



Your guide to Personal Pensions.



true potential
wealth management

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With investing your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.

Tax treatment depends on your individual circumstances and is subject to change in the future.

Foreword.



Planning for your future as early as possible could give you the greatest chance of securing the financial future you are hoping for and a Personal Pension could make the difference in achieving your goals.

In today's world it is often the routines we perform daily that take up most of our time, meaning we can put thoughts of our future to the back of our minds, especially those of retirement.

These thoughts tend to get swept under the carpet as we believe that they're not as important as the issues we're facing now. And with the age of retirement ever rising, it seems that we'll all be working for many more years to come. For this reason, the Government is establishing ways in which we can begin to save for our own retirement, such as Auto Enrolment and the Lifetime ISA. Nevertheless, these may not be enough, which is why we shouldn't fail to appreciate the benefits of taking out a Personal Pension.

Since August 2013, we have undertaken a quarterly survey of the UK public to learn more about their attitudes to savings. In total, we have surveyed more than 30,000 people and found that only a minority of savers will have enough funds for a comfortable retirement. This short fall in savings is what we call the 'Savings Gap.' Our polling shows that an income of £23,000 is needed annually in retirement to live comfortably. Based on actual savings behaviour however, people in the UK are on course to receive an income of just £6,000 per year from their retirement fund.

The pension reforms have given savers more control over their retirement funds than ever before. However the lack of knowledge is still a major contributing factor to the UK 'Savings Gap.'

I believe that the need for a Personal Pension is greater than ever. We endeavour to make saving for your future as easy and effective as possible, which is why we offer a Personal Pension that can be managed and invested by you personally. It's simple and free to start an account with us and the minimum opening amount is just £1. The pension is flexible and as our client you'll gain access to our award-winning top-up technology, impulseSave®. I hope you find the following information useful, and it helps you discover the right pension choices for you.

A handwritten signature in black ink that reads "Steve Hutton". The signature is stylized and includes a horizontal line underneath the name.

Steve Hutton
Managing Partner

What is a Personal Pension?



A Personal Pension, is a tax-efficient way of saving for your retirement.

Contributions can be made in various ways:

- **regularly,**
- **by lump sum,**
- **or a combination of both**

The contributions you make are free from Income and Capital Gains Tax, which is one reason pensions can be an effective way of saving for your retirement.

Can I open a Personal Pension?

Opening a Personal Pension can be great way to begin saving for your future.

It's 'personal' as you make all of the decisions on how you want to manage your money.

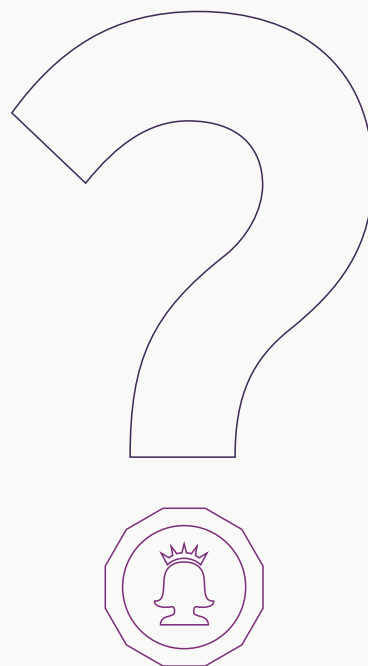
You choose which provider you'd like to use and the contract is set up solely between you and the provider. Many people decide to open a Personal Pension to benefit from government tax relief on contributions.

Who can open a Personal Pension?

You may choose to open a Personal Pension if you are:

- **Employed**
- **Self-Employed**
- **Unemployed**

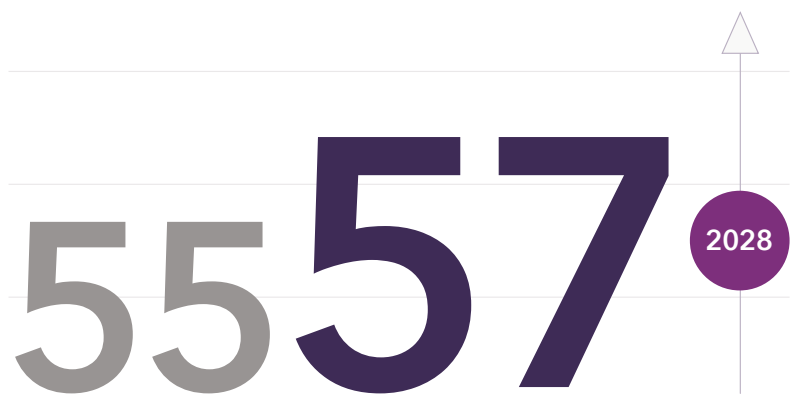
It's also worth remembering that other people are able to contribute to your Personal Pension and you can contribute into theirs.



