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approaching retirement.

your income needs in retirement.

what does retirement mean to you?

No plans

Work – perhaps part time

Relocation

Hobbies and pastimes

Travel

Retirement

- what does it mean to you?

Relaxation

Sports

Adrenaline Junkie

More time with the family

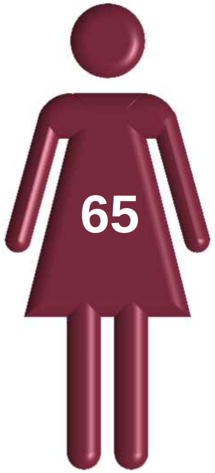
Voluntary work

Further education or study

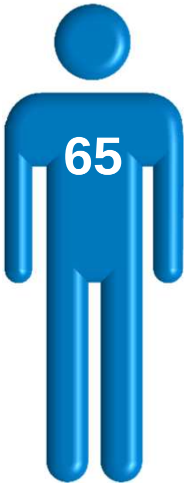
expenditure in retirement.

	UP	SAME	DOWN
Mortgage / Loans / Credit Cards			?
Household / Utilities	?		
Food & Clothing		?	
Motoring / Travel	?		
Hobbies	?		
Leisure	?		
Holidays	?		

life expectancy.



Average life expectancy for UK → 85.9



Average life expectancy for UK → 83.5

The total number of centenarians in 2015 was 14,570
The total number of centenarians expected in 2039 is…. 83,300

Source – Office of National Statistics. National life tables, UK: 2013 - 2015, data released Sept 2016.

can I afford to retire?

Salary £40,000:

Income Tax	£5,700
National Insurance	£3,820
Pension contributions*	£3,200
Mortgage	£6,000
Loans	£2,400
	£18,880 remaining

Retirement Income £20,000

Income Tax	£1,700
	£18,300 remaining

*assumes pension contributions of 8%pa

actions to take away.

Think about how much you will need in retirement:

- What do you want to be able to do?
- How might your costs change during your retirement?
- What expenses will you have?
- Are your retirement savings on track?

where is the money coming from?

state pension.

New State Pension

- £159.55 per week (£8,296.60 per annum) during 2017/18
- You may not get the full amount
- 35 qualifying years of NI credits will be required for a full pension
- A reduction will be made to your starting pension if you have previously ‘contracted out’
- For every qualifying year attained beyond 35 any such deduction will be reduced

Visit www.gov.uk/state-pension-statement

defined benefit schemes.

- Sometimes referred to as final salary or career average schemes
- Both you and your employer make contributions
- You will build up the right to a pension income
- When you can receive a pension income will be determined by the scheme rules
  - You may be able to start receiving a pension income earlier than the normal pension age
  - A reduction will be applied to your starting pension if taken early

defined contribution schemes.

- Many workplace pensions are now defined contribution schemes
- You build up a ‘pension pot’ and you choose how this pot of money is invested
- You choose how you generate an income in retirement
- You may instead choose to draw you entire pension pot in one go at retirement
- If you make AVCs as a member of your defined benefit scheme, these will be held on a defined contribution basis

final salary - an example.

- An individual has 3 years membership in a final salary scheme before leaving the scheme;
  - Year 1 pensionable salary = £30,000
  - Year 2 pensionable salary = £31,000
  - Year 3 pensionable salary = £32,000
- On a 1/60th scheme, they would receive 3/60ths of their pensionable salary based on when they leave the scheme
- 3/60 of £32,000 = £1,600

career average – an example.

An individual has 3 years pension membership before leaving the scheme:

- Year 1 pensionable salary = £30,000
- Year 2 pensionable salary = £31,000
- Year 3 pensionable salary = £32,000

On a 1/60th scheme, they would receive 1/60ths of their pensionable salary for each year they were a member

- 1/60 of £30,000= £500 + 1% CPI
- 1/60 of £31,000 = £517 + 1% CPI
- 1/60 of £32,000 = £533 + 1% CPI
- We then total these figures to give pension income of £1,550
- CPI is then added for each year of accrual to give a total of £1,581*

*CPI figure of 1% used for illustrative purposes only. The CPI each year may vary and could be higher or lower that 1%

scheme changes – an overview.

LGPS

1/80ths final salary
Plus Automatic Lump Sum

1/60ths final salary
No Automatic Lump Sum

1/49ths CARE
No Automatic Lump Sum

31st March 2008

31st April 2014

TPS

1/80ths final salary
Plus Automatic Lump Sum

1/60ths final salary
No Automatic Lump Sum

1/57ths CARE
No Automatic Lump Sum

1st January 2007

1st April 2015

USS

1/80ths final salary
Plus Automatic Lump Sum

1/80ths CARE
Plus Automatic Lump Sum

1/75ths CARE
Plus Automatic Lump Sum

1st October 2011

31st March 2016

1st October 2016
DC element for earnings >£55k

Note: the changes did not impact all members on the dates shown

LGPS members.

Sally joined the LGPS on 31 March 2005 and earns a salary of £30,000pa. She retired on 31st March 2015.

