

Strength through choice



Your pension options made clear

Retirement planning made easier by Legal & General



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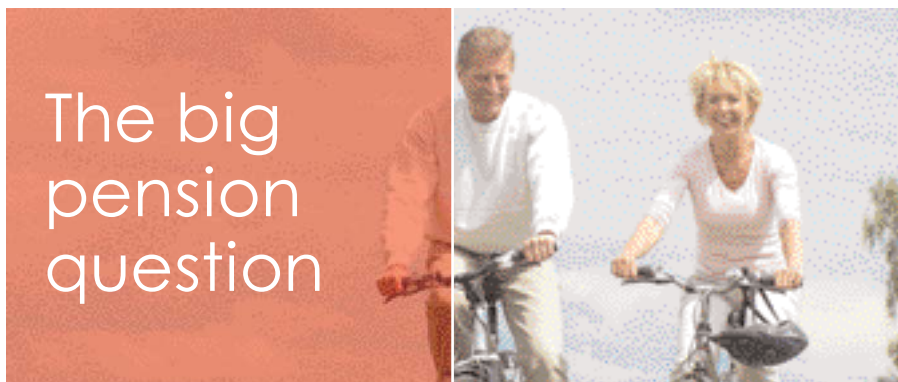


The aim of this guide is to outline the options available to you when you come to take the benefits of your pension fund, whatever type of plan you hold.

Using this guide

This guide is intended to be as easy to use as possible. To help you understand some of the most common pension terms, a pensions glossary is included on **page 14**. Your adviser will be happy to answer any other queries you may have.

As you move towards the end of your working life, there are many choices to make and lots to consider. One of the most important decisions is how you take your pension benefits and when. This will depend on a number of things, including your plans for retirement, your existing financial circumstances, and your ongoing financial responsibilities.



Ask yourself:

- Q** When will I stop work?
- Q** Will I stop work completely or continue part time?
- Q** When will I start taking my pension benefits?
- Q** When do my mortgage repayments finish and how will I pay them after I stop working?
- Q** Do I have any other outstanding loans or debts to clear?
- Q** Is anybody financially dependent on me, and if so how will I provide for them in retirement?
- Q** Do I own investments other than my pension plan that can provide an income?

These are just some of the questions your adviser will discuss with you to help decide when and how to take your pension benefits.

When and at what age?

You don't have to stop working to take your retirement or pension benefits. However, the law states that you must be at least 55 years old (or 50 if you are planning to take your benefits before 6 April 2010).

Making the most of what you've got

Over the course of your working life, it is not uncommon to contribute to more than one pension. For instance, you may have an old pension plan tied to an employer scheme from a previous job.

Equally, you may have other long term investments such as ISAs or unit trusts that could provide an income or lump sum to supplement your pension income.

Whatever other financial arrangements you hold, they will all have a bearing on how and when you take your pension. Your adviser will review your finances as a whole and tell you if it's worth combining other existing investments with your principal pension to simplify your plans for retirement.

If you have a pension that you have lost track of, the Pensions Tracing Service may be able to help you find it. Their contact details can be found in the 'useful contacts' section on **page 15**.

About employer schemes

If you are currently a member of an employer pension scheme, remember that some companies stop contributing to your plan after you reach a certain age or number of years in employment. If you are unsure, speak to your pension scheme manager or HR department.



New
choices.
New
flexibility.



Having decided when you want to take your pension benefits, the next question is how.

You can use your pension fund to buy a retirement ‘annuity’, which pays you a regular income until you die or an annuity can be combined with two other options, giving you more ways to take your pension benefits.

We’ll take a look at
each one in turn.

Cash lump sum

You can take up to 25% of your fund as a tax free cash lump sum, subject to certain limits – ask your adviser for details.

You might use this money to settle your mortgage, buy a car, or even enjoy a well-earned holiday – it's completely up to you.

You could also start withdrawing your pension benefits from the moment you take the tax-free lump sum.

However, if like many people, you are keen to take a cash lump sum but don't want or need to receive any other income yet, you may be able to use income withdrawal. This allows you to keep more of your benefits invested, see the section 'Delaying income withdrawals' on **page 9** to find out how.

This information is based on our understanding of current law relating to pensions. The law relating to pensions may change in the future.

+ ADVANTAGES

Receive a lump sum and spend it any way you like.

- DISADVANTAGES

Leaves you with less money to buy an annuity.

Income withdrawal

There are three types of income withdrawal – full and partial income withdrawal and income withdrawal with phasing.

■ Income withdrawal

Income withdrawal pays you an agreed amount taken directly from your pension fund on a regular basis, either monthly, quarterly, half-yearly or yearly. You set this amount when you begin withdrawals. You, with the help of your adviser, should review this income.

