LONDON & COLONIAL SIPP RISK WARNINGS

MEMBER RETIREMENT

LONDON & COLONIAL
INNOVATION IN PENSIONS

INTRODUCTION

Over recent years there have been changes to pension rules, these have given you more options at retirement. With these changes to the rules, long gone are the days when you'd have no choice but to purchase an annuity. With the introduction of pension freedoms in 2015 you have more control of when and how you access your pension.

However, with the greater options and flexibility at retirement brings potential risks that you should consider before making decisions about how you access your pension. Although this guide is here to provide you with information on the options available to you within our SIPP, we are unable to provide you with advice.

If you are not sure which option is best for you, you can seek guidance from Pension Wise - this is a free and impartial guidance service available to you once you are 50 or over, they can help you understand the different ways you can take your pension benefits. It's available online at www.pensionwise.gov.uk and they provide appointments over the phone or in person, call 0800 138 3944 or go to www.pensionwise.gov.uk to book your appointment. Their guidance is impartial, they won't recommend any products or companies and they won't tell you how to invest your money.

If you choose not to seek advice or guidance in relation to the benefit options available to you, we would suggest that you read the Money Advice Service guide: **Your Pension: your choices** which is available to download and view on their website. The Money Advice Service is an independent service, set up by the government to help people make the most of their money, they give free, unbiased money advice to everyone across the UK – online www.moneyadviceservice.org.uk, over the phone call 0800 138 777 and webchat.

Tel: 0800 1383944

www.Pensionwise.gov.uk

Tel: 0800 1387777

www.moneyadviceservice.org.uk
enquiries@moneyadviceservice.org.uk

As we can't give you advice, we would recommend that you contact an FCA regulated financial adviser, or Pension Wise, to discuss your options further when you decide to access your pension.

The purpose of this document is to provide you with information only on the risks involved with taking money out of your pension. Please take time to read this thoroughly and reflect on the contents. After reading this document, if you are unsure about your retirement decision, please refer to (or recontact) Pension Wise or your FCA regulated financial adviser for further guidance before proceeding. It is important that you are certain before taking your pension benefits.

When you access your pension savings we'll send you a personal 'taking benefits confirmation letter' that should be read together with this risk warning factsheet. This letter will highlight the relevant risk warnings that could affect you and it's based on the information you have provided to us when you completed the retirement key facts questionnaire. The information we provide you in the letter is for information purposes only and should not be taken as advice. Please read all the information we have provided carefully, together with any information you have received from Pension Wise, the Money Advice Service, and/or your financial adviser. If you have any questions please call us on 0330 124 1505.

IMPORTANT: PLEASE READ - RETIREMENT RISK WARNINGS

DEPENDENTS AND SUSTAINABILITY OF YOUR RETIREMENT INCOME

Your pension is designed to help financially support you in your retirement. This could be for a considerable length of time, therefore it's important that you make your pension fund last as long as possible. You do not need to take benefits at your nominated retirement date. You should consider if your current funds and investments are likely to provide you with the benefits you require when you retire, and how accessing benefits will affect the sustainability of your fund in the future.

If you spend your entire pension fund in the early years of retirement, you could have little or no money left to support your standard of living in later life. This is irreversible and could impact not only you, but also your family, should they be financially dependent on you.

Should you have no pension fund left, this can have a significant and negative impact on your standard of living in retirement and what you can or can't afford to do, particularly if you have minimal or no alternative sources of income.

It is important to note that if you reached State Pension age on or after 6 April 2020 you'll get the new State Pension. The full new State Pension payment is £175.20 a week for the current tax year 2020/21, though the actual amount you will receive will depend on your personal circumstances and your national insurance contributions record. More information on the State Pension can be found on the Government's websites:
https://www.gov.uk/state-pension and https://www.gov.uk/new-state-pension

HEALTH

If you're suffering from ill health at the time of accessing your pension, you should seek guidance from Pension Wise or financial advice from an appropriately regulated financial adviser. Ill health could mean you can access your pension benefits early, or that you are eligible for ill health retirement options, such as enhanced/ill health annuities which could be in the form of a fixed term or lifetime income in exchange for a lump sum from your pension which takes into account your ill health.

If your main concern is to provide benefits for your dependents, the amount they will receive will be affected by the decision you make in relation to accessing your pension savings or leaving your pension as it is. Accessing your benefits before your nominated retirement date will affect your ability to fund income later in life or beyond for your dependents/ beneficiaries.

TAX

When you access your pension, you can normally withdraw a lump sum of 25% of the value of your pension tax-free (although there is an upper cap set by the tax legislation). The remainder, whether withdrawn as lump sum(s) and/or regular income, will be taxed in the UK at the rate of income tax you pay. This means HM Revenue & Customs (HMRC) will treat withdrawals as income for that tax year and will calculate the income tax you'll need to pay. You should take into account if you are receiving income from other sources e.g. employment or if you are taking a large value lump sum which could result in you paying a higher rate of tax.

For your information, the Income Tax Bands for England and Wales for the 2023/24 tax year are as follows (source: HMRC website):

Tax Band	Taxable income	Tax rate
Personal Allowance*	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	over £125,140	45%

* Care should be taken if you receive income over £100,000 in the same tax year, because your standard personal allowance will be reduced and could be completely removed. The Personal Allowance goes down by £1 for every £2 of income above the £100,000 limit.