Built up before 31 March 2008

Membership years	Accrual Rate (final salary)	Benefits
3	3/80 PLUS Automatic lump sum 3/80 X 3	£1,125 £3,375 TFC

Built up between 31 March 2008 and 31 April 2014

Membership years	Accrual Rate (final salary)	Benefits
6	6/60	£3,000

Built up after 31 April 2014

Membership years	Accrual Rate (career average)	Benefits
1	1/49	£612

£4,737

TPS members.

Mike joined the TPS on 1 April 2000 and earns a salary of £30,000pa. He is 14 years from retirement so was immediately impacted by the April 2015 changes

Built up between 1 April 2000 and 1 April 2015

Membership years	Accrual Rate (final salary)	Benefits
15	15/80 PLUS Automatic lump sum 15/80 X 3	£5,625 £16,875 TFC

£6,151

Built up after 1 April 2015

Membership years	Accrual Rate (career average)	Benefits
1	1/57	£526

TPS members.

Benefits built up after 1 April 2015

- Your pension accruals did not move to a 1/57 career average if:
  - You were an active member immediately before 1 April 2012

  And
  - Were within 10 years of your Normal Pension Age on that date
- You will move to a 1/57 career average basis at a future date if:
  - You were an active member immediately before 1 April 2012

  And
  - You were between 10 and 13.5 years to your Normal Pension Age

USS members.

Sarah joined the USS on 31 March 2000 and earns a salary of £30,000pa. She retired on 31 March 2017.

Built up between 31 March 2000 and 31 March 2016

Membership years	Accrual Rate (final salary)	Benefits
16	16/80 Automatic lump sum (16/80) X 3	£6,000 £18,000 TFC

£6,400

Built up after 31 March 2016

Membership years	Accrual Rate (career average)	Benefits
1	1/75 Automatic lump sum (1/75) X 3	£400 £1,200 TFC

USS members.

Between 1 October 2011 and 31 March 2016

- The USS changed to a CARE based scheme on 1 October 2011
- Sarah was not impacted as she was a member before this date
- If you joined the USS after 1 October 2011, you will have joined on a CARE basis

After 31 March 2016

- All members moved to a CARE based scheme
- A defined contribution scheme applies from 1 October 2016 for earnings in excess of £55,000
- Sarah accrues on a defined benefit basis only as her earnings are below £55,000

USS members.

What happens if I earn more than £55,000pa?

- Benefits based on salary up to £55,000 are based on a 1/75 career average
- Benefits on salary above £55,000 will be paid into a DC scheme (USS Retirement Investment Builder)
- Contributions into the USS Retirement Investment Builder will be at a rate of 20% on salary in excess of £55,000
  - This includes the 8% contribution you are making
- Any USS member can make voluntary contributions to the USS Retirement Investment Builder
- Voluntary contributions are matched up to 1%

additional voluntary contributions.

- A way of building up a pot of money, in addition to your defined benefit pension
- Use the money to generate a pension income
- Or use the money to provide a lump sum at retirement
- It may be possible to receive part or all of these savings tax free at retirement

additional voluntary contributions.

Members		Provider		Retirement benefit
LGPS Members	No tax on contributions*	Prudential	Retirement	Up to 100% tax free lump sum**
TPS Members	No tax on contributions*	Prudential	Retirement	Up to 25% tax free lump sum
USS Members	No tax on contributions*	Investment Builder (1% match)	Retirement	Up to 100% tax free lump sum**

*Total contributions to all pension schemes must not exceed the greater of 100% of earnings or £3,600 to receive tax relief
**Subject to HMRC limits. The total value of your scheme pension will determine the value of AVCs that can be received tax free

AVCs - USS members.

- Any AVCs set up with the Prudential have ceased
- Existing AVC savings held with the Prudential have moved to USS Retirement Investment Builder*
- All USS members can elect to make savings into the USS Retirement Investment Builder

*Some exceptions apply

USS investment options.

Investment Choices

- **Default Lifestyle Fund** – Aim to reduce investment risk as you approach retirement
- **Ethical Lifestyle Fund** – Ethical investment approach –similar risk approach to the default strategy
- **Self select your investments** – Select from a range of funds with varying degrees of risk

LGPS and TPS investment options.

AVC Investment Choices

- **Default With Profits Fund** – Invests into a range of investment types - returns are received through bonuses*
- **Lifestyle Funds** – Aims to reduce risk as you approach retirement. Choose between 6, 8 and 10 year glide paths
- **Self select your investments** – Select from a range of funds with varying degrees of risk

*A market value reduction may apply if you move out of the with profits fund

additional pension contributions.

- Your LGPS and TPS members can buy extra pension by paying APCs regularly
- The amount it costs depends on:
  - How much extra pension you want to buy
  - The age you start paying the extra contributions
  - The length of time you want to pay them for
- LGPS members - you can only buy extra pension for yourself and not for additional dependants' benefits
- You can buy back lost pension from unpaid leave such as during maternity
- Members of the USS scheme are no longer able to buy added years

generating a retirement income.

