



Your retirement options



The Money Advice Service is here to help you manage your money better. We provide clear, unbiased advice to help you make informed choices.

We try to ensure that the information and advice in this guide is correct at time of print. For up-to-date information and money advice please visit our website – moneyadviceservice.org.uk.

About this guide

This guide is for you if you have a money purchase pension and you want to convert your pension fund into an income for your retirement.

When you read it you will know:

- what options you have
 - how the different types of retirement options work, and
 - the answers to some of the questions you may have.
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Your retirement options

This guide explains your options if you have saved or are saving for your retirement in a money purchase pension scheme such as:

- a **personal pension**
- a **stakeholder pension**
- a **group personal pension** plan arranged through your employer
- a **retirement annuity contract** – this is similar to a personal pension but was sold before 1988 when personal pensions first became available
- a **free-standing additional voluntary contribution (FSAVC)** scheme.

You have a number of options to choose from to take an income from your pension savings, for example:

- a **lifetime annuity** – this is the option most people use – see page 4
- **income drawdown** – see page 14
- **phased retirement** – see page 15
- **hybrid products** – see page 15.

You may also find this guide useful if you'll be getting your pension income from:

- an employer's occupational pension scheme that builds up your own retirement fund – called a **money purchase** or **defined contribution** scheme. In this type of pension the trustees may pay your pension directly from the scheme, arrange an annuity for you, or you can choose to buy your annuity yourself
- the type of **additional voluntary contribution (AVC)** scheme that builds up your own investment fund
- some **section 32 policies** – if you have used one to transfer out of your employer's pension scheme.

See the *Jargon buster* on page 25 for an explanation of some words you may come across.

This guide is not for you if:

You have a salary-related pension. In these schemes your retirement income is provided directly by your pension scheme.

Taking your pension benefits as cash

If the total value of all your pension funds is not more than £18,000, you can take it as a cash lump sum instead of an income. Other limits apply for occupational pension schemes.

This is called trivial commutation. You must be at least 60 to do this.

Key points

- Some of these schemes are only suitable if you have a large pension fund or other sources of income.
- You can decide when to convert your money purchase pension fund into income – you don't have to stop working to do this.
- You cannot normally convert your pension savings into pension income before you are 55.
- You can usually take up to a quarter of your pension fund in cash, as a tax-free lump sum. You use the remaining fund to provide you with an income, which is taxable.

How these retirement options work

Lifetime annuities

Most people will buy a lifetime annuity with their pension funds.

A lifetime annuity pays you an income for the rest of your life.

Before you buy a lifetime annuity you'll have to decide what type you want. Start thinking about your annuity choices at least four months before you retire.

There are different types of lifetime annuities to suit your needs and circumstances – see page 6.

If you have more than one pension plan or scheme, you might get a better income by combining them, although you don't have to use them all at the same time. This is a complicated decision so it may be a good idea to get professional financial advice.

How lifetime annuities work

You buy lifetime annuities from life insurance companies or other financial institutions.

When calculating their annuity rates they take account of the fact that some people live longer than others.

People who live longer than average will take more from their annuity than, for example, someone who dies three or four years after retirement. So if you die soon after buying your annuity, you won't have received much from it – people who die early subsidise the annuity rates for those who live longer.

Insurance companies adjust rates because average life expectancy is rising. Interest rates also affect annuity rates because insurers base annuity rates on the return they get from investments.

Once you buy an annuity you are locked into the annuity rates offered at that time. You won't be affected if rates fall, but you won't benefit if rates increase, either.

How lifetime annuities pay out

The amount of income an annuity pays depends on, among other things:

- the amount you have in your pension fund if you choose to take a tax-free lump sum
- the annuity rate offered by the insurance company
- whether you have used your fund to contract out of the additional State Pension – see page 7
- your age
- where you live
- your health (in some cases), and
- the benefits you choose such as whether the annuity is for you or you and your partner.

The older you are when you buy an annuity, the higher the income you get at the start. This is because, on average, an older person has fewer years left to live than a younger person. But take care if you are thinking of delaying buying your annuity to get a higher rate – see **Postponing your annuity and retiring later** on page 11.

You can usually choose to have your income paid every month, every three months, every six months or once a year.

Remember – the income from a lifetime annuity is taxable.

