



WizeUp Financial Education

Registered Charity Number 1190032

PENSIONS

FROM PERSONAL PENSIONS TO STATE PENSIONS

What is a Pension?

Its a pot or pots of money which you save whilst you are working which can be used to support yourself after retirement

Types of Pension

State pension

Defined contribution pension schemes

Defined benefit pension schemes

Personal pensions

Stakeholder pensions

Self-invested personal pensions
(SIPPs)

NEST pensions

Multi-employer pension schemes

Pensions for the self-employed

Your first pension – the options

State Pension

The State Pension is a regular payment from the government most people can claim when they reach State Pension age

Not everyone gets the same amount

How much you get depends on how many National Insurance contributions you have made.



State Pension

You need 35 years contributions to get the full amount and 10 years to qualify at all

Full amount is currently £175.20 per week

State pension age is currently 66 but this is rising

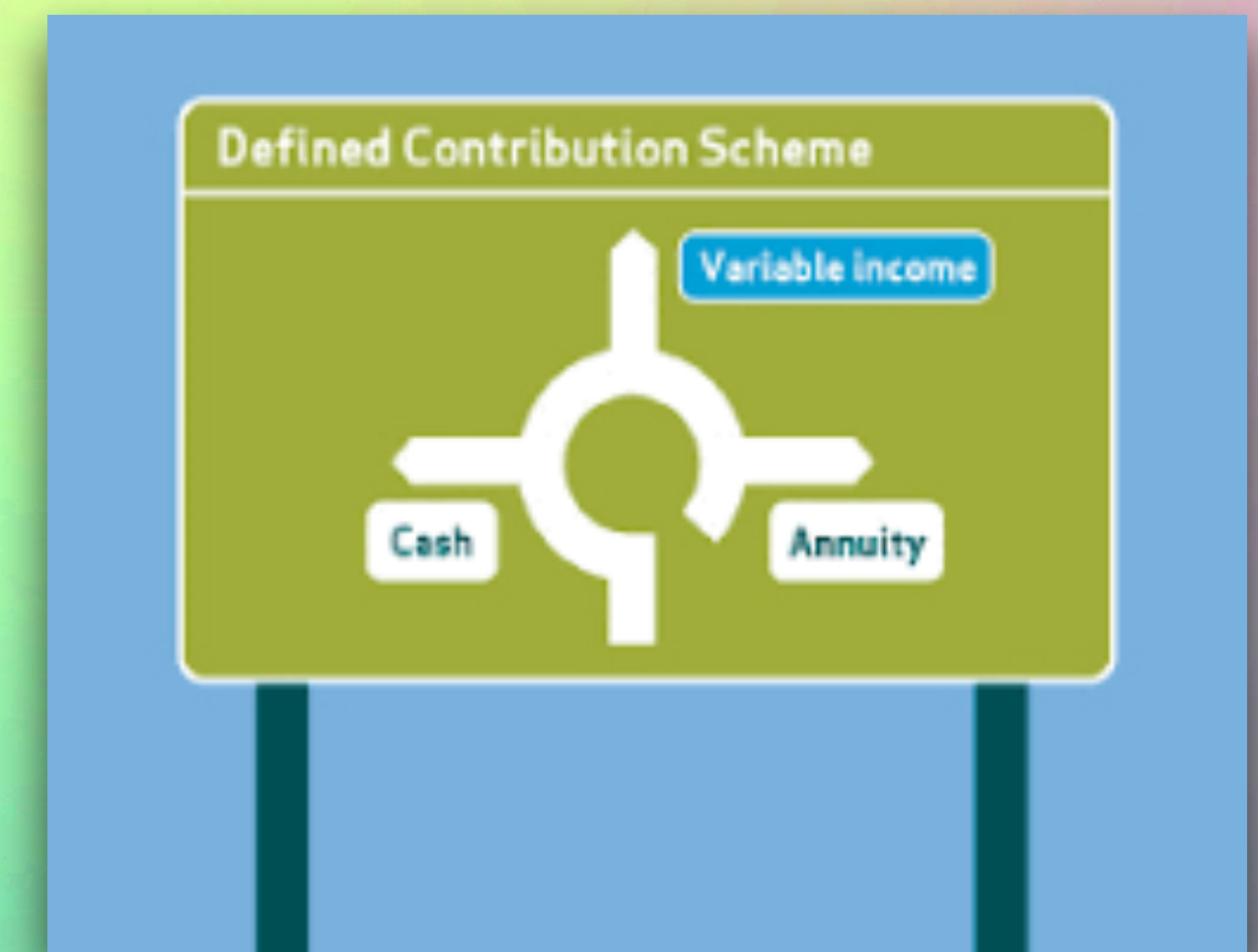


Defined Contribution Scheme

Pension pot built up using your contributions and your employer's contributions (if applicable) plus investment returns and tax relief

Employer usually deducts your contributions from your salary before it is taxed

If you've set the scheme up for yourself, you arrange the contributions yourself.