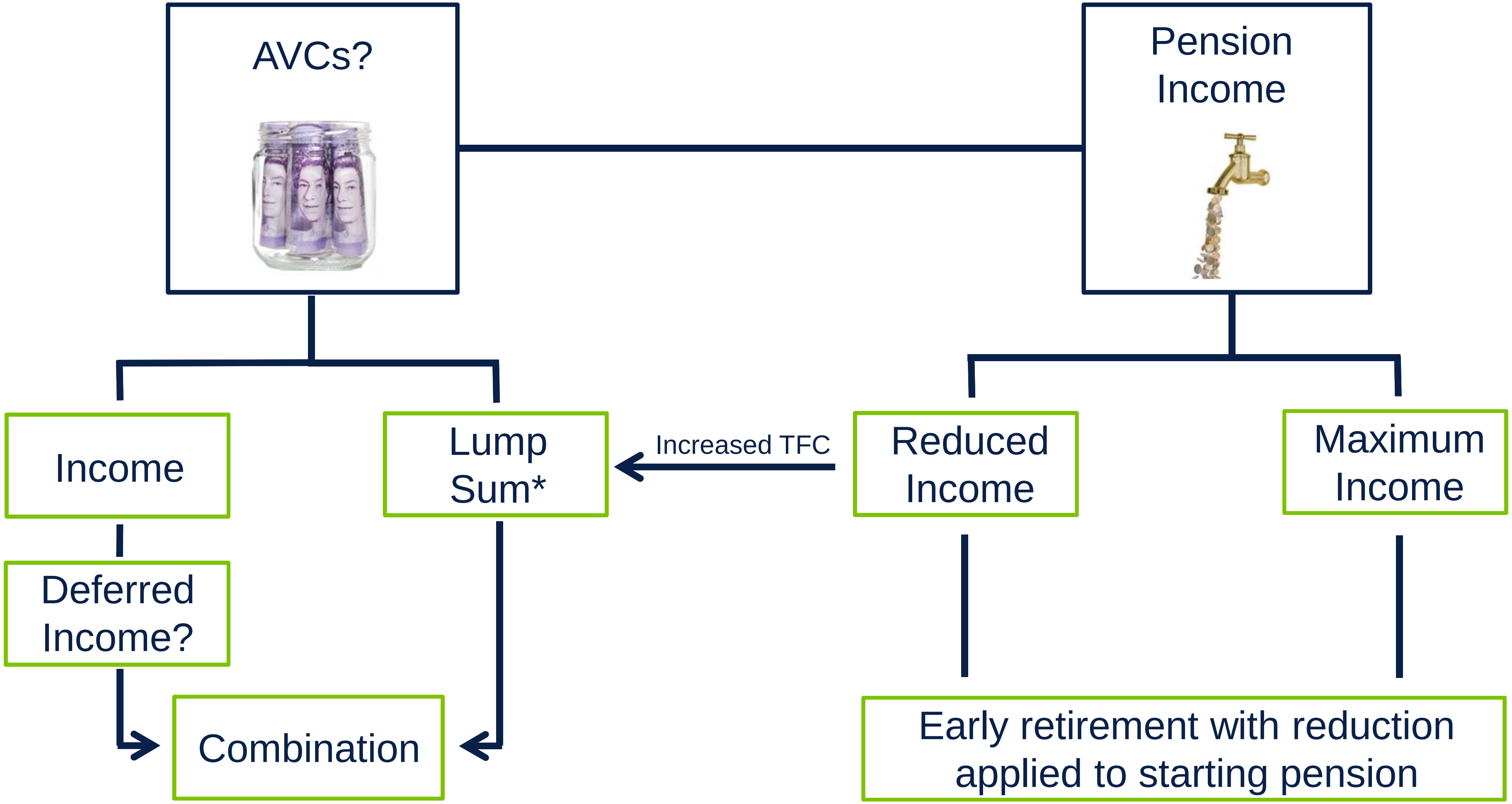
generating a retirement income.

- Consider any capital lump sums you may have access to
- These may include:
    - Tax free cash from your DB scheme
    - Tax free cash from AVCs or other DC schemes
    - Cash realised from downsizing your home
    - Any inheritance you may receive in the future
- Plan how these fit in with your objectives and whether you intend to use cash lump sums to generate an additional income
- Consider the tax efficiency of your choices

your AVC savings.

- Any AVC savings are held on a defined contribution basis
- LGPS and USS members may be able to take up to 100% of their DC savings as tax free cash, subject to HMRC limits
  - The value of AVCs that can be taken tax free will be determined by the total value of your scheme pension
- TPS members can take up to 25% of AVCs as tax free cash
- Any remaining AVC savings can be drawn as taxable income

USS, LGPS and TPS.

