MES PENSIONS

Retirement Risk Warnings

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The introduction of pension freedoms in 2015 has given you more flexibility on how and when you take your pension savings. However, with greater flexibility comes greater risks that you must be aware of and consider before making decisions on how and when you access your pension.

We are unable to provide you with advice, however, this guide is intended to provide you with the options available within your SIPP.

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

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. If you are still unsure about your retirement decision, please contact Pension Wise or your financial adviser/appoint a 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 with 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 Helper Service, and/or your financial adviser.

IMPORTANT

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 on 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 2022, you'll get the new State Pension. The full new State Pension payment is £221.20 a week for the current tax year 2024/25, 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.

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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 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 lump sum which could result in you paying a higher rate of tax. Please refer to our Guide to income tax on your SIPP for further information.

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

For client's resident in the UK, 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 would 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 can be obtained from the Department for Work and Pensions. The staff at the Department will be able to explain the rules around the treatment of income and savings, in relation to your circumstances. Further information is available at https://www.gov.uk/government/ organisations/ department-for-work-pensions and there is a factsheet produced by the Department for Work and Pensions titled 'Pension freedoms and DWP benefits.

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.

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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.

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