INCOME DRAWDOWN

# A flexible retirement income for whatever the future holds

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Fidelity INTERNATIONAL

# Introducing flexible retirement income

**What do you think you'll be doing in ten years' time? Or twenty? It's not an easy question to answer and that's why being able to withdraw income from your pensions in a flexible way - as and when you want - could be a good option for many moving into retirement.**

The official name for flexible retirement income is income drawdown. This short guide answers some of the main questions about income drawdown – from what it is and how it works to its advantages and drawbacks. As there's a lot to take on board, we also introduce our retirement service and highlight some of the ways they can help you with the things you need to think about.

### Important information

This guide doesn't give you advice or suggest you take a particular course of action. Retirement income and pension planning are complex issues, and we recommend that anyone approaching retirement should take professional financial advice.

The value of investments and the income from them can go down as well as up so you may get back less than you invest. Eligibility to invest in a pension and tax treatment depends on personal circumstances and all tax rules may change in the future. Withdrawals from a pension product will not normally be possible until you reach age 55 (57 from 2028).

# This guide has everything you need to:

- **Understand how income drawdown works**
- **Weigh up the advantages and drawbacks**
- **Compare income options**

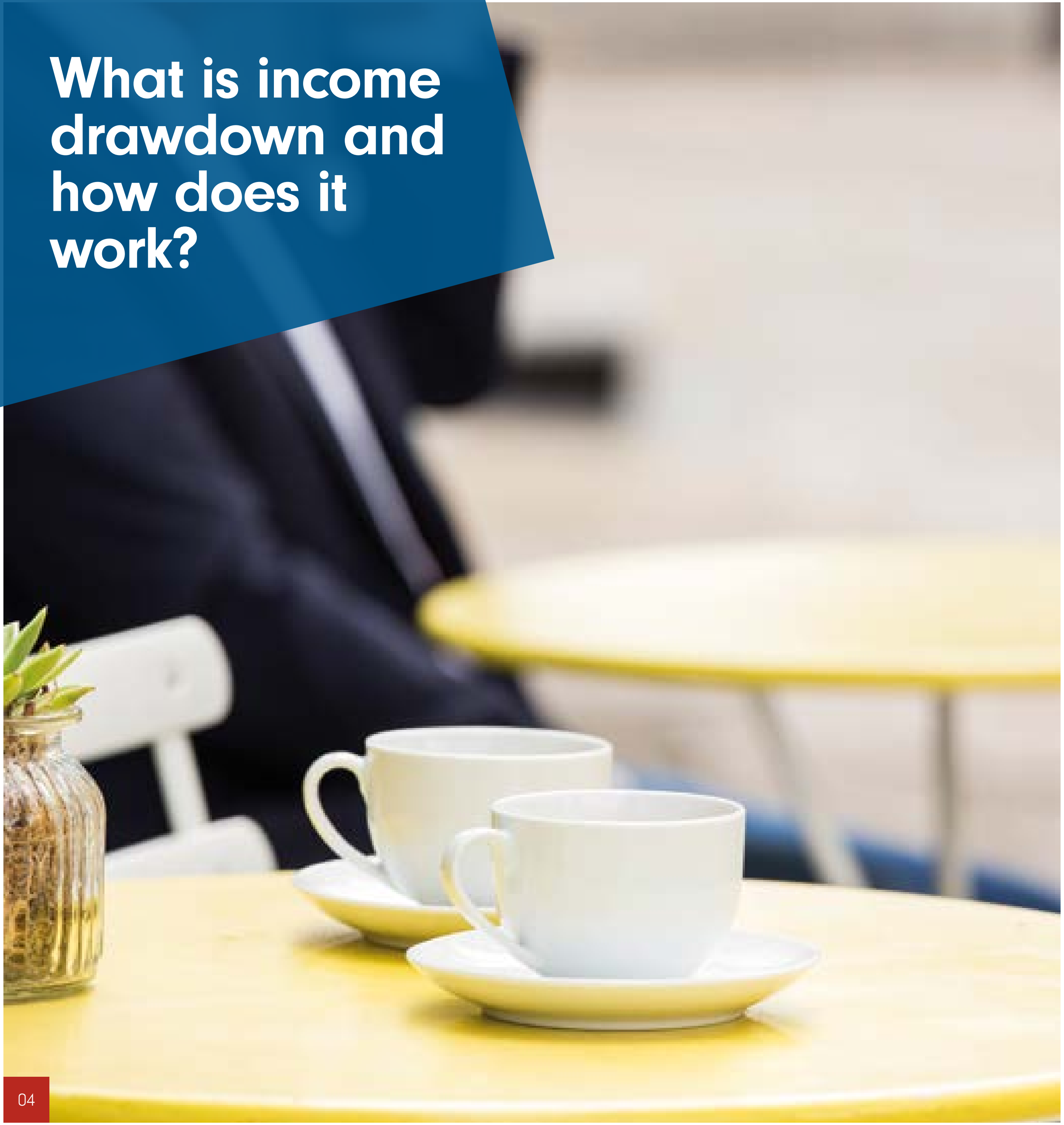
## Ready to discuss income drawdown?