This is to make sure it is right for you and within Government Limits.

Importantly, your pension fund remains invested while you take income withdrawals. This means it can continue to benefit from the potential growth of the stock market – worth thinking about if your pension fund isn't as big as you would like it to be.

However, remember that any withdrawals you make will progressively reduce the size of your fund, and therefore its growth potential. In addition, swings in the stock market will affect the value of your remaining pension fund, which means it could fall as well as rise.

It is also important to understand that once income withdrawals have started you cannot make any more contributions.

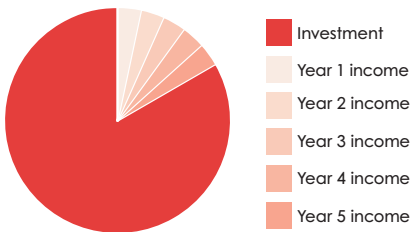
■ Partial income withdrawal

If you don't want to use all of your fund for income withdrawal, you can designate part of your fund to provide you with a cash lump sum and income withdrawals. The rest of your fund, which is not designated for income withdrawal, can be used to provide a cash lump sum and income at a later date (up to age 75).

You can continue with this process until all of your fund has been designated.

If you are in partial income withdrawal, you can still make contributions into the part of your fund which is not designated.

The chart below illustrates the effects of income withdrawal on an example pension fund. This simple example does not take account of the fact that your fund value is not guaranteed and may go down as well as up.



Note that, whatever the level of income you withdraw, by the time you reach age 75 you must use all of your fund to buy a pension annuity or alternatively secured pension.

■ Income withdrawal with phasing

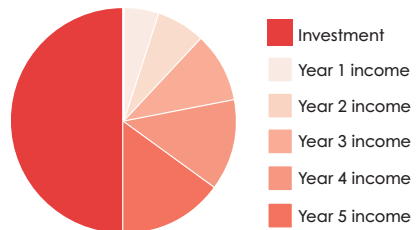
Income withdrawal with phasing could be useful if you wish to ease yourself into retirement, rather than stop working completely. For example, you may decide to work part time for a few months or years. It is essentially the same as standard income withdrawal except your income can vary.

To explain how it works, we'll use an example.

Peter pays £1,000 a month into his pension plan and this is split into 10 'arrangements', or parts. Each arrangement is allocated £100 a month.

At the age of 55, Peter decides to go part time, gradually reducing his working hours over the next five years. He would like some additional income and a small amount of tax-free cash to supplement his earnings.

Using income withdrawal with phasing he could do the following:



Delaying income withdrawals

The pension rules state that the minimum income withdrawal is actually £0.00. This means if you wish, you can take a cash lump sum of up to 25% (**see page 7**) and keep the rest of your fund invested simply by asking your adviser to set your regular income withdrawal level at zero.

A word of caution

Take care not to withdraw too much from your pension because it could mean that when the time comes to buy an annuity, you do not have enough left in your fund to provide a sufficient income. To protect against this, you must have at least £100,000 in your pension fund to be eligible for income withdrawals.

ADVANTAGES

Access an income while continuing to benefit from stock market growth potential.

DISADVANTAGES

Can leave you with less money to buy an annuity and ties fund value to the performance of the stock market.

Pension annuities

A pension annuity is a financial arrangement you buy with your pension fund. An annuity pays you an agreed amount of money at set intervals – every month, every three months, half yearly or yearly – for the rest of your life.

You can choose to buy your annuity from any provider, not just the company that holds your pension plan. Your adviser can search the market to find the best deal for you.

The amount of money you receive when you buy an annuity depends on a number of factors including your age, sex, the size of your fund and the annuity options you choose.

■ Annuity options

There are several types of annuity but most will include the option to:

- increase your income each year
- provide death benefits for your partner, so they receive an income or lump sum if you die before them.

The options you choose will affect the amount of income you're paid, so it's important to discuss this with your adviser.

+ ADVANTAGES

Your pension fund is safe and your income is predictable.

- DISADVANTAGES

Your income may be fixed and your fund cannot grow.



Of course, it's not something anybody likes to think about, but if you don't have precautions in place when you die, your pension income will stop and no further payments can be made. So it's very important to plan ahead now.

There are a number of ways to pass on your pension benefits to those closest to you if you die.

When taking income withdrawal

If you choose to take income withdrawals, you can elect to pass on your fund in one of two ways:

- Your withdrawals are transferred to your wife, husband or registered civil partner and they take your benefits as a regular income until they buy a pension annuity, either through choice or because they turn 75 years old.