Single-life and joint-life lifetime annuities

Basic lifetime annuities can be **single life** or **joint life**. Unless there is a guarantee, a single-life annuity will only pay out during your own lifetime – see page 8. A joint-life annuity continues to pay an income to your partner after your death.

You can usually choose between a joint-life annuity that pays your partner the same as you were receiving, or two thirds or a half of what you were receiving. You can also choose a joint-life annuity that is level or escalating.

If you are not married, check with your provider that your partner will be eligible to receive the income from a joint-life annuity.

With some occupational money purchase pension schemes, you must opt for an annuity that provides a pension for your widow, widower or civil partner equal to half the income you were getting. Your scheme administrator can tell you if this applies to your plan or scheme.

Joint-life annuities are more expensive than single-life annuities because the insurance company will expect to continue paying the annuity for longer.

Level and escalating lifetime annuities

A **level lifetime annuity** pays the same income year after year for the rest of your life. A level annuity has a higher starting income than escalating annuities but how much you can buy with the income from a level annuity falls as prices rise.

To protect your income from rising prices, you can choose an **escalating lifetime annuity** which pays a lower initial annuity but then increases each year. There are two main choices:

- **fixed-rate escalating annuities** – your income is guaranteed to increase at a fixed rate each year, say, by 3%, or
- **index-linked annuities** – your income is adjusted each year to reflect changes in the Retail Prices Index (RPI) or the Consumer Prices Index (CPI). The amount by which your annuity goes up will vary from year to year to match inflation, so the buying power of your pension will stay the same.

With an escalating annuity, the starting income is a lot lower than you would get from a level annuity.

It would take around 12 years for the escalating annuity to catch up with the level annuity.

Impaired life and enhanced annuities

Some companies offer annuities that pay you a higher-than-normal income if you have a health problem that threatens to reduce your lifespan.

These are called **impaired life annuities**. Relevant health problems might include, for example, cancer, chronic asthma, diabetes, heart attack, high blood pressure, kidney failure, multiple sclerosis or stroke.

You might be able to get an **enhanced annuity** if you are overweight or smoke regularly. Some companies offer higher rates to people who have followed certain occupations and to people living in certain parts of the country – shop around and compare the income you can get from different providers.

Protected rights annuity

If you have contracted out of the additional State pension, known as the State Second Pension (S2P, previously called the State Earnings Related Pension Scheme or SERPS), and put your rebates into a personal pension fund, you must use that part of your pension fund to buy a **protected rights annuity**.

Your pension provider will tell you if protected rights applies to you and what it means in your circumstances.

With a protected rights pension you:

- can take your protected rights pension at the same time as your occupational or personal pension, provided you are over 55 years old and your pension scheme rules currently allow you to take your pension at age 55
- can convert up to one quarter of your protected rights fund into a tax-free lump sum
- will have to buy a joint-life annuity paying a 50% spouse's pension if you are married or have a civil partner, and
- can choose between taking a level or escalating annuity.

For most people, the option to contract out of S2P will disappear from 6 April 2012. This will mean you won't be restricted to buying a protected rights annuity.

Guaranteeing your lifetime annuity payments

If you die soon after buying an annuity, it will not have paid out much.

You can choose from two options to ensure that if you die soon after buying an annuity your annuity doesn't die with you.

Guarantee periods

Guarantee periods are usually for five or ten years' worth of income, even if you die within this period. On your death, the income may continue to be paid for the rest of the guarantee period.

If anyone is financially dependent on you, do not look on a guarantee period as a substitute for a joint-life annuity.

If you choose a joint-life annuity, a guarantee period may not be useful as you will have already arranged for a proportion of your annuity to continue to be paid on your death.

Annuity protection lump-sum death benefit

You can ensure that your money doesn't stop when you die by taking out an annuity protection lump-sum death benefit.

A lump sum equivalent to the pension fund you used to buy an annuity, minus income you've received, will be paid to your estate or beneficiaries. There will be a tax charge and may also be an inheritance tax charge on this payment.

These are sometimes called **capital protected annuities** but not all annuity providers offer them.

If you want this option you will need to ask the annuity provider for it.

Bear in mind that if you take this option it will reduce the amount of money you get from your annuity because you will be paying for the protection.

Investment-linked annuities

You should get specialist financial advice if you are considering an investment annuity – see *Useful contacts* on page 27.

Investment-linked annuities put your pension fund into investments, such as stocks and shares.

This means that you could continue to benefit from stockmarket investments after retirement, but there is also the risk that the value of your investments could fall.