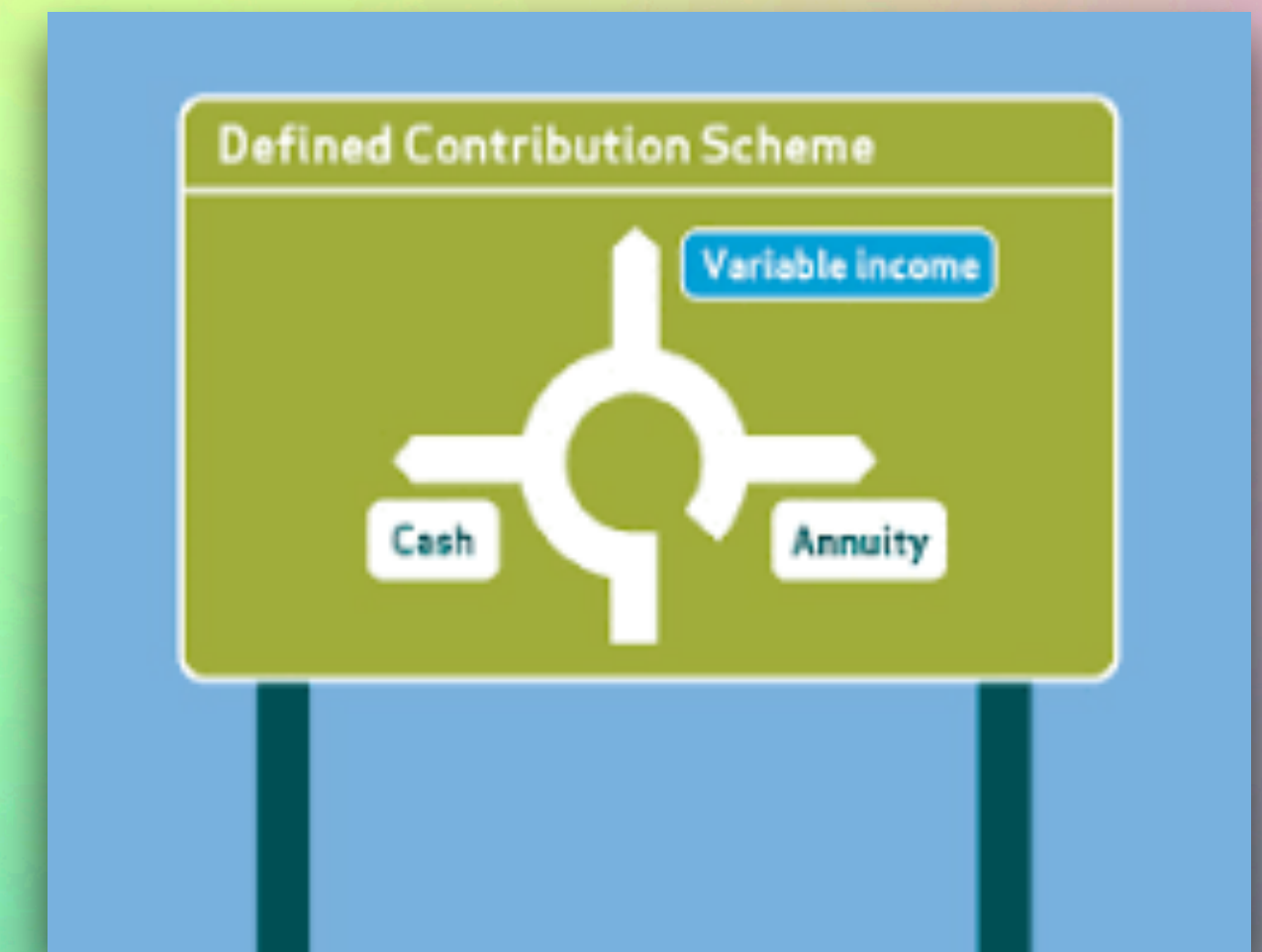


Defined Contribution Scheme

Money is invested by a pension fund

Size of your pot depends on how much has been put in and how the investments have fared