What is the current retirement age?

The minimum age you can take your Personal Pension is currently 55. This will increase from age 55 to 57 for those retiring from 2028.

What this means is that the minimum age a person can begin access their Personal Pension will remain 10 years below the State Pension age. This change was applied to all pension schemes except for those within the public sector, such as fire-fighters, armed forces and police. This is because their pension age is not linked to the State Pension age.



What is Pension tax relief?


The main appeal of opening a Personal Pension is the tax relief that comes with it. Not only do you get tax back on the contributions that you initially paid in, but any gains you make on investments are also tax-free.

When you pay contributions into your pension pot, you'll automatically receive tax relief back from the Government. The basic rate of tax is claimed by your pension provider on your behalf and automatically added to your pension, usually the following month.

The amount of tax relief you receive depends on the level of Income Tax you pay.


Investor profiles

Pensions can be difficult to understand, so we've created four profiles covering the four main investor types.




Mr Dodds
20% Tax
Earns £23,000 per year

Basic Rate Taxpayer



Ms Simm
40% Tax
Earns £72,000 per year

Higher Rate Taxpayer



Prof. Brown
45% Tax
Earns £135,000 per year

Additional Rate Taxpayer



Dr Winter
In Flexi-Access Drawdown
Pension Pot of £200,000

Already Retired

Types of taxpayer.



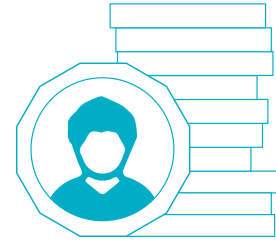
Basic Rate Taxpayer:

When our basic rate taxpayer, Mr Dodds, earned £100, this was taxed by 20% (current basic rate), therefore £20 of that went to HMRC and he was left with £80. However, when he paid £80 into his pension, the Government recognised that he'd paid £20 in tax in order to receive that amount, so they gave him the 20% back (£20), so his pension contribution was £100 instead of £80.



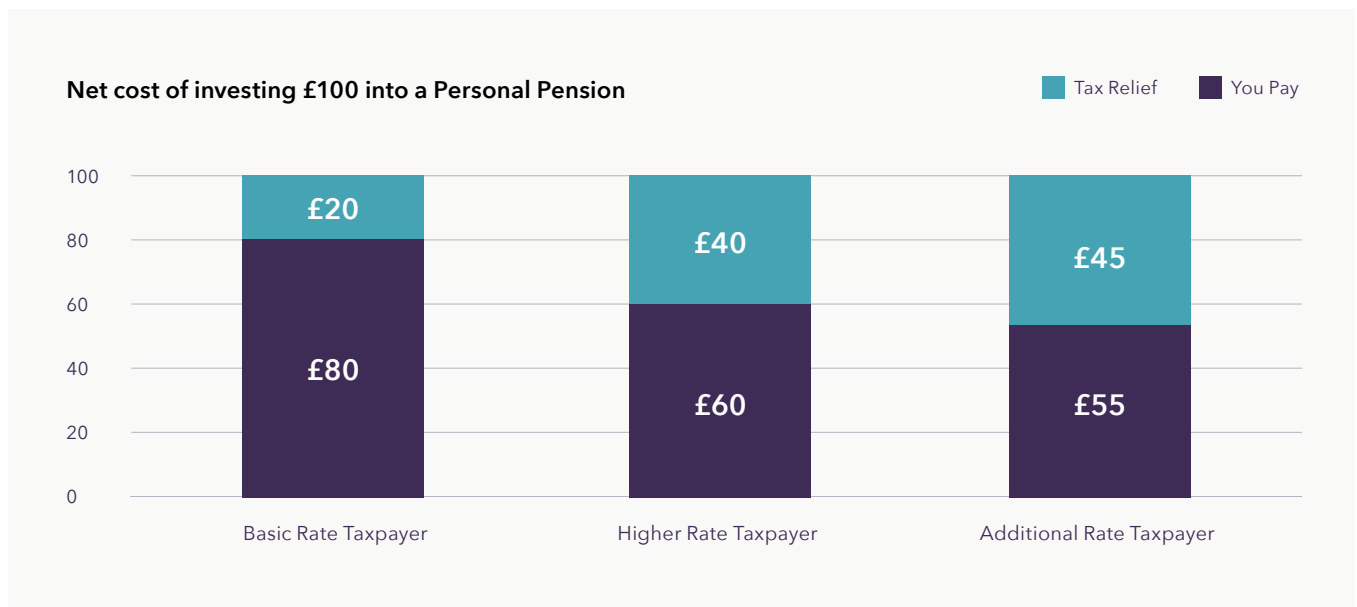
Higher Rate Taxpayer:

For Ms Simm, who pays 40% tax, she would receive 20% tax relief automatically (as with Mr Dodds) and the additional 20% would need to be claimed through her self-assessment tax return. The money would be returned to her as a tax refund. This means that for every £100 in her pension, she effectively only paid £60.



Additional Rate Taxpayer:

Professor Brown, our additional rate taxpayer, would again receive 20% tax relief on any pension contributions made, but he would reclaim an additional 25% via a self-assessment tax return. This means that for every £100 in his pension, he ultimately paid £55 and the Government topped this up by £45.



Everyone can pay, and get tax-relief on, up to £3,600 gross each year. You can pay more than this and still get tax relief, based on the lower of your 'Relevant UK Earnings' and the Annual Allowance. The current standard annual allowance is £60,000.

If you claim over this, HMRC can ask you to pay this back.

How much can I invest in a Pension?

There is a limit to how much you can invest in a pension each year before having to start paying tax, this is called the Annual Allowance, and it is currently capped at £60,000.

Additional restrictions also apply on personal contributions on and over 100% of your annual earnings. Separate rules can also apply if you're not earning for that year.

You can open several Personal Pensions, however no matter how many you pay into, the combined total must not exceed £60,000 or 100% of your annual earnings in order to receive tax relief on your contributions.

For every £2 your adjusted income goes over £260,000, your annual allowance for the year reduces by £1. The minimum reduced annual allowance you can have is £10,000.

In previous years there was an overall limit as to how much you were able to contribute into your pensions within your lifetime. This was known as the Lifetime Allowance which was abolished from 6th April 2024. Up until tax year 2023/24, if your combined pensions exceeded this amount you would have been subject to a tax charge of up to 55%

Annual Income	Annual Reduction in Annual Allowance	Annual Tax Relief Allowance
£260,000	£0	£60,000
£280,000	£10,000	£50,000
£300,000	£20,000	£40,000
£320,000	£30,000	£30,000
£340,000	£40,000	£20,000
£360,000	£50,000	£10,000

The Lifetime Allowance has been replaced with two new allowances as of 6th April 2024.

The Lump Sum Allowance (LSA) limits the amount of tax-free lump sum that can be paid from pension savings to 25% of pension savings up to a maximum limit of £268,275. The maximum available LSA limit could be higher where an individual has pension protection which provides a higher entitlement to the lump sum.

The Lump Sum & Death Benefit Allowance (LSDBA) provides a separate limit to work out an individual's personal tax-free payment where certain relevant benefit crystallisation events occur up to the maximum amount of £1,073,100 without incurring a tax charge. The maximum available LSDBA limit could also be higher where an individual has pension protection which provides a higher entitlement.