Investment-linked annuities can be either:

- **with profits**, or
- **unit-linked**.

With an investment-linked annuity you will be linking your income in retirement to the ups and downs of the stockmarket instead of receiving a pre-set income, as you would with a lifetime annuity.

With-profits annuities

Your pension fund is invested in an insurance company's with-profits fund. Your income is linked directly to the performance of this fund.

Your income is usually made up of two parts:

■ a starting income

This is set at a low level, but, unless investment conditions are very bad, you'll usually get at least this much income. Some providers may guarantee a minimum level of income.

■ bonuses

The insurance company usually announces bonus rates once a year.

Bonuses can be both **reversionary** (usually paid each year for the duration of your annuity) and **special** (paid for a year or so) until the next bonus announcement.

The amount of any bonuses depends on many factors, such as:

- how well investments are doing – for example stockmarket performance
- business risk – the financial strength of the fund, and
- the insurance company's assessment of what it can afford to pay out in bonuses.

Bonuses are not guaranteed. Whether or not you get a bonus depends on the financial strength of the firm.

Unit-linked annuities

Your pension fund is invested in units in investment funds. Your income is linked directly to the funds you have invested in. You can usually choose the types of fund, for example:

■ medium-risk managed fund

A fund manager selects a broad range of different shares and other investments. Spreading your money in this way may reduce risk, although investment risk cannot entirely be removed.

■ higher-risk managed fund

A fund manager selects shares and other investments in a particular country or sector, such as smaller companies. Because your money is less widely spread the risk is higher.

■ **tracker fund** which closely follows the performance of a particular stockmarket index and reflects the level of risk within that index.

Usually, tracker funds have lower charges than managed funds.

The more risky the underlying fund you choose, the more your retirement income may vary – both up and down.

Retiring gradually or retiring later

Using annuities to retire gradually

Instead of using the whole of your pension fund(s) to buy an annuity you can retire gradually.

Phased retirement uses part of your fund to buy an annuity. The rest of your fund remains invested. You can later use another portion of your fund to buy another annuity. In this way you can provide a flexible income.

Each time you convert part of your fund to an annuity, you can first take some tax-free cash from this portion of the fund.

Converting portions of your fund regularly – for example, once a year – means you can effectively use the tax-free cash, as well as the annuity, to provide your income.

Insurance companies often set a minimum fund size for annuity purchases so you must convert enough of your fund each time to enable you to buy an annuity.

Phased retirement can be a useful financial planning tool, for example if you want to ease back gradually on work and start to replace your earnings with pension income.

It also provides more flexible help for your survivors if you die. The part of the fund you haven't converted to annuities can pay a pension or a lump sum for your surviving dependants, depending on the terms of the pension plan.

Postponing your annuity and retiring later

You don't have to buy an annuity with your pension fund at retirement. You may consider postponing buying an annuity until a later date. Alternatively you may decide not to buy an annuity at all and draw an income directly from your pension fund instead – see **Other retirement options** on page 14.

If you delay buying an annuity you might expect a higher annuity rate because you're older. But because people are on average living longer, annuity rates are adjusted from time to time to reflect this. So it could be risky to assume that annuity rates will be much higher if you postpone buying your annuity. And of course rates may fall or rise for various reasons.

You can also postpone taking your State Pension, in exchange for getting a higher pension or a taxable lump sum when you do decide to take it. For information about deferring your State Pension, visit Directgov's website – see www.direct.gov.uk. See *Useful contacts* on page 27 for details of how to get a leaflet about this from The Pension Service.

Key points

Government estimates for the UK show that life expectancy for people aged 65 in 2008 will be:

- around 86 for men, and
- around 88 for women.

You could be living on your retirement income for many years.

Source: Government Actuary's Department 2010

How annuity rates vary – according to age and type of annuity

Notes to the chart opposite

1. **Level (no guarantee period):** The income provided is the same each year for the rest of your life.
2. **Level (guaranteed 5 years):** The income is the same each year for the rest of your life and is guaranteed to be paid for at least 5 years, regardless of when death occurs.
3. **Escalating 3% each year (no guarantee period):** The income increases each year by 3% but stops immediately on death.
4. **RPI-linked (no guarantee period):** The income increases each year by the Retail Prices Index (RPI) but stops immediately on death.
5. **Joint lives:** On the death of the scheme member, the income continues (at the level you select when you take out an annuity) to your spouse or partner for the rest of their life.
6. Better rates may be available for people with health problems, or who have followed certain occupations, or who live in certain parts of the country.
7. **Source: Money Advice Service comparison tables** for annuities: moneyadviceservice.org.uk/tables July 2011.