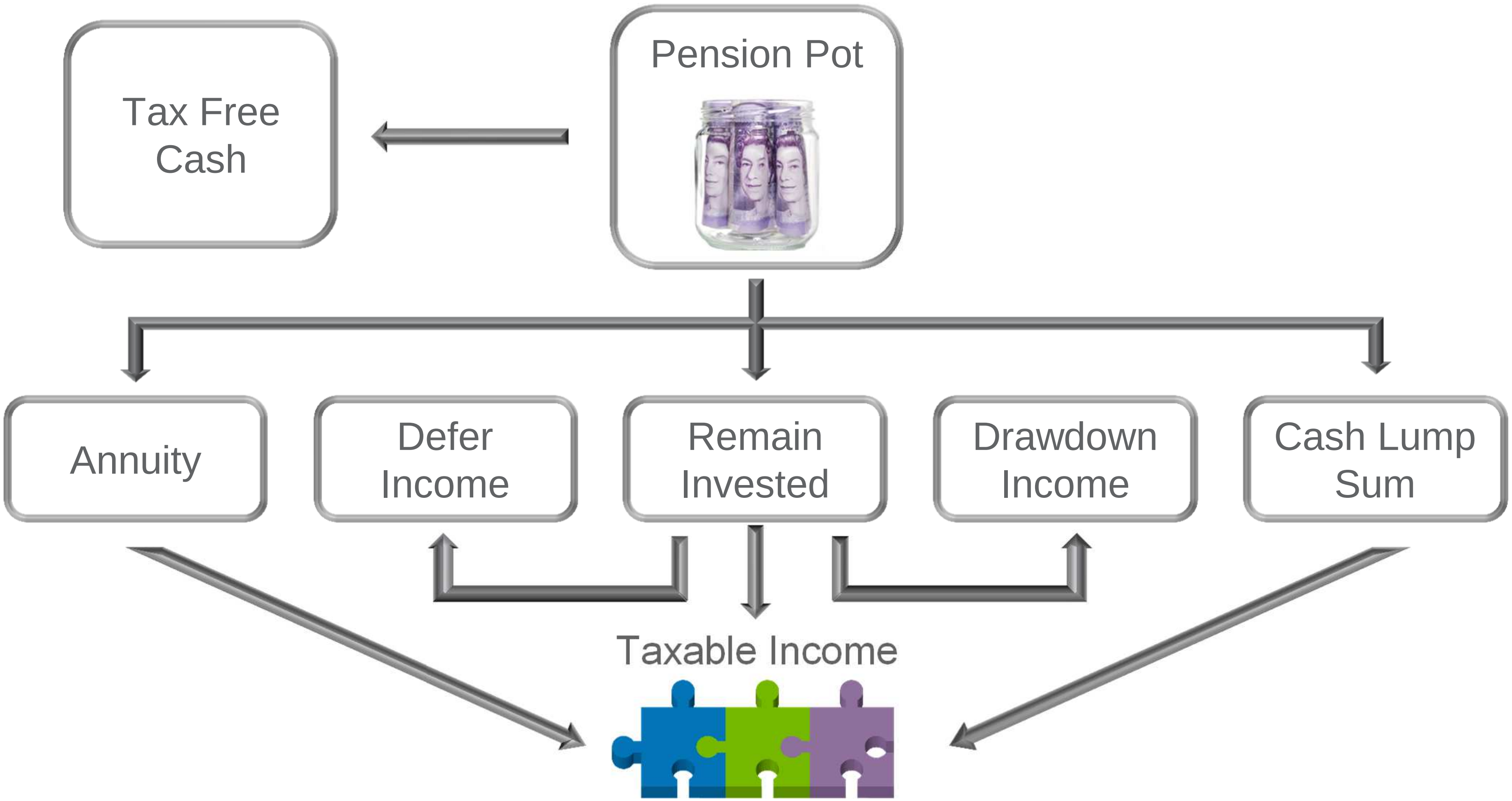


*TFC is subject to limits. You may not be able to receive your entire AVC pot tax free