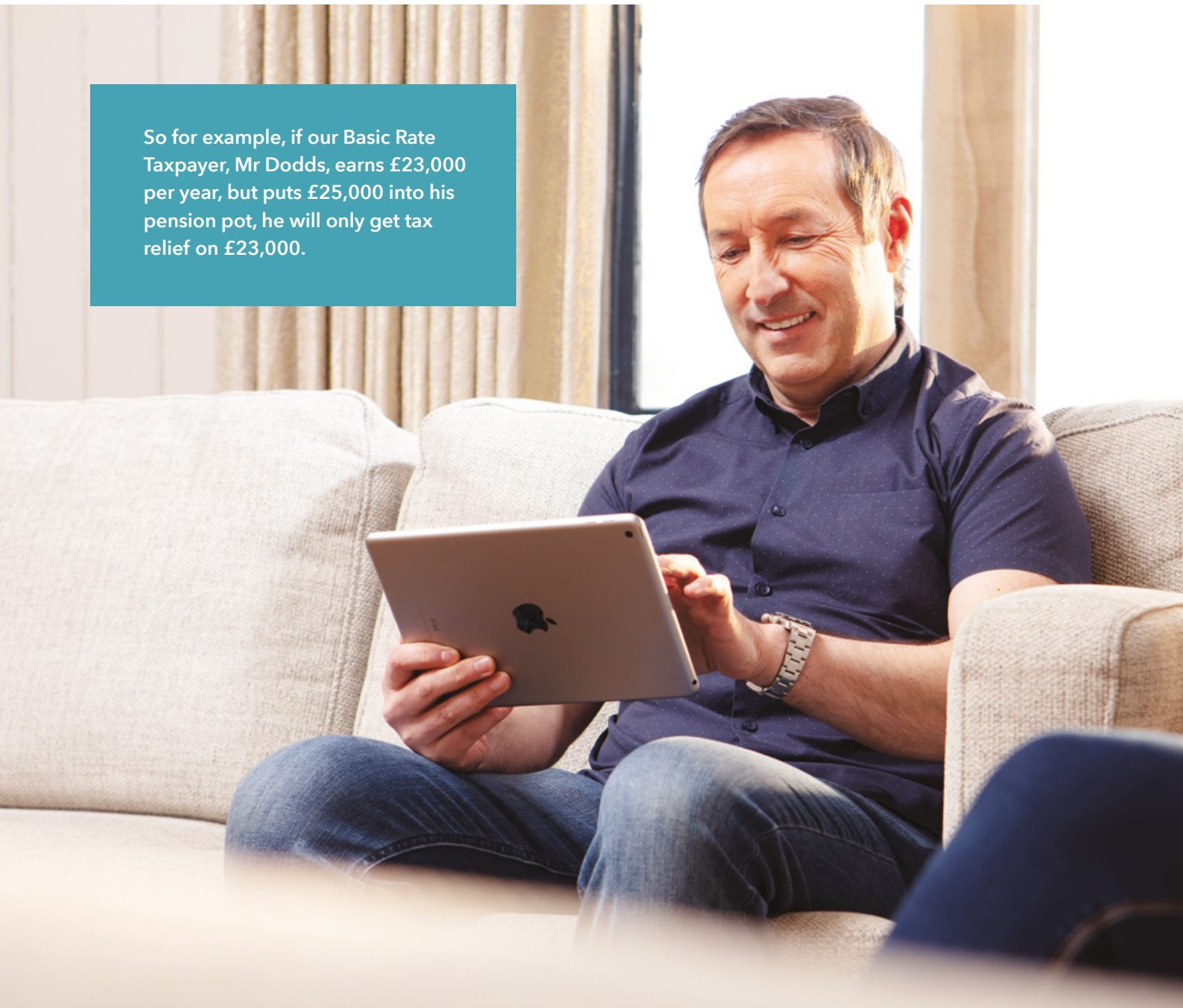
Both allowances apply to an individual's total pension savings, excluding the State Pension. Tax charges would apply for exceeding the lump sum limits and taxed at an individual's appropriate marginal rate of income tax.

What if I exceed the allowance?

It is acceptable for you to invest more than £60,000 per year into a pension, however, you will not get any tax relief on the excess.

The charge is to take you to a 'tax neutral' position, if you are a Basic Rate Taxpayer then you will be charged at 20% for the excess and a Higher Rate Taxpayer would be charged at 40%. Please note that some schemes may not allow you to deliberately pay in more than your allowance.

The exception to this rule is if you are using 'Carry Forward'. Carry Forward allows you to contribute any unused allowance from the previous three tax years, as long as you were a member of a registered pension scheme during that time.

A man with short brown hair, wearing a dark blue button-down shirt and blue jeans, is sitting on a light-colored sofa. He is smiling and looking at a silver tablet computer he is holding in his hands. He is wearing a silver watch on his left wrist. The background shows a window with light-colored curtains.

So for example, if our Basic Rate Taxpayer, Mr Dodds, earns £23,000 per year, but puts £25,000 into his pension pot, he will only get tax relief on £23,000.

Can I transfer my pension?

We've made transferring and consolidating your Pensions quick and easy.

Contact us on **0191 625 0350** and we'll talk you through the whole process.

Many people decide to transfer their Personal Pensions, whether it be to reduce costs or to bring their money together so it's easier to manage.

The process is usually straightforward and shouldn't cost you any money, however some Personal Pensions may charge a penalty for closing the account early and not all providers will allow you to transfer in previous Pension pots, so make sure to read the terms and conditions of your Pension account fully.

Transferring your Pension to your new provider is usually a quick and simple process requiring you to complete a short Pension transfer form. Once this is complete, the transfer process will take around 15 working days.

