the earlier you do so, the longer you have for the money to be invested and give your pot more opportunity for growth as you save for retirement.

Some employers will even increase their contributions if you pay more into the scheme, so it is worth checking your employers pension scheme rules for details. I always recommend maximising any employer contributions available where possible.

Multiple Pensions:

"What should I do if I have multiple pensions from previous employments?"

The starting point is to track down your pensions to understand which providers they are held with and how much you have saved in these, as many people lose touch with their pensions when changing employment. Be sure to keep pension providers updated with any address changes so they can continue to send you annual statements, or you can also register for online access.

Paperwork from the provider or employer will confirm the name of the pension company, however, if you are unsure you should contact the respective employer to ask who they used for pensions at the time of your employment.

"Can I transfer pensions into my current employer's pension scheme?"

It is possible to transfer and consolidate your pension pots, and most workplace pension scheme providers offer help with a free, no advice transfer service.

Before committing to a transfer, you should do your homework as it is not always beneficial to transfer. There are several factors that should be considered:

- **Charges** – All pension providers apply charges (typically an Annual Management Charge) for managing your pension. You should compare the level of charges applied by the old pension scheme provider against your current scheme charge.
- **Investment performance** – It is always worth looking at how the investment fund(s) used for the old pension is performing against the new fund. This is not easy, but most pension providers provide fund factsheets online so you can compare (although past performance is no guide to future performance).
- **Any form of guaranteed benefits** – older pension plans (typically started before 2001) may have valuable benefits attached that would be lost upon transfer. Always check with the pension provider if you have any guaranteed benefits or loyalty features attached to the plan.

Remember: If you have lost touch with the employer (or they no longer exist), the Government offer a free pension tracing service: (https://www.gov.uk/find-pension-contact-details).

Building Your Pension:

“Should I regularly monitor my pension?”

Absolutely, as it is important to understand the value of your pension and what income it may generate you in retirement. Due to advancements in technology, you no longer need to rely on the paper annual statement issued by pension providers as most now offer comprehensive online tools. Just like online banking, you can view your pension details such as the fund value, contributions paid and projected pension income at retirement.

“What are the tax incentives to save via a pension?”

Pensions are unique as the Government incentivise us to save by providing us with Basic Rate Income Tax Relief (currently 20%) on the value of personal contributions. For example, if you pay £100 into a pension, the Government will increase this to £125.

In addition, higher rate or additional rate taxpayers are entitled to 40% or 45% Income Tax Relief. However, depending on how the workplace pension scheme is set-up, you may need to claim the additional relief via HMRC or a tax-return.

An increasing number of workplace schemes use salary sacrifice/exchange which allows individuals to save National Insurance on the value of the personal contribution, which reduces the cost of paying into the pension.

“Can I make one-off payments into a pension?”

Yes, whilst most workplace pension contributions are deduced via payroll it is possible to make one-off lump payments into a pension. This can be done via payroll or a personal payment from your own bank account.

Single payments often come in the form of bonus sacrifice/exchange, whereby an individual elects to direct their bonus – in part or in full - directly into a pension to save on Income Tax and National Insurance.

“How do I workout the level of income I may need in retirement?”

This will vary by individual, as we all have different goals in terms of retirement lifestyle, age etc. The Pensions and Savings Lifetime Association (PLSA) issue an annual Retirement Living Standard report which outlines the typical level of income required based on three different standards of living in retirement (minimum, moderate and comfortable). You can view the report at www.retirementlivingstandards.org.uk

Approaching Retirement:

"What is the earliest age I can access my pension fund?"

Currently the earliest age you can access pension benefits is 55, however, this is planned to increase to age 57 from April 2028.

"How does the State Pension work?"

Throughout our working lives we build up an entitlement to the State Pension through our National Insurance (NI) record. You are required to have paid NI for 35 years to qualify for the full State Pension and a minimum of 10 years to qualify for the minimum level of State Pension.

