

UCL

(Almost) everything you ever wanted to know about pensions

Cath Laycock and Megan Green

14 May 2021

Introducing the Money and Pensions Service (MaPS)



Established in 2019 by Government, we bring together the three providers of financial guidance, with our five core functions being:

1. Pension guidance
2. Debt advice
3. Money guidance
4. Consumer protection
5. Strategy

From June 2021, our three existing consumer brands will be combined to become



The PENSIONS Advisory Service



Disclaimer



All the information and guidance provided by MaPS is an opinion in good faith based on our current understanding of the relevant issues and current pension rules.

We will not provide any information or guidance that could be construed as regulated financial advice and do not provide detailed tax information.

Any opinions expressed by MaPS should not be regarded as grounds for legal action.

What we'll focus on today

- How much money will you need in retirement?
- The State pension
- Why save into a private pension?
- Types of private pension schemes
- How much can you pay into a pension?
- How does salary sacrifice work?
- Tracing old pensions
- Beware of scams – how to avoid losing your pension savings

How much money will you need in retirement?

The answer to this question differs for everyone and will depend on your circumstances.

Research published in 2018 set out three suggested levels of expenditure in retirement:

	Single	Couple
Minimum - covers basic needs maybe some left over for 'fun'	£10,200 (London £12,400)	£15,700 (London £19,800)
Moderate – allows more financial security and flexibility	£20,200 (London £24,100)	£29,100 (London £33,300)
Maximum – more financial freedom and luxuries	£33,000 (London £36,300)	£47,500 (London £49,300)

Read more here: <https://www.retirementlivingstandards.org.uk/>

See what you're on track to get using this Money Advice Service calculator:

<https://www.moneyadvice.service.org.uk/en/tools/pension-calculator>

Plan your budget: <https://www.moneyadvice.service.org.uk/en/tools/budget-planner>

How will you fund your retirement? State Pension, Private Pensions or something else?....

The State Pension

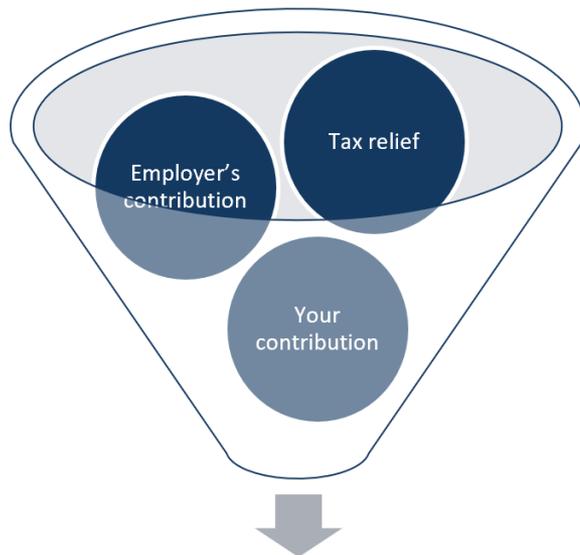
- A new State Pension was introduced for those reaching State Pension Age on or after 6 April 2016.
- The full State Pension is currently **£179.60 a week** (£9,339 per year) - far below what most people say they hope to retire on.
- The State Pension is paid according to your National Insurance record only – it is not possible to rely on your spouse/civil partner’s record.
- You will need at least 35 years of qualifying NI contributions to receive the full State Pension.
- You can find out your own State Pension Age here: <https://www.gov.uk/state-pension-age>. For example, a 30-year-old cannot expect to receive their State Pension until their 68th birthday.
- You can request a State Pension forecast online to see your current position (*a Government Gateway or Gov.uk.verify account is required* <https://www.gov.uk/check-state-pension>).
- If there are any gaps in your NI record then you may be able to pay voluntary NI contributions to top up your State Pension.

Why save into a private pension?