We're here to give you the level of support you need. You can give us a ring on **0800 860 0053** to ask us any questions you have about retirement planning in general and income options in particular.

Please note that the government offers a free and impartial guidance service to help you understand your options at retirement. This is available via the web, telephone or face-to-face through the Pension Wise service which is now part of MoneyHelper; the easy way to get free help for all your pension and money choices. You can find out more by going to **moneyhelper.org.uk/pensionwise** or calling Pension Wise on **0800 011 3797.**

Pension wise
Your money. Your choice.

# What is income drawdown and how does it work?



**Income drawdown allows you to leave your money in your pension savings and take income or lump sums from it as and when you want. Any money left in your pension savings remains invested, which may give your pension pot a chance to grow.**

Up to a quarter (25%) of your pension savings can usually be taken tax-free and any other withdrawals will be taxed as earnings whether you take them as income or as lump sums. This means that, for example, you could take a higher income when you first retire (and are likely to be more active). Equally you may only want to take a little bit of money early on, preferring to make use of other sources of income first.

It is likely that you will live 20 years or more in retirement and so you will need to decide how much to take at the start (and when to take it). It will be important for you to keep this under review as you get older to ensure your pension savings will last as long as you do. It's worth also keeping in mind that you do not have to take any income if you do not wish to.

Please remember the value of investments and the income from them can go down as well as up so you may get back less than you invested.

## What are the advantages?

The main advantage of using drawdown for your retirement income is the flexibility and control it can provide. This allows you to choose how much you take and when you take it. If you receive income from other sources, it can help you manage your tax liability more effectively. As the money remains in your pension, you also keep the option of buying an annuity at a later date, though you need to remember that annuity rates could change during this time.

Keeping your pension savings invested also means there is a chance it may grow, though there is no guarantee.

There is also the option for you to leave something for your family (or to other beneficiaries or charities of your choice). This can be a very effective way of looking after your loved ones, as any money passed on through a pension is free of tax, up to the lump sum and death benefit allowance of £1,073,100, if you die before the age of 75.

After age 75 anything left in your pension can normally be paid to your beneficiaries subject to tax based on the individual tax position of the person receiving the money.

Call us on **0800 860 0053** and we can help you make sure your pension looks after your family should you pass away.

## What are the drawbacks?

The main drawback of using drawdown for your retirement income is that your money stays invested in the markets and you don't know what will happen in the future. If the markets struggle, you may have to reduce your income or your pension savings could run out.

It is also important to recognise that the funds you have been invested in while growing your pension may no longer be appropriate when you are looking to take money out. Money invested in cash may be less risky but the returns are generally lower than if you were to invest in funds which hold a higher risk. As a result, choosing or staying in low-risk assets such as cash could increase your risk of running out of money in retirement, or having less money than you were expecting. **You should therefore think very carefully about the funds you choose to invest in, taking into account your personal situation, your needs, goals and attitude to investment risk.**

Drawdown gives you control over your money, but this also means there is more responsibility for you when monitoring and when managing your income. It is important to remember that money withdrawn from a pension is usually taxable and withdrawing large sums could therefore mean you move into a higher tax bracket. If your circumstances change or if at some point in the future you find it more challenging to manage your investments, you have the option to buy an annuity, which will provide you with a guaranteed lifelong income.