If you live abroad when you retire then you may be able to claim back any UK tax due (or ask HMRC to tell us not to deduct UK tax), depending on whether there is a double taxation agreement between the UK and the country where you live and how this is worded. However, any payment may be taxable in the country where you live and you will need to take tax advice in that country.

TAX (CONTINUED)

You should take guidance and/or advice about the tax implications of accessing your pension before proceeding. If you make the wrong decision, you could go into a higher tax bracket which means you will pay more income tax. Please note that each tax year runs from 6th April to 5th April the following year. You have the flexibility to take money out of your pension all at once in a single tax year, or you can withdraw money in stages if you prefer, over several tax years.

We can't provide advice on any matters, and that includes tax matters. We are required by HMRC to deduct income tax before paying your benefits to you in accordance with any tax codes they issue to us. If you have a query relating to a tax code HMRC have issued to us, you'll need to speak to HMRC directly as they will not discuss your tax matters with us.

The investments held in the SIPP may have benefitted from growing free of tax. Should you wish to reinvest your pension benefits personally elsewhere, the tax implications may be less favourable than if left in your pension pot.

Another implication for you to consider is that your benefits will fall under your estate when paid to you. This may impact on your inheritance tax planning, and you should seek financial advice for further information.

MEANS TESTED STATE BENEFITS

If you are in receipt of state benefits or any other source of financial support that are means tested, taking benefits from your pension could result in these being withdrawn if you hold over a certain amount in savings and investments. It is important that you seek the appropriate advice and guidance before accessing funds from your pension. When you take money out of your pension, it becomes personal savings and this means it could be included in any calculations for means tested support. This could result in your benefits or financial support being reduced or completely withdrawn. Further guidance on this in the UK can be obtained from the Department for Work and Pensions at https://www.gov.uk/government/organisations/department-for-work-pensions. There is also a factsheet produced by the Department for Work and Pensions titled 'Pension freedoms and DWP benefits'. If you live abroad, you will need to seek advice from the relevant authority in the country you live.

LONG TERM CARE

As previously mentioned, when you take money out of your pension it is classified as personal savings. If (after taking your benefits) you need to go into long term care, your local authority will take these personal savings into account when calculating the financial support that you may be entitled to. This could result in you having to make a larger contribution to your long term care costs, or having to fund it entirely yourself.

DEBTS AND BANKRUPTCY

Once pension savings are paid to you and it's classified as personal savings, if you were to default on a debt or become bankrupt the creditors have a right to this money because it belongs to you.

LOSING GUARANTEES

If you are transferring from a company pension scheme, in particular a 'final salary' or 'defined benefit' pension, to provide you with more flexibility to access your pension savings, it is very important that you seek financial advice from an appropriately qualified financial adviser regulated by the UK financial services regulator (the Financial Conduct Authority) before proceeding.

By transferring out of your company pension scheme you could lose valuable benefits, such as a guaranteed level of pension income, guaranteed growth rates, bonuses (i.e. if invested in a 'With Profits' Fund), additional life cover and benefits for your family. Therefore, your position and retirement plans should be fully assessed by a professional and regulated adviser, prior to any transfer taking place.

Please note that in line with guidance from the Financial Conduct Authority, your pension provider will need to see evidence that you have sought advice before allowing the transfer of such pension schemes. If the value of your transfer is less than £30,000, this is at the discretion of the pension provider.

FURTHER PENSION CONTRIBUTIONS

If you want to access your pension savings, but also may want to continue to contribute to a UK pension, care should be taken and you should seek guidance and/or financial advice first. Depending on how you access your pension, this could reduce the maximum you are allowed to continue to save into a pension in the UK.

Care should be taken that you are not 'recycling' your pension money (that means taking it out of one pension to put into another) because this could incur a tax charge.

CHARGES AND FEES

There may be higher associated costs involved in buying and selling of investments if you are intending to reinvest your pensions savings personally. You should consider the impact of these charges on your retirement fund.

SCAMS

When withdrawing your pension fund, you should be aware of scams, especially regarding what you do with the money afterwards and the charges involved with this. You should take appropriate guidance from Pension Wise or financial advice from a financial adviser regulated by the Financial Conduct Authority before proceeding.

Please be very cautious if you are approached by email, phone, text or in person about withdrawing your pension. To find out more, or to report a suspected scam, go to www.fca.org.uk/scamsmart or call us on 0330 124 1505 immediately.

SHOPPING AROUND

It is important to shop around and consider all the retirement options because other providers may offer products that are more appropriate to you and your circumstances. This is particularly relevant if you are proceeding with buying an annuity, which is a guaranteed income in exchange for your pension fund. This is because annuity rates and costs can vary considerably between providers, particularly if you are a smoker and/or have health issues. You will need to take into account all of the different options available to you including, for example, whether you have an income, which increases with the cost of living. It's your retirement and your choice, so please seek guidance and advice to find the best options for you.

If you don't currently have a financial adviser, but would like to speak to one, you can find one at https://www.unbiased.co.uk

All SIPP enquiries are now dealt with by our third party administrator Options UK who are also part of STM Group Plc.

London & Colonial
Innovation In Pensions

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