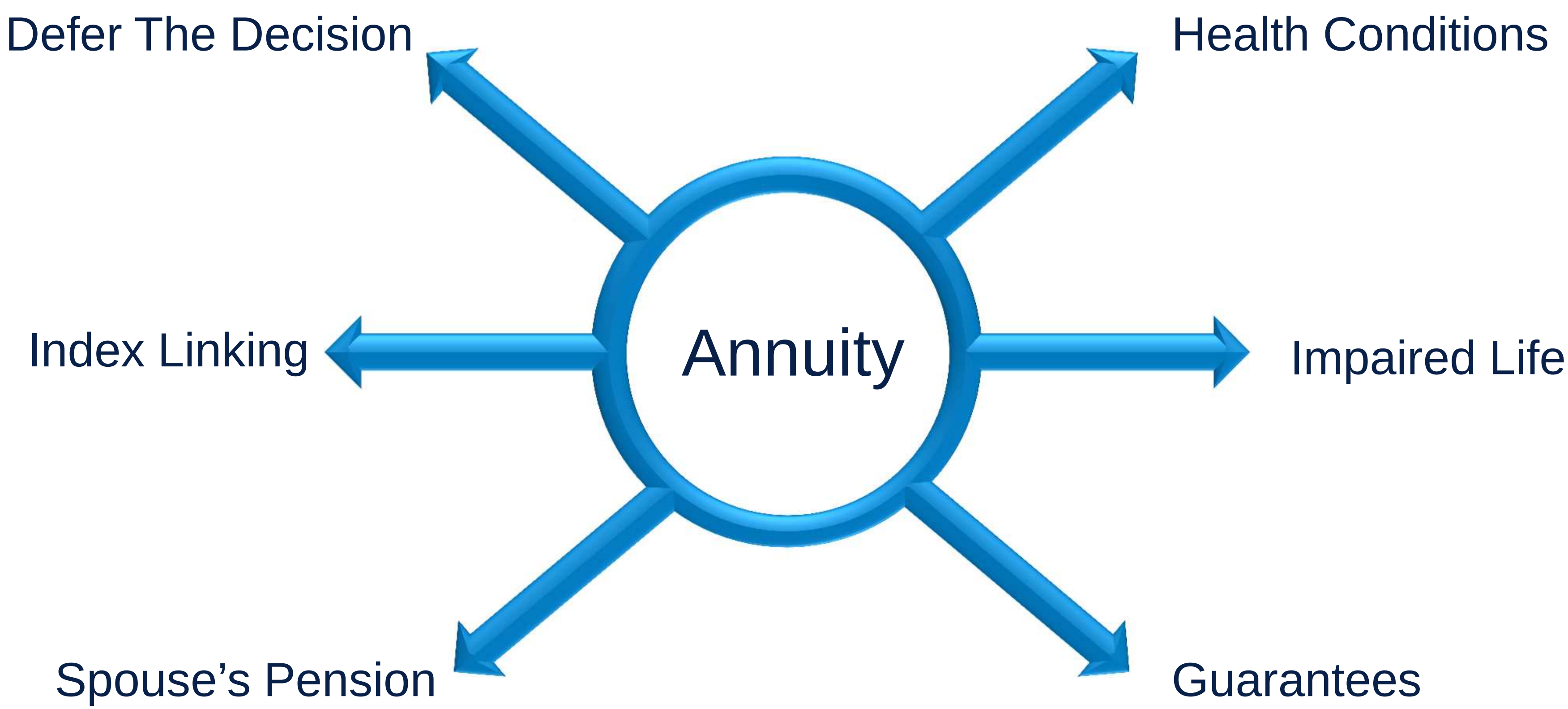
other defined contribution holdings.

- If you have any other defined contribution holdings, you can take up to 25% tax free
- The remaining pension will be assessed for tax when it is drawn
- This option to receive a pension from these DC holdings is available to you from the age of 55
- If you already hold investments that you intend to use to support you later in life, you may consider holding these in a SIPP
- These investments may include cash, bonds and equities

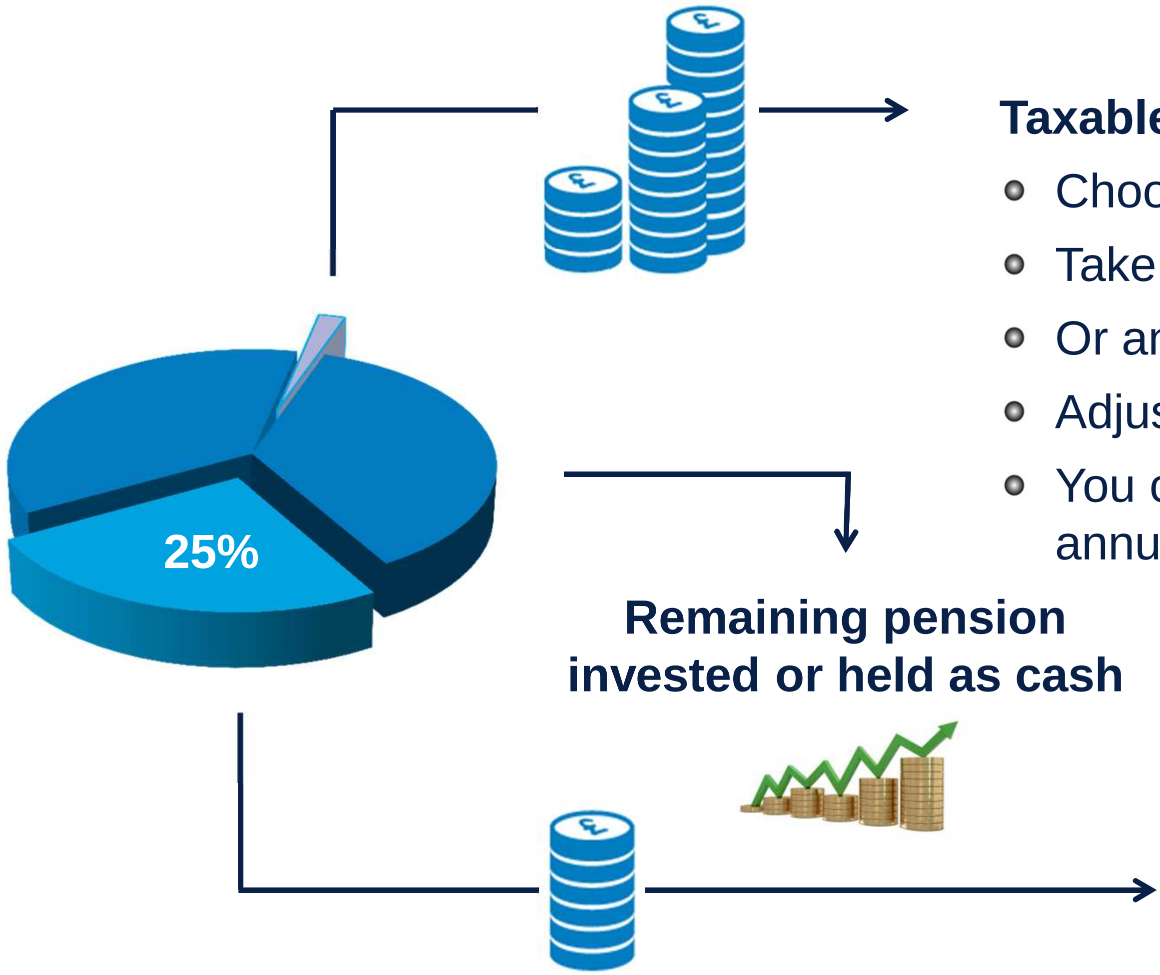
defined contribution schemes.