Think drawdown might be right for you? We can help you decide. Call us on

**0800 860 0053**

# How does income drawdown compare?


**Here are the different options you have for your pension savings – each with their own strengths and weaknesses. The key point to remember is that you don't have to pick just one.**

You can use as many or as few as you need, in whatever combination is right for you – and, in some cases, you'll be free to change your mind later as well. All options come with slightly different tax implications too, so it's important to understand how much tax you may have to pay before going ahead. For more information about all these options, just visit our website at **fidelity.co.uk/approaching-retirement**

## Income drawdown

- You can take up to 25% of your pension as a tax-free lump sum straight away, if you want.
- The rest of your money stays invested and you take a regular income or lump sums as and when you want.
- Your pension savings remain invested, which may give your pension a chance to grow.
- If you take too much, or your investments under-perform, you may run out of money.
- You can leave any funds you don't withdraw to your family, other beneficiaries or charities of your choice.

## One or a number of lump sums (UFPLS)

- You can leave your money in your pension and take lump sums from it as and when you need, until your money runs out or you choose another option.
- You can decide when and how much to take out.
- Each time you take a lump sum, normally a quarter (25%) of it is tax-free up to the standard lump sum allowance of £268,275 and the rest will be taxed as earnings, so if you take a large sum you could move up a tax band.
- Any money left in your pension savings remain invested, which may give your pension savings a chance to grow, but please note that it could go down in value too.
- If you take too much, or your investments under-perform you may run out of money.
- You can leave any money you don't withdraw to your family, other beneficiaries or charities of your choice.

## Guaranteed income for life (annuity)

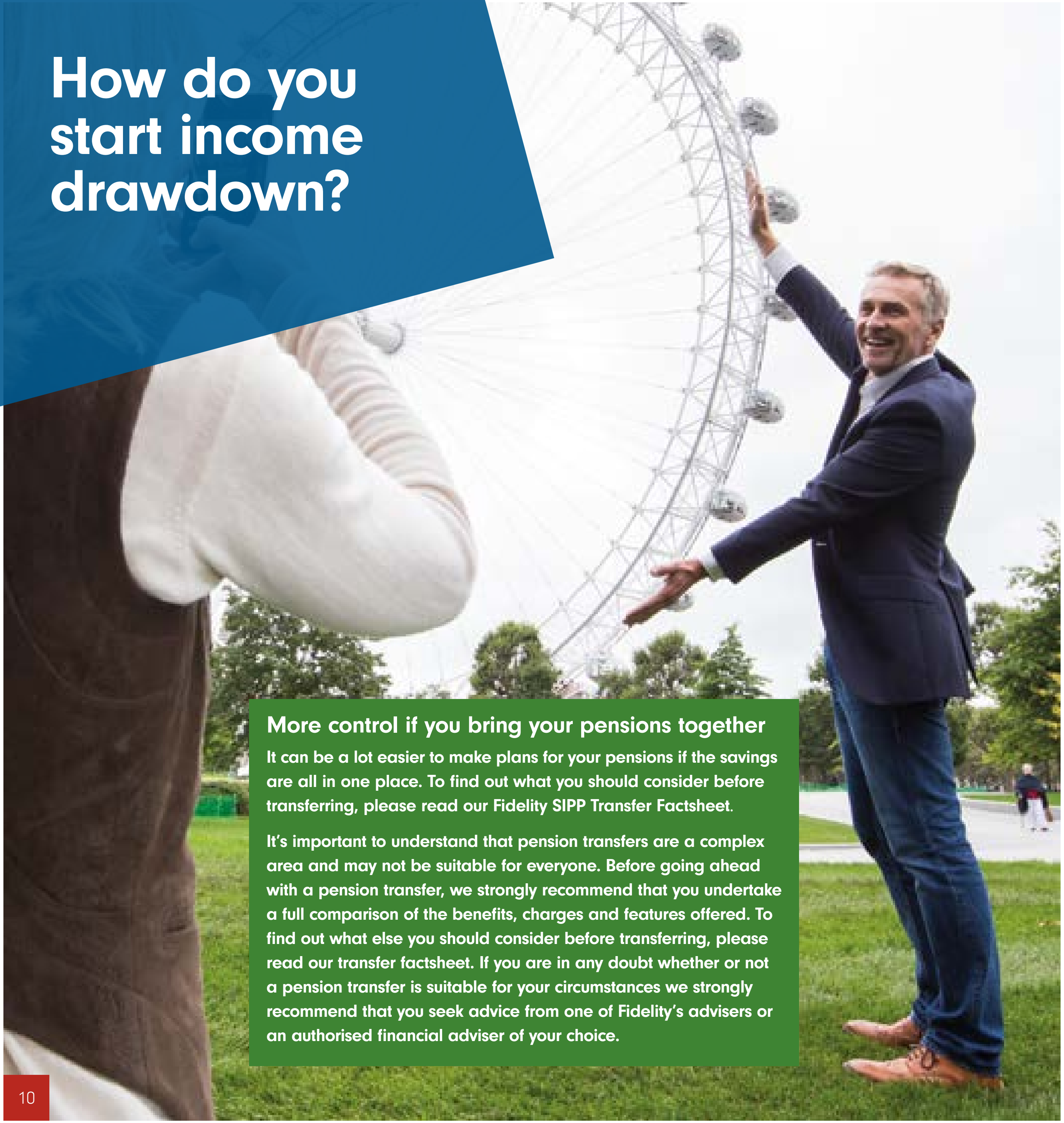
- You can take up to 25% as a tax-free lump sum straight away, if you want.
- You then give your money to an insurance company and they pay you a regular income (usually for life).
- There are lots of features you can include such as annual increases to the income and a pension for a spouse or dependant. If you have any health problems you might be able to get a higher income, (this is known as an 'enhanced annuity').
- You may be able to pass something on by selecting certain options.
- The income you receive from an annuity is partly linked to interest rates. The income the insurance company offers to pay you may be lower than you expect, especially if interest rates are low.
- Once you buy an annuity you can't usually change your mind.