There may be some valuable guarantees or benefits included within your pension that you would lose if you decide to transfer your pension out of your current scheme. These could affect the overall value of your pension at retirement and must be considered carefully.



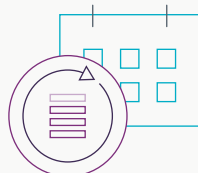
Retirement options

When it comes to withdrawing from your pension, there are six options to choose from depending on your pension provider.



Leave your pension pot untouched and take the money later

Even if you reach the normal retirement age, it's down to you when you want to start drawing your pension. You may receive a pack from your provider, but don't feel that this means you have to take any of the money out at that point. However, make sure to check the investments and charges under the Pension contract.



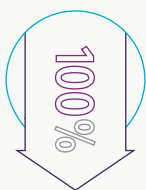
Take an adjustable income (Drawdown)

Another option is to take part of your pot as a lump sum and invest the rest to give you a (taxable) income. You are allowed to withdraw up to 25% tax-free, but anything over that you will be charged Income Tax on.



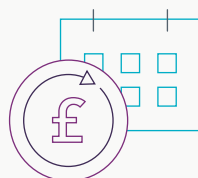
Take cash in chunks (Drawdown)

You can choose to take chunks of cash out of your pension pot at any time. Each chunk you take will be tax-free up to 25%, and again, the remainder will be taxable.



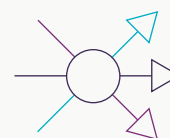
Take one whole lump sum

You can now withdraw your whole pension in one go, but there are things you need to be aware of if you choose to do this. For one, you will have to pay tax on anything over the first 25% so it would be wise to know how much you will need to pay. Not only this, but you will also need to think about what you will live on during your retirement.



Take out an annuity (A guaranteed income)

One option come retirement is to use all or part of your pension pot to buy an annuity. This will give you a guaranteed income, though there are different types of annuity to choose from.

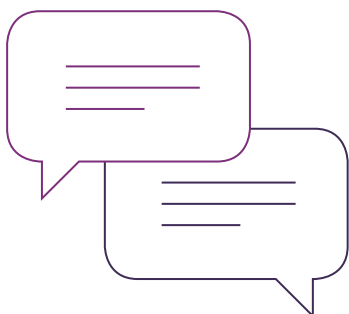


Mix the options above

If you're unsure which option to choose, you can be safe in the knowledge that you can mix your options so you don't have to take only one route.

What happens to my Pension when I die?

This depends on the type of Pension scheme that you're in - and you may have several.



It is important that you find this information out for each pension that you have.

If you are in any form of company scheme, then they usually come with a number of death benefits such as a cash lump sum and/or a dependent's pension.

For Personal Pensions, the Pension freedoms that were introduced in April 2015 are applied. These changes allow for more flexibility in how these death benefits can be passed on.

If you die before the age of 75, your beneficiaries can take the fund as either a lump sum or draw an income from it without having to pay tax. If you die after the age of 75 then tax will be charged at the beneficiary's marginal rate of income tax.

If you've bought a lifetime annuity

How can your Pension be passed on?	If you die before age 75	If you die on or after 75
Single life annuity with no guarantee period or value protection	Important: The income is paid for your lifetime only. You should consider carefully how any dependants might fare financially if you die first.	
Lump Sum - payable if you have chosen value protection at the start	Free of Income Tax	Taxed as Income*
Income - payable if you have chosen joint life or a guarantee period at the start	Free of Income Tax	Taxed as Income*

*Income is taxed at the beneficiary's rate of Income Tax

What about Inheritance Tax?

From April 2027, most unspent inherited pensions will become subject to Inheritance Tax.

Currently, any funds that are left in your pension pot when you pass away will not naturally form part of your estate, and therefore will not be counted for Inheritance Tax purposes. Any assets remaining, such as cash or savings, will be classed as part of your estate for Inheritance Tax purposes if it was not transferred to your spouse or civil partner before your death. However, this is set to change from April 2027, when most unspent inherited pensions will form part of your estate for Inheritance Tax purposes.

Please keep in mind that if the value of your estate exceeds the Nil Rate Band of £325,000, plus the Residence Nil Rate Band of up to £175,000, depending on the value of your home, you will be liable for a tax charge rate of 40% based on current tax rules.



Try us out.

Visit www.truepotential.co.uk/investments/personal-pension
or call us on **0191 625 0350** to find out how we can help you
do more with your Pension.



With investing your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. Tax rules can change at any time. The information provided in this promotion is for information purposes only. It should not be considered legal or financial advice in any form.

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