You can access the money from 55

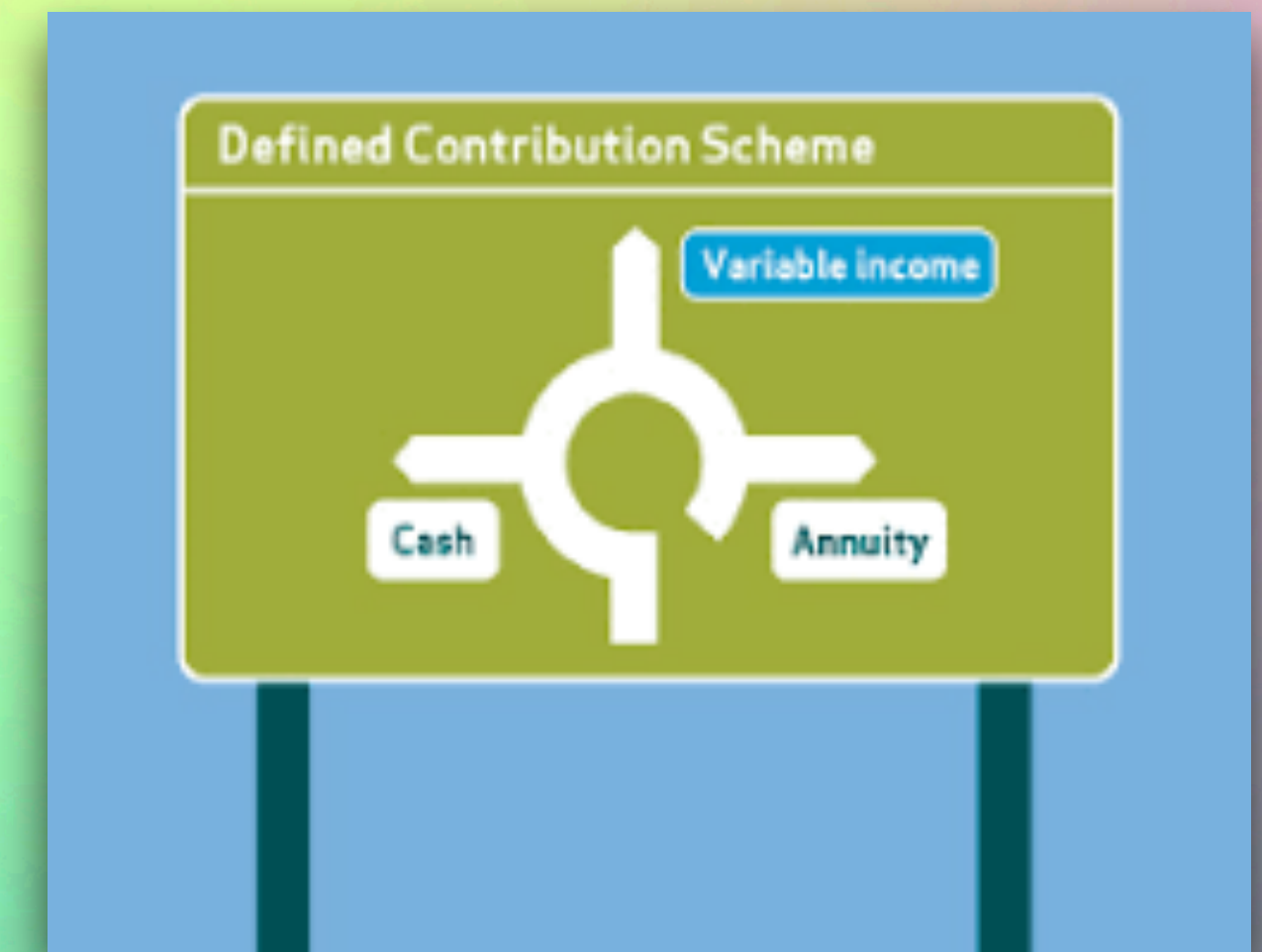


Defined Contribution Scheme

You can take 25% of pot value as a lump sum tax free

The remainder will be used to pay you a monthly allowance - this is taxable in the normal way. This can be done by drawing down cash or buying an annuity.

If you leave the job before retirement you can leave the pension where it is or transfer it.



Personal Pensions

A personal pension is a type of defined contribution pension

You choose the pension provider and make arrangements for your contributions to be paid - this could be a lump sum or a transfer of another pension

If you haven't got a workplace pension, getting a personal pension could be a good way of saving for retirement.

Annuity

An annuity is a product you can buy with some or or all of your pension pot. It gives you a guaranteed monthly retirement income either for life or a set period.

After you die you can nominate another beneficiary to receive the income.



NEST Pensions

NEST is a defined contribution occupational pension scheme backed by the government

Both you and your employer contribute to your pension while you are working

It was set up by the government to give employers an auto enrolment scheme that makes the process as simple as possible.



NEST Pensions

Your employer must enrol you in a NEST scheme if there is no company pension scheme

You can transfer out of a NEST scheme into another pension scheme

You can access your NEST pension at 55



Pension options for self employed

State - No effort, low income

Ordinary personal pensions - common, fairly cheap

Stakeholder pensions - flexible, cheap

Self-invested personal pensions - lots of options, you are in control, expensive

Your first pension - employed

Every employer must invite you to join a pension scheme when you are 22

Your employer will deduct your pension contributions from your gross salary (before tax)

Your employer will also make contributions to your pension pot

Your first pension - self employed

If to join and what type of pension scheme to join is completely up to you

If you choose not to join a scheme then you may have to work longer than you want to

You get tax relief on your contributions up to £40,000

What are your dreams after you retire?

Make a list of what you want to do after you retire

Travel?

Hobbies and interests?

Family?

Buy a holiday home?



What are your dreams after you retire?

How much per year will that cost?

Multiply that by 25

That's roughly how much you will need in your pension pot.

Compounding Effect

Compounding is your friend

Start early for maximum effect

TO HAVE A PENSION POT OF £400,000 AT AGE 60

WILL COST £230 A MONTH IF YOU START AT 17

WILL COST £306 A MONTH IF YOU START AT 22

WILL COST £413 A MONTH IF YOU START AT 27

WILL COST £568 A MONTH IF YOU START AT 32

ASSUMES NET 5% RETURN EVERY YEAR

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