## Leave your pension savings as they are

- Reaching the minimum pension age or the age you agreed with your pension provider to retire is not a deadline to take action. You cannot normally access your pension until age 55 (57 from 2028).
- You can delay taking money from your pension savings to allow you to consider your options.
- Delaying taking your money may give your pension savings a chance to grow, but please note that it could go down in value too.
- You can leave any money you don't withdraw to your family, other beneficiaries or charities of your choice.

**It really is worth remembering that you don't have to pick just one of these options for your retirement income. We believe most people will want to use a combination of them, which may even change over the years. You should shop around to find a product that is suitable for you. If you need some help working out how to 'blend' them together, just give our retirement specialists a call on 0800 860 0053.**

# How do you start income drawdown?



## More control if you bring your pensions together

It can be a lot easier to make plans for your pensions if the savings are all in one place. To find out what you should consider before transferring, please read our Fidelity SIPP Transfer Factsheet.

It's important to understand that pension transfers are a complex area and may not be suitable for everyone. Before going ahead with a pension transfer, we strongly recommend that you undertake a full comparison of the benefits, charges and features offered. To find out what else you should consider before transferring, please read our transfer factsheet. If you are in any doubt whether or not a pension transfer is suitable for your circumstances we strongly recommend that you seek advice from one of Fidelity's advisers or an authorised financial adviser of your choice.

**To begin taking a flexible retirement income you'll need to be in a pension that allows this. Some may allow you to take your tax free cash but may not allow you to take further income, or request regular income.**

**If you want to start income drawdown with Fidelity you'll need to move your pension to the Fidelity's Self-Invested Personal Pension.**

**Once you have set up your Fidelity SIPP and are ready to start taking an income, it's a simple phone call to start the process.**

Our SIPP has a number of valuable benefits:

- The full range of flexible income options
- The freedom to use full or partial drawdown
- No set-up or withdrawal fees
- No restrictions at 75 (you can keep your money in the SIPP for as long as you want)
- No fees for moving other pensions into our SIPP
- A wide range of funds from leading providers including investment pathways
- Additional investment options, such as investment trusts and exchange-traded funds as well as individual shares (dealing charges may apply)
- Award winning guidance to help you with your choices
- 24-hour online access through our secure website and Apps
- UK and Ireland based call centres for any questions you have

You will pay our typical service fee (which is usually 0.35%) and, depending on what you invest in, other fees will apply such as ongoing charges from the companies that run your chosen investments. Please refer to the Doing Business with Fidelity document for further information on charges.