- A pension is a long-term savings plan designed to help you save money for later life as the State Pension alone is unlikely to be enough.
- Your State Pension may not be paid until you are 68 whereas private pensions can be accessed from age 55 (although this may rise to 57 in 2028).
- **Tax relief** - some of your money that would have gone to the government as tax goes into your pension instead.
- **‘Free money’ from your employer** – employers are now required to automatically enrol eligible workers into a pension scheme and pay into their pension.
- You may benefit from life cover as a member of the pension scheme (this will depend on the employer/scheme) which will provide a tax-free lump sum if you died whilst still in employment.
- If you die before retirement, your beneficiaries may be able to receive some money from your pension and, in certain circumstances, not pay any income tax or inheritance tax.

Paying into a workplace pension vs non-pension savings

Pension savings



Total contribution £100

Gross salary per month
£1,250

Employee pension
contribution

£40

+

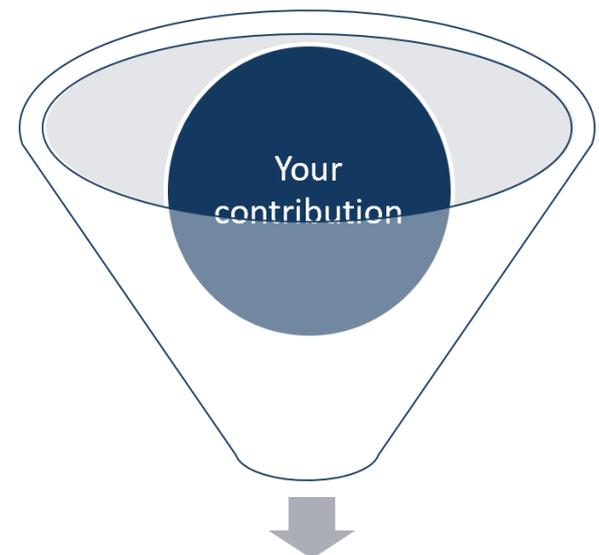
Tax relief

£10

Employer's pension
contribution

£50

Other savings



Total contribution £40

What type of private pensions are there?

Both DB and DC schemes are a tax efficient way of saving but they differ in design

Defined Benefit (DB)		Defined Contribution (DC)
Occupational/workplace arrangements		Occupational/workplace and personal arrangements*
Employer takes investment risk – no risk to member		Member takes investment risk
Final salary	Career Average (CARE)	Also referred to as money purchase schemes
Pension based on pensionable salary and service at retirement age	Pension based on average pensionable salary throughout career	Pot of money built up and invested in funds of your choice - value dependent upon amount contributed, charges and investment performance
You may be able to take your benefits before the scheme's normal retirement age (min age 55)		You can choose the age at which you can take your benefits (after age 55)
Benefits paid as regular income with the option of a tax-free lump sum		Usually provides choice as to how benefits can be taken, including option to receive 25% tax-free lump sum

*Other types of DC pensions include:

- Personal pensions
- Self-invested personal pensions (SIPP)
- Stakeholder pensions

Options for accessing money from DC pensions

Option	Tax free element	Overview	Income for life?
Leave it untouched	-	You don't have to start taking money from your pension pot when you reach your selected retirement age.	-
Guaranteed income	25% of the pot	You can use your pension pot to buy an insurance policy that gives you a guaranteed income for the rest of your life. This is called an annuity.	Yes
Adjustable income	25% of the pot	You can get an income from your pension pot that's adjustable. This means you get a regular income but can change it or take cash sums if you need to.	Maybe
Cash in chunks	25% of each withdrawal	You can take smaller sums of cash from your pension pot until it runs out. How much you take and when you take it is up to you.	No
Take the whole pot	25% of withdrawal	You can take your whole pension pot as cash.	No
A mix of some of these	Depends on choice	You can mix the pension options, eg use some of your pot to get an adjustable income and some to buy an annuity.	Depends on choice

A free Pension Wise appointment is available for anyone over age 50 with a DC pension to discuss these options in more detail

How much can you pay into a pension scheme each year?