You may see an annuity rate expressed as a percentage, or as so many pounds of income for each £10,000 you have invested in your pension fund. For example, an annuity rate of 6% is the same as £600 a year income for every £10,000 in your pension fund. Check annuity rates as you near retirement and shop around for the best deal.

Remember

These figures show average annuity rates at one point in time. They are only an illustration to help give you an idea of what you might get. Annuity rates change frequently for a variety of reasons.

The chart opposite gives an indication of the pre-tax monthly income from an annuity that could be bought in 2011 for each £25,000 of pension fund for a man aged 65, non-smoker, no guarantee unless stated otherwise. The figures in the joint-life columns assume the person buying the annuity is a male who is five years older than his female partner.

Types of annuities	Single life	Joint lives (no reduction on death of scheme member)	Joint lives (reducing by 50% on death of scheme member)
	£/month	£/month	£/month
Level annuities			
Level (no guarantee period)	134	108	120
Level (guaranteed 5 years)	133	108	120
Escalating			
Increasing 3% each year (no guarantee period)	98	71	82
RPI-linked (no guarantee period)	84	58	68

Other retirement options

If, for whatever reason, you decide that you're not ready to buy a lifetime annuity, you will have the following income drawdown options:

Short-term annuities

With a short-term annuity, you can use part of your pension fund to buy a fixed-term annuity lasting up to five years. You can choose your annuity options in much the same way as basic annuities – see page 6. In the meantime, the remainder of your fund continues to be invested.

At the end of the annuity term you can buy another short-term annuity. You can also combine income from a short-term annuity with income withdrawal.

Income withdrawal

This lets you draw an income from your pension fund while leaving it invested. There are two kinds:

- **capped drawdown**, where there are limits on the income you can take, and
- **flexible drawdown**, where there are no limits provided you can show you have other income of a certain level called the **Minimum Income Requirement**.

Income withdrawal is an option with most personal pensions and some occupational money purchase schemes.

In some cases if you are in an employer's scheme and want to use income withdrawal, you must first transfer your pension rights from the employer's scheme to a personal pension.

For more detailed information about income withdrawal, read our guide **Income withdrawal** – see *Useful contacts* on page 27.

Phased retirement and income withdrawal can be combined

This means you would start to draw an income from just part of your pension fund on one date, leaving the rest of the fund intact. To increase your income at a later date, you could either increase the rate of withdrawal (provided you did not exceed the maximum limit) or start to draw an income from a further slice of your pension fund.

Hybrid products

Hybrid products pay a regular income and offer guarantees of either investment growth or the amount of pension fund you can expect to have left to buy an annuity later on.

They vary in what they're called, the guarantees they offer and the charges they make to cover the cost of the guarantees. You generally have to give up some investment growth potential to pay for the guarantees.

It's a good idea to get professional financial advice on these and other retirement options.

Key points

- Investment-linked annuities offer the chance of a higher income in future – but only by taking extra risk. They may also have high charges.
- Phased retirement is usually only suitable if you have a fairly large pension fund (after taking any lump sum), or have other assets or income to live on.

Key things to think about

Where to buy annuities

Insurance companies or other financial institutions sell annuities and other retirement options. The rates offered vary from company to company so shop around to find the best deal for you.

You can usually buy an annuity from the same company with which you built up your pension fund, but don't assume it will automatically offer you the best rate. You may do better to shop around to check whether another company could offer you more.

Key point

The rate you get can affect your income by hundreds of pounds a year for the rest of your life so it may really pay to shop around.

In most cases you can use your pension fund to buy an annuity from another company.

Your insurance company must tell you that you can buy your annuity from another company and explain the advantages and disadvantages.

Some companies however will only offer annuities for funds over a certain size – so if you have a small fund you may find it difficult to buy an annuity from a different company.

If you are a member of an occupational money purchase pension scheme, you can also shop around on the open market and find the insurance company with the best annuity rate for you, or your scheme trustees can do this for you if you ask.

Before shopping around, make sure you understand what your existing provider is offering you:

Check that you get a quotation from your pension provider for the type of annuity you want and compare this with quotations from other companies.