You can find out more about the Fidelity SIPP at **fidelity.co.uk**

## What can our retirement service do to help?

You may have noticed we've highlighted our retirement service once or twice throughout this brochure. They can give you information and guidance, as well as personal retirement advice from a team of fully qualified advisers.

### Getting started

We know it can be difficult to pick up the phone and talk about your pension savings. That's why we also offer lots of online information and support, including several online tools to help you get to a stage where you are happy to look at your retirement income in more detail.

You can also give us a ring on **0800 860 0053** to ask us any questions you have about retirement planning in general and the different income options available.

### Getting guidance

When it comes to setting up your income, there are two strands to our support. We know some people are investment savvy and don't need to pay for advice, which is why we offer free guidance.

This allows customers to discuss all the options available to them and to ask any questions they have so that they can make a well informed decision. If you go down this route for drawdown, you'll have access to a wide range of investment options with low ongoing fund charges starting from just 0.05%, as well as tools to help you find funds to consider.

### Getting advice

That said, it is worth keeping in mind that when you're planning your retirement income, you could be making decisions about thousands of pounds and your choices will have life-long implications. Paying for a specialist to help ensure you're getting the maximum possible from your retirement savings could be a worthwhile expense.

We have found that even experienced investors can benefit from advice on their pensions as there's a lot to consider. Our advice team spends an average of 30* hours on every case to work out the best options.

Our retirement specialists have extensive knowledge of every aspect of drawdown – and all the other income options open to you. They can even help with transferring 'final salary' pension schemes.
The team will work with you to identify the best income options for your specific needs (whether you use one option or several) and then help you get everything set up. If you go for drawdown, any investment funds we recommend will be chosen from a selection of Fidelity managed solutions. These will be matched to your retirement objectives and attitude towards investment risk.

Just as importantly, the support doesn't stop there. Our team are available to help you throughout retirement, whenever you need them, all you have to do is pick up the phone.

For more information visit **fidelity.co.uk/frs**

## How to set up drawdown from the Fidelity SIPP

When you ring us, our first step will be to work out if we can help you. We'll talk about your requirements, how well you understand the different income options and whether or not you need advice.

This call can take a little while, particularly if you want more support, but we will not rush you at any point.

There is no initial cost and no obligation to use our service during this call. If you decide to go ahead, what happens next depends on the support you want:

- If it's clear you need advice, we'll set up a free, no obligation meeting with one of our advisers, either at our London Investor Centre or over the phone if that's easier for you. Once they understand your needs they can advise you about the fees for the service you need.
- If you're happy making your own decisions, you will need to decide how you want any money you are moving into drawdown to be invested. You can choose the same investments or select new investments that you think will meet your retirement income goals. You also have the option of choosing one of our Investment Pathways **fidelity.co.uk/investment-pathways**. These are straightforward investments designed around four clear targets for retirement income, ranging from 'I have no plans to touch my money in the next five years' to 'I plan to take out all my money within the next five years'. We'll check what you plan to do and send out the forms you need. Just review and return them to us and we'll do the rest. We will check your pensions for any valuable pension benefits and then get everything processed for you.

**Thinking about your retirement income? Call us today on**

**0800 860 0053**

**to see how we can help.**

*Source: Fidelity 2023 Based on working hours of each customer's case by advisers, paraplanners and administration.

# Here to help

Whether you're approaching retirement or already there, we're here to help you through the many important decisions you need to make. We can support you with general guidance or discuss the option of receiving personalised advice. For a full breakdown of all our products, services and charges call us on **0800 860 0053**.

**Guidance from the government: Pension Wise**

The government also offers a free and impartial guidance service to help you understand your options at retirement. This is available via the web, telephone or face-to-face through government approved organisations, such as Moneyhelper and the Citizens Advice Bureau. You can find out more by going to **moneyhelper.org.uk/pensionwise** or by calling Pension Wise on **0800 011 3797.**

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