

Pensions



Health warning 1

- Pensions are complicated
- The detail is important
- I am a trainer
- You may need to get specialist advice

What are Pensions?

- A pension is a scheme that provides an income for someone in later life
- Pensions are important because we all need money so that we can live comfortably after we have stopped paid employment

Aims of Session

- Better understanding of:
 - Main types of pension
 - How each type works
- What you should be thinking about
- Where to get more information about pensions

Main Types of Pension

- State
- Personal
- Workplace

Two Phases

- Accumulation
- (Pension being built up)

- Decumulation
- (Pension pays out)

But Important Differences

- How they are funded (i.e. where the money comes from)
- At what age you can access your pension
- How you can take your pension benefits
- How tax works with each type of pension

Types of Pension

- State Pension

State Pension 1

- State Pension Age (SPA) has been increasing
- If you haven't reached pension age, you can find out your estimated pension and when it will be paid on the gov.uk website
<https://www.gov.uk/check-state-pension>
- Basic State Pension superceded by New State Pension from April 2016
- Amount of pension paid depends on number of years of National Insurance contributions/credits

National Insurance Contributions/Credits

- Over 16, below SPA and employed or self-employed earning above a set amount
- Different classes
- Can get National Insurance Credits
- Can pay voluntary contributions
- Check your contribution record online or contact Future Pension Centre helpline:
0800 731 0175

State Pension 2

- Current full rate (New State Pension): £185.15 per week (= £9,627 per year) (April 2022)
- Some will get less than this, some will get more
- State pension increases every April: by CPI or the 'triple lock'
- State pensions are paid without any tax being deducted – but income tax may be payable

Types of Pension

- Personal Pension

Personal Pensions: accumulation phase

- You build up a pensions 'pot' by making contributions to a pension provider
- Anyone can choose to have a personal pension
- You can select your pension provider, how much you contribute and which funds you invest in
- Watch out for the level of charges
- The government 'tops up' your contributions with "tax relief" (i.e. for every £80 a person puts in, the government will add an extra £20)
- No tax is taken out of your 'pot' while it is building up
- Size of final 'pot' depends on investment performance

Personal Pensions: decumulation phase

- You have to wait until you are aged 55 before you can take the money out
- Wide range of choices:
 - buy a regular income (an annuity)
 - get an adjustable income (FlexiAccess Drawdown)
 - take money in chunks, using an arrangement called UFPLS
 - take all the money in one go.
- You can take up to 25% of your 'pot' tax free (income tax is payable on the rest)
- Further details from Pension Wise

Types of Pension

- Workplace Pension

Workplace pensions

Defined Contribution (DC)

- aka money purchase schemes
- similar to a personal pension but employer will also contribute
- amount of pension depends on investment performance

Defined Benefit (DB)

- aka final salary or career average schemes
- based on salary and length of service
- amount of pension is 'guaranteed'
- becoming much less common in the private sector

DC Workplace Pensions

- Similar arrangements as Personal Pensions:
 - Personal pension pot
 - Favourable tax treatment
 - Choices on how to take your pension
- Main difference is that your employer contributes to your pension pot (= 'free money')

DB Workplace Pensions

- Based on salary and length of service
- Generally more favourable than DC pensions but these days DB mainly found only in public sector
- Limited choice for taking pension:
 - Regular payment
 - Tax-free lump sum plus reduced regular payment
- Possible to transfer DB pension into Personal Pension – but this will not normally be a good idea

Workplace Pension Protection

- Depends on the type of scheme
- DC - Financial Services Compensation Scheme (FSCS)
- DB - Pension Protection Fund
- Fraud Compensation Fund
- Take complaints to
 - MoneyHelper Pensions Guidance helpline
 - Pensions Ombudsman

Pension Credit

- A means tested benefit (not a pension)
- Many pensioners don't have enough pension or other income in retirement
- Government sets a minimum level of income:
 - £182.60 a week (single person)
 - £278.70 a week (couples)
- Pension Credit is a top up that brings income up to this minimum level

A gateway to other benefits

- Getting Pension Credit may help you get other benefits
- Examples:
 - health & welfare (e.g. free NHS dental care, Carer Premium/Addition)
 - utility bills (e.g. Warm Home Discount)
 - housing (e.g. Housing Benefit)
 - free TV licence for over 75s

Summary

- Pension Credit is a top-up to the State Pension if you are on a low income
- It's also a 'gateway' to other benefits
- It's easy to claim – a phone call will do
- If you receive Pension Credit, you must inform the helpline if your circumstances change
- Ask for help if you need it

Accumulation Phase: think about...

State

- Check pension date
- Get pension forecast
- Additional NI contributions?

Personal

- Review pension projection
- Additional contributions?
- Check charges and fund choices

Workplace

- For DC pensions: same as for Personal Pensions
- Consolidate different pensions?

Decumulation Phase: think about...

State

- Apply for Pension Credit?
- Check if tax payable

Personal

- When start taking pension
- Choice of how to take pension

Workplace

- For DC pensions: how to take
- For DB pensions: tax-free lump sum?

Health warning 2: pension scams

- If you receive a call, text or email out of the blue from a company offering a ‘free pension review’ or help in ‘releasing your pension’:
 - It’s almost certainly a scam
 - Do not respond

Where to get help

- MoneyHelper
- moneyhelper.org.uk
- Excellent website for all money matters
- Government sponsored advice
- Run by the Money and Pensions Service which has combined the old
 - Money Advice Service
 - The Pensions Advisory Service
 - Pension Wise

Summary

- Pensions is a big, important and complex subject
- 3 main types of pension: State, Personal and Workplace
 - *State*: taxpayer-funded, based on NI contributions
 - *Personal*: own pension pot; contributions from individual and government; choices for taking pension
 - *Workplace*: DB (more generous) and DC (more common); DC pensions similar to Personal but with employer contributions
- Think about your own pension provision
- Beware of pension scams!
- Free and impartial advice on pensions is available

Citizens Advice

- Citizens Advice Hammersmith & Fulham offers 1-to-1 advice including:
 - Debt
 - Employment issues
 - Housing and landlord issues
 - Benefits
 - Energy bills
- For **DEBT** advice phone 0800 808 5810
- For **OTHER** advice phone 0808 278 7832
- E-mail: advice@cahf.org.uk

Help with digital skills

- **TechTalk**
 - free 1-to-1 computer skills support at Avonmore Library.
 - coffee morning talks at Avonmore Library most Fridays.
- **TechMate** - drop-in digital skills sessions every week at
 - Book in free digital skills sessions every week (Contact Katie on 07739 768625)
 - Free ESOL classes
 - Money skills talks
 - Drop in Advice
- **Digital Money Coaching** - learn how to manage money better with IT.