Check whether your existing pension provider imposes a charge against your fund if you buy your annuity from another company.

Check whether your pension provider offers you a 'guaranteed annuity rate'. This is not the same as a guaranteed period. A guaranteed rate means you were promised a minimum annuity rate when you were sold the pension. Now that annuity rates are a lot lower, these guarantees can be very valuable.

Check what you're offered by your occupational money purchase pension (if you have one), and compare this with annuities from other annuity providers.

Tips to help you shop around for an annuity

It's usually a good idea to allow around six weeks to get quotations before you want to buy your annuity.

When comparing different quotes, make sure you base your request on identical types of annuity.

Some companies are keen to attract annuity customers, so they offer competitive rates; others are less keen, so it pays to shop around.

You may want to get professional financial advice – see page 19.

- Get an estimate of the value of your pension fund, taking account of any charges, from your pension provider.
- Decide how much tax-free lump sum you want to take (usually up to a quarter of your fund) and deduct it from the pension fund value your pension provider gives you.
- Decide whether you want:
 - a single- or joint-life annuity – and if joint-life, whether the pension to your partner is paid in full or reduced (say by one third), or
 - a level or escalating annuity. If you want an escalating annuity, you need to decide whether you want it index-linked or fixed.

- Think about whether you want payment of your annuity to continue for a specific number of years (five or ten), should you die soon after retiring.
- Does your fund need to be a certain size to qualify for the better rates offered by another company? You may find it difficult to shop around if you have a small pension fund (say less than £10,000). Some firms may not be interested in advising on small sums, or you may have to pay higher charges.
- Are you a smoker? Some companies offer higher annuity rates for smokers.
- Do you have a medical condition that could reduce your life expectancy?

You should now have the facts you need to get quotes from a range of companies.

Remember that annuity quotes are usually only fixed for between seven and 28 days from the date they are issued.

Key point

Check annuity rates by using the annuity tables on our website. They allow you to check the rate you have been offered by your provider with the rates available from other companies, based on the actual amount you have in your personal pension fund and on your postcode.

Use our online **comparison tables** at moneyadvice.service.org.uk/tables.

Do you want information or advice?

When buying an annuity the general information you get from a firm either verbally or in print will usually just describe the products or services they provide. It won't give you advice based on your particular needs or circumstances. To get this type of financial advice, you'd need to see a professional financial adviser.

You don't have to take advice but if you don't and the annuity you buy turns out to be unsuitable, you will have fewer grounds for complaint.

Getting professional financial advice

Firms selling pensions and annuities must be regulated by the Financial Services Authority (FSA), the UK's financial services regulator. This means they have to meet certain standards which the FSA monitors and it can take action if they don't. Advertisements, product brochures and other promotions produced by regulated firms must be clear, fair and not misleading.

You can check if a firm is regulated and report any misleading promotions to the FSA by phone or online – see *Useful contacts* on page 27.

You may also be able to use the Financial Ombudsman Service if things go wrong, and the Financial Services Compensation Scheme if a provider is unable to meet claims against it – see **If things go wrong** on page 24.

Firms regulated by the FSA must only recommend products that are suitable for you and must give you certain information about the firm, their services and costs.

For more information about seeing a professional financial adviser, get a copy of our **Getting financial advice** guide – see *Useful contacts* on page 27.

Important information you'll get

You will also usually get a **Key Features Document** describing the main aspects of the annuity, such as its aims and the risks. Make sure you read and understand this information and ask questions about anything you are unsure about.

With basic annuities, you'll usually get a projection showing the amount of income you would get, given the size of your pension fund, your personal details and current annuity rates.

The figures are shown after deducting any sum you have chosen to take as tax-free cash.

In most cases the projection for a with-profits or unit-linked annuity will include examples of how your annuity income might vary in future years. These projections will probably be based on standard assumptions about the growth of the underlying investment fund – the fund will not necessarily grow at these rates.

If you choose a with-profits annuity, you should ask about the company's approach to running its fund and setting bonus rates.

If you are considering income withdrawal, the illustration could include **critical yield** figures.

These may show:

- how much your pension fund needs to grow to let you withdraw an income equal to what you would have got if you'd bought an annuity straight away, and
- how much your pension fund needs to grow to maintain the level of income you have chosen.

Remember that if your investments fall, you may lose money and have a much lower income in retirement. Think carefully about getting professional financial advice.

