Investment Solutions

How to Retire in 2017

It wasn't that long ago that retirement rules were riddled with income limits and there were punitive tax charges on death. Thankfully, today, pensions are more attractive and flexible.

Change within the rules introduced in 2015 has revolutionised pensions. From age 55, you can access your pension in a way that suits your needs. The 55% tax charge on death was abolished. Pensions can now be passed on, tax-free, in more cases than before.

Three main ways to access your pension

Drawing a pension is very different from building one. It has its own challenges and opportunities. To make the most of your retirement, you need to understand your options.

- **Option 1 – Guaranteed Income for Life**

  Annuities are a tried and tested solution if you want secure income to cover essential expenses. Around 80,000 annuities were purchased in the year following the introduction of the new rules. They remain one of the few ways to turn your pension into a guaranteed income for life.

  It is important you choose the right options for your circumstances. For example, you might want your income to rise with inflation and / or continue to your loved ones after your death. To get the best deal, your income can be boosted by confirming health and lifestyle details.

- **Option 2 – Flexible Income (or just tax-free cash) with Drawdown**

  The proportion of people choosing drawdown has increased significantly in the last 3 years. Over 90,000 Drawdown plans were set up in the first year of the new rules (more than double that of the year before).

  Drawdown lets you keep your options open. You choose the investments with our guidance and how much income to withdraw. If it performs well and grows, you could receive more income, however, it is riskier than an annuity because income is not guaranteed and you could run out of money.

  It is important that you have the right investment strategy. One that could reduce the risk of depleting your fund is only drawing the income your investments produce (the natural yield) and leaving the capital intact. Your income and the value of your Investment will still fluctuate, so you could get back less than you invest.

- **Option 3 – Withdraw Lump Sums (25% of each usually tax-free)**

  With the previous two Options, all withdrawals are taxable, apart from the initial tax-free lump sum. With this new Option, usually 25% of each lump sum is tax-free; the rest is taxed as income. You keep your pension invested so it is higher risk than an annuity and you could run out of money.

You don't have to choose just one Option – you can choose a mixture, to match your needs. Tax rules can change and any benefits will depend upon individual circumstances.

What you do with your pension is an important decision. Therefore, we strongly recommend that you fully understand your options and check that your chosen option is suitable for your circumstances: *take appropriate advice or guidance if you are at all unsure.*

For a comprehensive guide to the options which are available to you, please do not hesitate to contact us.

Need advice? - We are here to help

At Investment Solutions, we are an Award-winning Chartered Firm of Independent Financial Advisors.

Contact us on 01903 214640

Further information is available via our website: www.investment-solutions.co.uk