- £3,600 or 100% of your gross earnings (subject to the Annual Allowance which is currently £40,000).
- In certain circumstances you may be able to 'carry forward' any unused allowance.
- Be careful - your employer's contributions count towards the Annual Allowance.
- You can pay into more than one pension scheme if you want to.
- The rules are complicated – contact us to discuss your personal situation.
- There is also a 'Lifetime Allowance' on pension savings which can receive tax relief - £1,073,100.



How does paying pension contributions by salary sacrifice work?

Eric (without salary sacrifice)

Gross pay	£1,000
Less pension contribution	(£100)
Less NI @ 12%	(£120)
Taxable pay	£900
Less tax @ 20%	(£180)

Ernie (with salary sacrifice)

Gross pay	£1,000
Less sacrifice pension	(£100)
Actual Pay	£900
Less Tax @ 20%	(£180)
Less NI @12%	(£108)



Take home pay: £600



Pension savings: £100



Take home pay: £612



Pension savings: £100

Tracing old pensions

- It is estimated that there are £20 billion of lost pensions.
- People are likely to change jobs 11 times during their career.
- Ideally you should keep your pension providers up to date with your address. Lots of providers now offer online access to monitor your pensions.
- If you don't have current contact details the 'Find pension contact details' tool on the Gov.uk web site may be of help: <https://www.gov.uk/find-pension-contact-details>
- **These pensions will be held for you until you are at least age 55 and can start to access them. You can leave them where they are or choose to transfer them to a different pension scheme – for example, if you wanted to combine all your pensions into one place.**

See our Spotlights 'Tracing your Pension' and 'Combining Pensions' for more help and tips

[https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight Tracing Your Pension.pdf](https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight%20Tracing%20Your%20Pension.pdf)

[https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight Combining Pensions.pdf](https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Spotlight%20Combining%20Pensions.pdf)

Pension Scams and how to spot them

- Contacted out of the blue
- Applying pressure to make a decision quickly
- Guaranteeing high investment returns
- Promising access to your pension before the age of 55
- Offer of one-off investments, time-bounds offers, upfront cash incentives, free pension reviews, legal loopholes of government initiatives
- Little or nothing in the way of contact names, addresses or phone numbers

IF IT SOUNDS TOO GOOD TO BE TRUE, IT NORMALLY IS



How to protect yourself from a pension scam

There are a number of things you can do:

1. **Make sure anyone giving you financial advice is approved and regulated by the Financial Conduct Authority (FCA): <https://register.fca.org.uk/s/>**
2. **You should ask the scheme that you are transferring from to check the new scheme's HMRC registration - they can make sure if it is a legitimate scheme**
3. **Never be rushed into making a decision**
4. **Don't proceed unless you are absolutely certain your money will be safe because once you transfer it's often too late**

The Government has now banned cold calling in connections to pension.

If you're contacted you should let the Information Commissioners Office know.

How to contact us



Pensions Guidance	Money Guidance	Pension Wise
Helpline: 0800 011 3797 Plus Webchat Online Enquiry Form via our website	Helpline: 0800 138 7777	To book a Pension Wise appointment, call 0800 138 3944 or online via website
Monday to Friday, 9am to 5pm	Monday to Friday, 8am to 6pm	Monday to Friday, 8am to 8pm Saturday 9am-1pm
pensionsadvisoryservice.org.uk	moneyadviceservice.org.uk	pensionwise.gov.uk

Other useful links:

Find a financial adviser

<https://directory.moneyadvice.service.org.uk/en>

Money Advice Service (MAS)

<https://www.moneyadvice.service.org.uk/en>

MAS Budget Planner

<https://www.moneyadvice.service.org.uk/en/tools/budget-planner>

MAS Saving and Investing

<https://www.moneyadvice.service.org.uk/en/categories/saving-and-investing>

MAS Pensions Calculator

<https://www.moneyadvice.service.org.uk/en/tools/pension-calculator>

MAS Retirement Planner

<https://www.moneyadvice.service.org.uk/en/articles/when-can-i-afford-to-retire>



Thank you

Any questions?