buying an annuity.



flexi access drawdown.

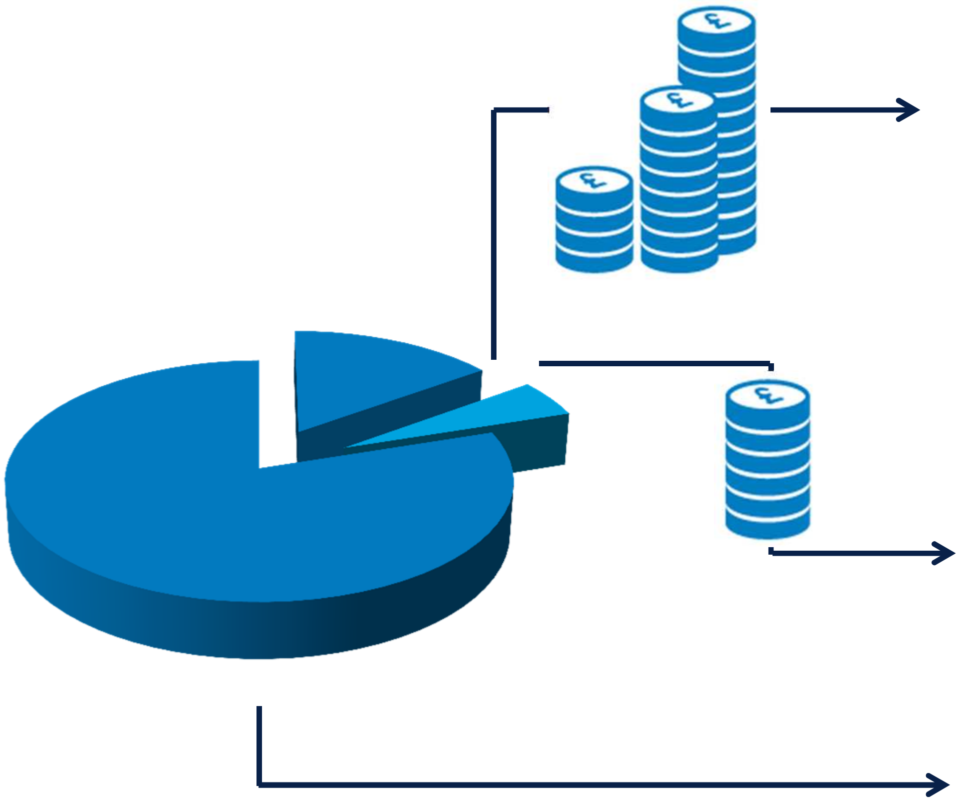


Taxable withdrawals

- Choose how much you withdraw
- Take monthly withdrawals
- Or any other frequency
- Adjust your income in the future
- You can choose to buy an annuity in the future

Tax Free Cash

phased receipt of tax free cash.



Taxable withdrawal

- Choose how much you withdraw
- Of this withdrawal, 75% is taxed
- The remaining 25% is tax free

Tax Free Cash

Remaining pension invested or held as cash

other retirement savings.

other savings and investments.