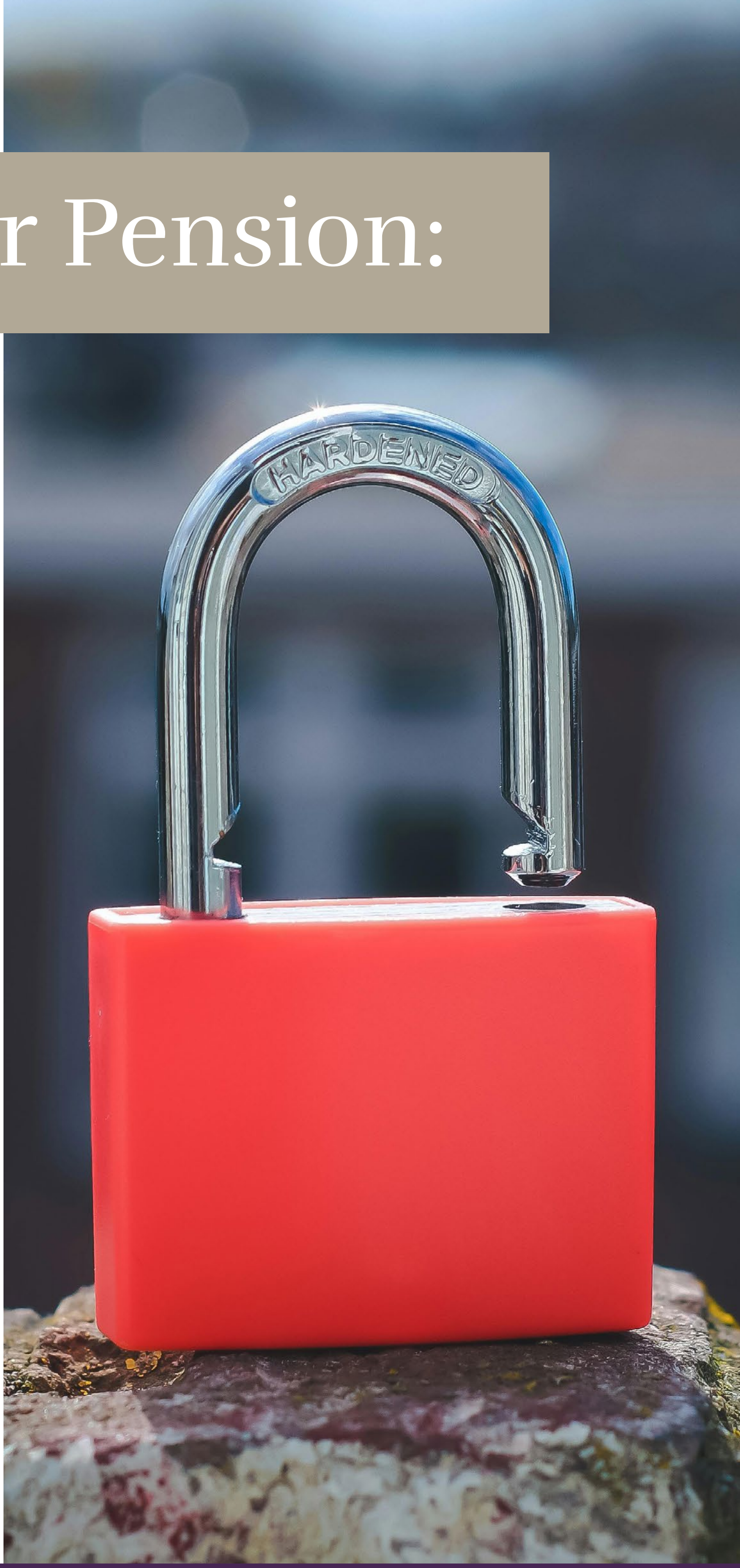
From April 2024, the full State Pension is £221.20 per week/£11,502 per annum. Assuming you have a full NI record, the actual amount you receive at State Pension age will be different as it increases annually inline with the triple lock protection which effectively protects the value against inflation.

You can check your State Pension entitlement online at https://www.gov.uk/check-state-pension.

"When is the State Pension paid?"

The current State Pension Age (SPA) is 66, however, this is soon increasing to 67 between 2026 and 2028 and the Government has indicated plans to increase this further. You can check your current SPA online at https://www.gov.uk/state-pension-age.

Accessing Your Pension:



"How do I access my pension at retirement?"

Since the introduction of Pension Freedoms in 2015, individuals now have a greater range of options as to how they receive their pension income.

Typically, the starting point is to decide whether to take a Tax-Free Cash Sum from your pension and most allow a maximum of 25% (of policy value) tax-free. Once you have decided whether to take a lump sum, there are several options available:

- Annuity purchase
- Flexi-Access (previously known as drawdown)
- Take full pension as a lump sum (noting only 25% of tax-free)

I always recommend individuals seek professional advice on their retirement options to ensure they are making the best decisions suited to their personal circumstances.

Any questions? Get in touch:

Workplace Pensions specialist, Craig Pritchard and his colleagues at Integrity365 work closely with Partners& to support employers and individuals with Workplace Pensions and wider financial planning solutions.

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Please note: this guide was created in March 2024 and all information is correct as at this date.