General help

From budgeting to borrowing, from savings to pensions, our trained Money Advisers can help you with your questions. We offer free unbiased information and money advice which means we won't sell you anything. You can get this in print, online, over the phone and face to face.

We also provide tailored advice to help you make choices at key points throughout your life whatever your circumstances. Take our online **health check**. Answer some straightforward questions and get your personal action plan to help you with your money must-do's and longer-term goals.

Call us on 0300 500 5000 or go online at moneyadvice.service.org.uk/healthcheck.

Key points

Make sure that:

- your adviser understands your financial and personal circumstances, including future needs
- you understand how the retirement option you choose works and any risks involved, and
- you read the Key Features Document and ask questions if anything is unclear.

Your questions answered

Question:

How can I work out what type of lifetime annuity I need?

Answer:

The type of annuity you buy is usually based on your personal circumstances. For example, if you are single, you would usually choose a single-life annuity, which could be either **level** – it would pay you the same income for the rest of your life – or **escalating** – your income would start at a lower rate than a level annuity and would usually alter each year.

If you have a partner you want to provide for after your death you can buy a joint-life annuity. This too can either be a level or escalating annuity.

Question:

Do I have to buy a lifetime annuity?

Answer:

You do have options other than an annuity such as phased retirement or income drawdown. But you need to remember that these options involve extra costs and extra investment risks.

Question:

I'm a smoker. Will this affect the annuity rate I'll get?

Answer:

Some companies will offer you an enhanced lifetime annuity if you're a smoker. Shop around to compare rates on offer. Use our online **comparison tables** to see which companies offer enhanced annuities – see moneyadvice.service.org.uk/tables.

Question:

If I buy a lifetime annuity then decide that it is not right for me, can I change it?

Answer:

You can't usually change a lifetime annuity once you've bought it so it's important to make sure that you choose one that is right for you.

Next steps

Step 1

Decide how much tax-free lump sum to take from your pension fund – this will reduce your overall fund.

Step 2

Decide on the type of retirement option you want based on your personal circumstances.

Step 3

Get a quote from your pension provider for the type of annuity you want, if you plan to buy an annuity. Find out about guarantees and charges.

Step 4

Shop around. The rate you get can affect your income by hundreds of pounds a year for the rest of your life. Remember you can use our online **comparison tables** to help you shop around for an annuity – see moneyadvice.service.org.uk/tables.

If things go wrong

If you have a complaint about the advice you received when you bought your annuity or other retirement option, first take your complaint to your adviser or the company. If you cannot resolve the problem with them, contact the Financial Ombudsman Service – see *Useful contacts* on page 27.

If a provider is unable to meet claims against it, the Financial Services Compensation Scheme (FCSC) may be able to help you. The FCSC is independent and its service is free to customers. To find out more, contact them or visit their website – see *Useful contacts* on page 27.

If you have a problem with an **employer's scheme**, first contact the pensions administrator at work.

Your employer's scheme must offer a formal complaints procedure. If you cannot settle the matter, contact the Pensions Advisory Service. It will attempt to mediate between you and the scheme.

If necessary it will help you to take your case to the Pensions Ombudsman – see *Useful contacts* on page 27.

For more information, get a copy of our **Making a complaint** guide – see *Useful contacts*.

Jargon buster

Some key words and phrases explained.

Hybrid products

An alternative to lifetime annuities, without the investment risks of income withdrawals, and with a regular income and some guarantees.

Income drawdown

Allows you to draw an income from your pension fund while leaving the fund invested – either through income withdrawal or a short-term annuity.

Lifetime annuity

A lifetime annuity converts money from your pension fund into pension income which is taxed. There are different types to suit your circumstances.

Money purchase pension

A pension where your contributions are invested in, for example, the stockmarket. The size of your pension fund depends on how much is invested and how well those investments do. At retirement, some or all of the fund may be used to buy an annuity. This includes some occupational pensions and all personal pensions, group personal pensions, stakeholder pensions, FSAVCs and some AVCs.

Occupational pension

Available through employers and run by pension scheme trustees. There are two types – salary-related (defined benefit) and money purchase (defined contribution).

Open market option

Your right to shop around and buy your annuity from the company offering the best deal for you.

Personal pension

A money purchase pension from a financial services company into which you and/or your employer make contributions.

Phased retirement

Uses part of your fund to buy an annuity. The rest of your fund remains invested. You can later use another portion of your fund to buy another annuity. In this way you can provide a flexible income.