Or

- The fund is paid out as a lump sum to either a person of your choice, known as a 'nominated beneficiary', or your estate. If you choose this option, be aware that the lump sum is subject to a 35% tax charge.

When taking an annuity

As part of the application when you buy an annuity, you can choose one of two ways of passing on your benefits if you die:

A spouse's pension

Legal & General will continue to pay your pension income to your wife, husband or registered civil partner at the level you request. You can opt to give your partner the same income you receive or anything up to this level.

A dependant's pension

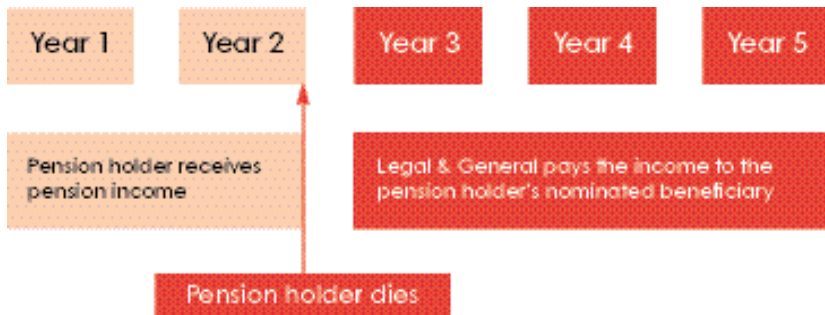
This is designed for people who live with their partner but are not married. We will carry on paying your pension to your dependant at the level you request, like the spouse's pension, this can be set at any level up to your pension income. Please note that, at the time of your death, your dependant will be asked to prove their financial dependency on you.

If you don't choose either of the options above then payments simply stop when you die.

What is a guarantee period?

A guarantee period is another option you can choose when you buy your annuity. It allows you to nominate a person to receive your pension income for anywhere between one and 10 years after you die.

If you do not nominate a beneficiary, your benefits are paid direct to your estate. The example below shows how a five-year guarantee period works.





The Legal & General Group, established in 1836, is one of the UK's leading financial services companies.

Over 6.5 million people rely on us for life assurance, pensions, investments and general insurance plans. The Legal & General Group is responsible for investing £287 billion worldwide (as at 30 June 2009) on behalf of investors, policyholders and shareholders.

Legal & General is one of the biggest providers of index-tracking investments in the UK, managing over £180 billion as at 30 June 2009.

What next?

Having worked so hard to build up a pension fund, you will want to make sure you use it wisely so you can enjoy your retirement to the full. Your adviser will be able to put your choices in context and together you can choose the right arrangement for your aims.

Pensions glossary

■ Annuity

An annuity converts money from your pension fund into pension income, which is taxed. There are different types to suit different circumstances.

■ Money purchase pension

Your contributions are invested in, for example, the stockmarket. The size of your fund depends on how much is invested and how these investments perform. At retirement, some or all of the fund can be used to buy an annuity.

■ Occupational pension

Available through employers and run by pension scheme trustees. There are basically two types – salary related, called defined benefit and money purchase, called defined contribution.

■ Open market option

Not all annuities are the same. The open market option allows you to shop around and buy your annuity from the company offering you the best deal.

■ Personal pension plan

A money purchase pension, invested by a financial services company, into which you and/or your employer make contributions.

■ Tax free lump sum

The amount of cash that you can take tax free as set by HM Revenue & Customs.

Useful contacts

Financial Services Authority (FSA)

For pension information and advice contact:

Consumer helpline: **0845 606 1234**

Minicom/Textphone: **08457 300 104**

www.moneymadeclear.fsa.gov.uk

Employer Schemes

For details of your occupational pension scheme, talk to your pensions administrator, pensions manager or pensions trustees at work.

The Pension Tracing Service (at The Pension Service)

To trace pensions you've lost track of contact: **0845 600 2637**

www.thepensionsservice.gov.uk

Future Pension Centre

For a forecast of your State Pension contact: **0845 3000 168**

Textphone: **0845 3000 169**

www.thepensionsservice.gov.uk

The Pension Service

To find out about deferring your State Pension ask for the leaflet 'A guide to State Pension Deferral', reference code SPD1 by contacting: **0845 6060265**
www.thepensionsservice.gov.uk

The Pensions Advisory Service

For general pension queries and leaflets contact: **0845 601 2923**
www.pensionadvisoryservice.gov.uk

The Pensions Regulator

020 7834 9144

www.pensions-ombudsman.org.uk

HM Revenue & Customs (HMRC)

For tax queries contact: **0845 010 9000**

www.hmrc.gov.uk

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