Cash
Deposits
'Other' cash based investments

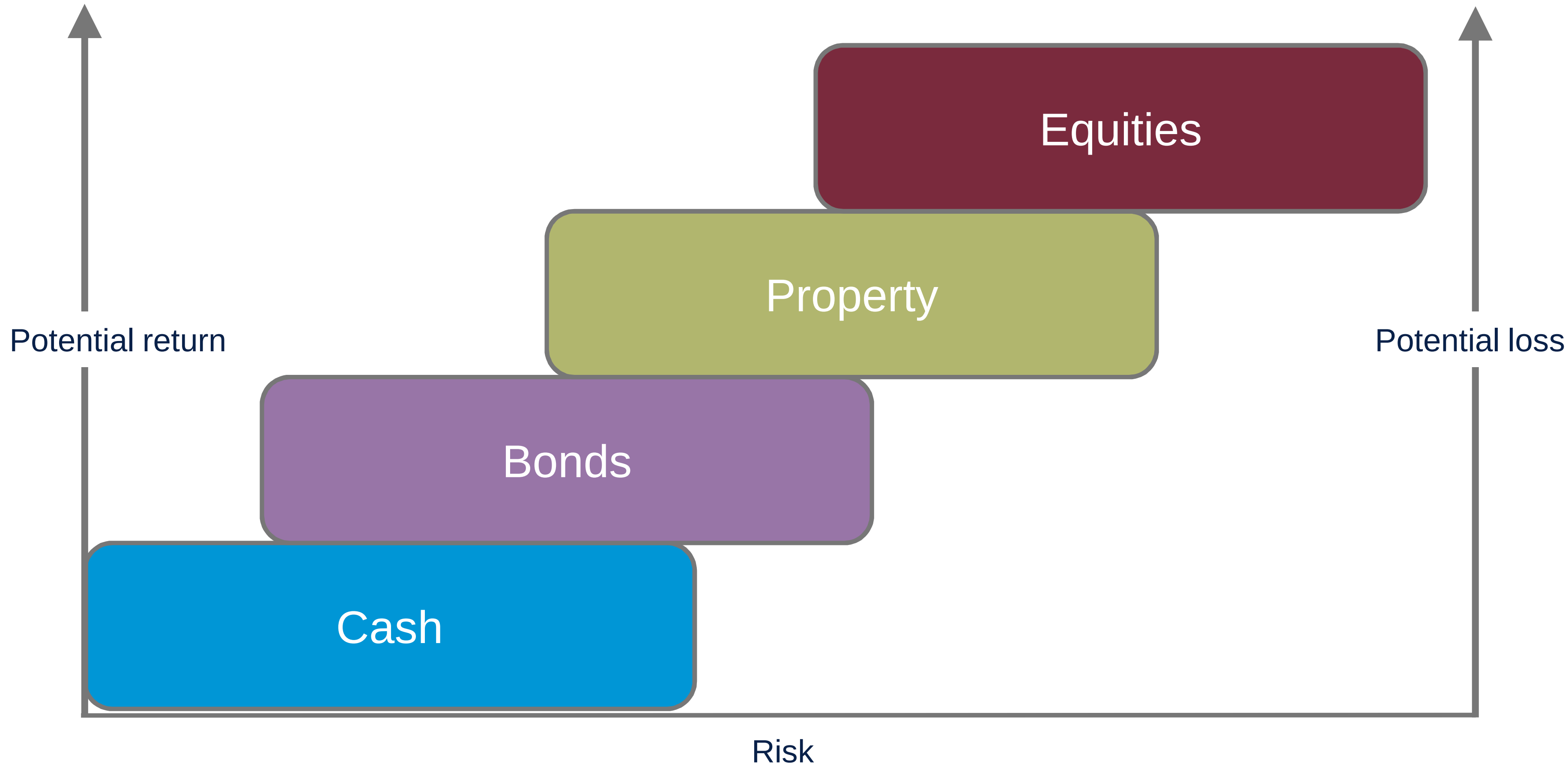
Gilts / Sovereign debt
Corporate bonds

Property
Direct ownership
'Pooled Funds' e.g. Unit Trusts, OEICs

Equities
Direct shares
'Pooled Funds' e.g. Unit Trusts, OEICs

risk and return.

The more risk you are willing to take – the higher the **potential** return and loss



The value of investments can fall as well as rise and is not guaranteed

types of risk.

What types of risk may you need to consider with your retirement savings?

Cash

Inflation risk	**Interest rate risk**	**Currency risk?**

Equities

Market risk	**Company specific risk**	**Timing risk**

Property

Liquidity risk	**Void periods**	**Taxation risk**

Bonds

Default risk	**Credit risk**	**Inflation risk**

ISAs.

- An ISA protects your savings from taxation
- Interest and dividends are tax free
- Growth is free of Capital Gains Tax

capital gains tax.

- A tax on gains when certain investments are sold or transferred
- Main exemptions are:
  - Your main residence
  - Investments held in an ISA or pension
  - Transfers between spouses or civil partners
- Annual exemption - £11,300
- Taxable gain is added to income to determine the rate of tax payable
  - Gains within basic rate income tax band are taxable at 10%*
  - Gains above the basic rate threshold are taxable at 20%*

*An additional 8% CGT is payable on gains relating to non exempt residential property

estate planning.

nil rate bands.

- Inheritance Tax (IHT) is a tax charge applied to an individual's estate, usually at the point they die
- There are two separate nil rate bands that may be applicable to an estate before calculating an IHT charge
- In the 2017/18 tax year these are:
  - The residence nil rate band of £100,000
  - The nil rate band of £325,000
- The residence nil rate band is only applied to a home that is left to a direct descendant
- The nil rate band can be applied to any part of an estate that is chargeable to IHT

nil rate bands.

- The residence nil rate band is £100,000 in the 2017/18 tax year
- This will gradually increase to £175,000 in the 2020/21 tax year
- The nil rate band of £325,000 and the residence nil rate band of £175,000 could provide a combined IHT exemption of £500,000
- Where a spouse has been passed both nil rate bands by their deceased spouse this will double their combined IHT exemption to £1,000,000

Date	Standard Nil Rate Band	Residence Nil Rate Band*
2017/18	£325,000	£100,000
2018/19	£325,000	£125,000
2019/20	£325,000	£150,000
2020/21	£325,000	£175,000

*There will be a tapered withdrawal of this allowance for estates with a net value exceeding £2m

your estate.