Protected rights pension

The part of your pension fund which was used to contract out of the State Second Pension (S2P, previously known as SERPS) that must be used to buy a protected rights annuity.

Salary-related occupational pension scheme

Also known as a defined benefit scheme – a type of occupational pension. The amount of pension you get is worked out on your salary at or near retirement, or when you left employment, and on the length of your pensionable service.

Stakeholder pension

A type of personal pension that has to meet certain standards set by the government.

State Second Pension

An additional State pension paid on top of your basic State Pension. It used to be called SERPS. Self-employed people cannot build up a State Second Pension.

Tax-free lump sum

An amount of cash set by HMRC which you can take at retirement free of tax. Individual pension schemes may have different rules on the amount of tax-free cash you can take.

Useful contacts

Money Advice Service

For advice based on your own circumstances or to order other guides

Money Advice Line: 0300 500 5000

Typetalk: 1800 1 0300 500 5000

Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes. To help us maintain and improve our service, we may record or monitor calls.

Other Money Advice Service guides

- Getting financial advice
- Making a complaint
- Making the most of your money
- Managing in retirement
- Salary-related pension transfers
- Saving and investing
- Your bank account
- Your guide to retirement (explains your choices if you are two years or less from retirement)

For more titles, call us or go to moneyadviceservice.org.uk/publications

On our Money Advice Service website you can find:

- a **health check** to help you build up some good financial habits and reach your goals
- a **budget planner** to help you work put your spending, and
- **comparison tables** for annuities, savings and investments.

Go to moneyadviceservice.org.uk/interactive

Call rates to the following organisations may vary – check with your telephone provider.

Financial Services Authority (FSA)

To check the FSA register, or to report misleading adverts or other promotions.

Consumer helpline: 0845 606 1234
Minicom/textphone: 08457 300 104
www.fsa.gov.uk/consumerinformation

Pension information and advice

For details of your occupational pension scheme talk to your pensions administrator, pensions manager or pension trustees at work.

The Pension Tracing Service (at The Pension Service)

To trace pensions you've lost track of.

0845 600 2537

www.direct.gov.uk

Future Pension Centre

For a forecast of your State Pension.

0845 300 0168

Textphone: 0845 300 0169

www.direct.gov.uk

The Pension Service

To find out about deferring your State Pension.

Leaflet: State Pension

Deferral – your guide (SPD1).

0845 606 0265

www.direct.gov.uk

The Pensions Advisory Service

For general pension queries and leaflets.

0845 601 2923

www.pensionsadvisoryservice.org.uk

The Pensions Regulator

0870 606 3636

www.thepensionsregulator.gov.uk

The Pensions Ombudsman

020 7834 9144

www.pensions-ombudsman.org.uk

HM Revenue & Customs (HMRC)

For tax questions.

0845 010 9000

www.hmrc.gov.uk

Financial advisers/planners

Unbiased.co.uk

For financial advisers in your area.

www.unbiased.co.uk

Institute of Financial Planning

Financial planners can help you to achieve your goals by planning your finances.

www.financialplanning.org.uk

Personal Finance Society

For financial advisers in your area.

www.finadanadviser.org

Ethical Investment Research Services

Find an ethical product or provider.

www.yourethicalmoney.org

Other organisations that can help

Citizens Advice Bureaux (CABx)

Offers free, confidential and face to face money advice. Look in the phone book or on its website for your local bureau.

www.adviceguide.org.uk

Consumer Credit Counselling Service (CCCS)

Offers a structured programme of advice on how to manage your money.

0800 138 1111

www.cccs.co.uk

National Debtline

Provides a free, confidential and independent telephone advice service.

0808 808 4000 (freephone)

www.nationaldebtline.co.uk

Complaints and compensation

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR

0800 023 4567 or 0300 123 9123

www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

7th Floor Lloyds Chambers
Portsoken Street
London E1 8BN

0800 678 1100 or 020 7741 4100

www.fscs.org.uk

This guide is part of our **pensions and retirement** series.

Other titles in this series include:

- Income withdrawal
- Equity release
- Managing in retirement

All our guides are available from:

Our website
moneyadvice.service.org.uk

Money Advice Line
0300 500 5000

If you would like this guide in Braille, large print or audio format, please call us on 0300 500 5000 or Typetalk on 1800 1 0300 500 5000.

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