A person's estate is made up of everything they own at the point they die. This may include:

Savings and investments
£50,000

Personal Possessions
£20,000

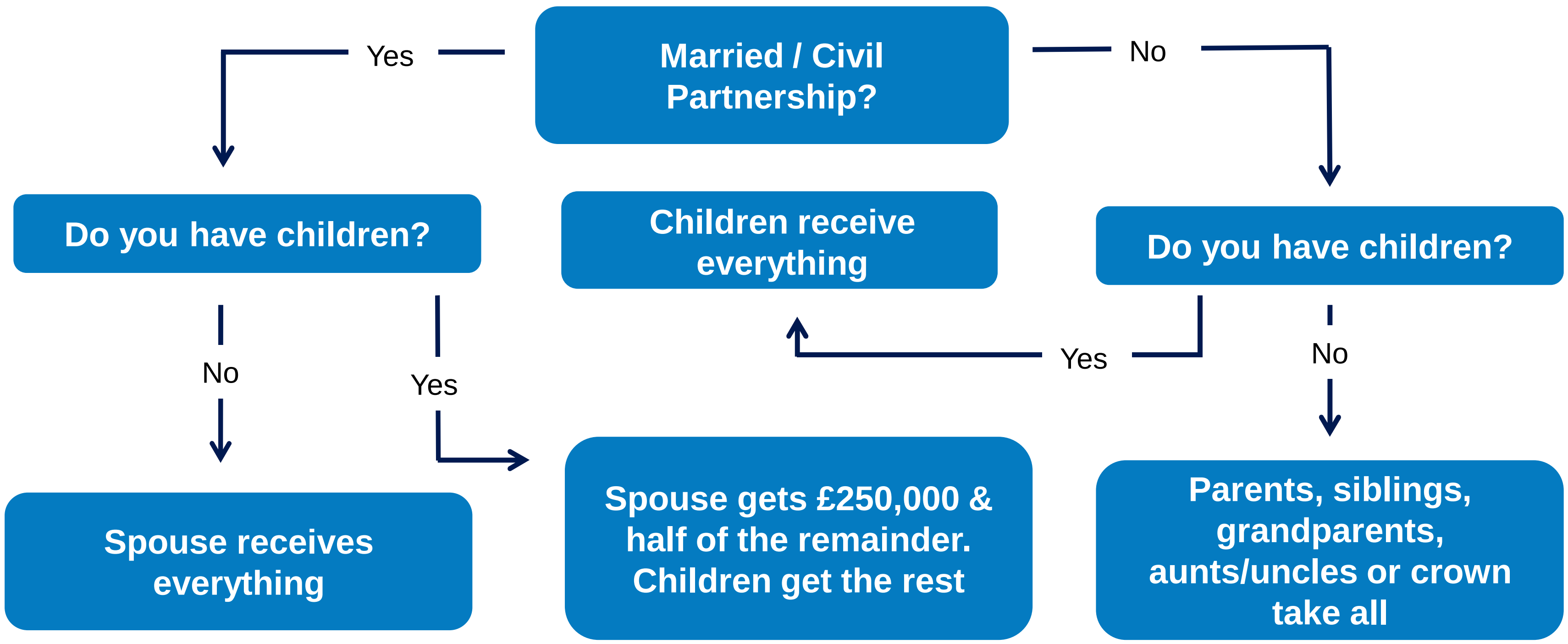
Home
£400,000

your estate.

- £100,000 of the £400,000 home would fall within the residence nil rate band
- The next £325,000 of the estate (including the remaining part of the home) would fall within the nil rate band
- £45,000 of the estate would exceed the combined value of these nil rate bands
- This £45,000 would be taxed at 40%, resulting in a £18,000 IHT charge

intestacy rules.

If you were to die without a valid will, intestacy rules would apply. The rules that apply depend upon your personal circumstances.



writing a will.

- It is advisable to always ensure you have an up to date will in place
- Updating or re writing your will is particular important after a significant life event, such as marriage or the birth of your child
- Divorce will automatically remove any entitlement to your ex spouse from your will
- A solicitor will be able to produce a valid will for you
- You should only consider writing a will yourself if you are confident about its validity
- You should also regularly review your death nominations for both your life assurance and pension

next steps.

further information.

Your pension scheme

- www.teacherspensions.co.uk
- www.uss.co.uk
- www.lgps2014.org.uk

Other useful contacts

- State Pension statement - www.gov.uk/state-pension-statement
- Pension guidance - www.pensionwise.gov.uk
- General tax and National Insurance information - www.hmrc.gov.uk
- Information and guidance - www.moneyadviceservice.org.uk
- Local financial advisers – https://register.fca.org.uk/

financial advice.

Regulated financial advice can provide you with information and advice on the most suitable course of action for you relating to a wide range of financial needs.

To receive regulated financial advice you can:

- Contact your existing adviser
- Find a regulated financial adviser in your area
  - https://register.fca.org.uk/
- Request a call from **my wealth**
  - 0800 028 3200
  - www.wealthatwork.co.uk/mywealth
  - **my wealth** offers independent financial advice and discretionary investment management services

thank you.

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