Retirement, your way

Your guide to planning and paying for the retirement you want

Three steps to your best retirement

Thinking through your retirement choices and making the best decisions can seem like an overwhelming job – especially when your retirement date is getting closer.

Whether you're planning alone or with a loved one, we've created this easy-to-follow, three-step plan to help you understand your options and plan for the retirement you want.

We're going to help you answer three key questions:

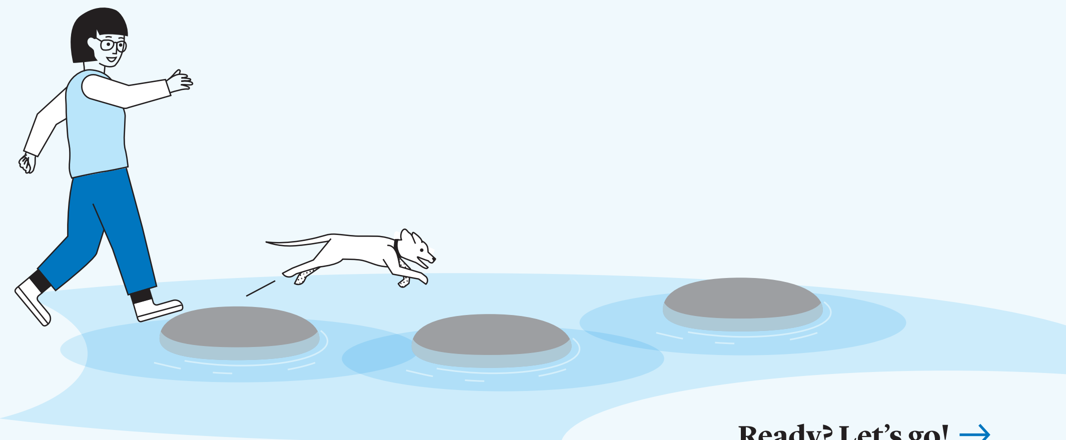
1. What sort of retirement do you want?
2. How much money will you have coming in?
3. What's the best retirement income plan for you?

We'll go into a lot of helpful detail, but this guide is just a starting point. It's always a good idea to get independent financial guidance or advice, do your research and shop around.

To help, the Government provides a service called Pension Wise. It offers free and impartial pensions guidance and will help you understand your retirement options.

Visit **moneyhelper.org.uk/pension-wise**
or call **0800 011 3797**

Pension Wise



Ready? Let's go! →

1. Imagining the retirement you want

Ask yourself some questions about the retirement you'd like. The answers will help you understand just how much money you might need for it.

Of course, your retirement can last for a long time – maybe 20 years or more. Breaking it down into manageable chunks can help. So, thinking about the next five or ten years:

The lifestyle basics

Do you want to keep working full time, part time or not at all?

If you plan to keep working full or part time, how long will you do it for?

- Working could help you:
  – top up your pension contributions
  – keep physically and socially active
  – give your life structure and purpose
- You might be able to work reduced or flexible hours. You can find out more at **gov.uk/flexible-working**

How will you spend any newly free time?

For example:

- will you be spending more time with family or friends?
- do you have any pastimes or hobbies to get stuck into?
- what sort of treats and holidays will you be able to afford?
- would you want to spend your time in other ways – volunteering, perhaps?

What are your essential monthly costs?

Work out how much you spend on things like:

- your weekly food shop
- car maintenance and insurance
- heating and other regular bills
- rent or mortgage payments

The housing basics

Where will you live during your retirement?

Do you want to:

- downsize?
- move closer to your family?
- stay where you are?
- move abroad?

Will you be caring for a family member?

- This could be from the generation above, the generation below, or your partner
- Think about how their or your needs could change over time

Are there any practical age-related housing adaptations you might need to consider?

For example, in the future, you might need help:

- getting up and down stairs
- climbing in and out of the bath
- with any other daily tasks

The financial basics

Do you need to clear any outstanding debt?

Making sure all your debts are covered is a big part of retirement planning.

Write down any debts you may have, including credit cards or a mortgage. Can you clear them before you retire?

If debts are becoming difficult to manage, debt charity StepChange can help.

Visit **stepchange.org**

Will you put aside some rainy-day money?

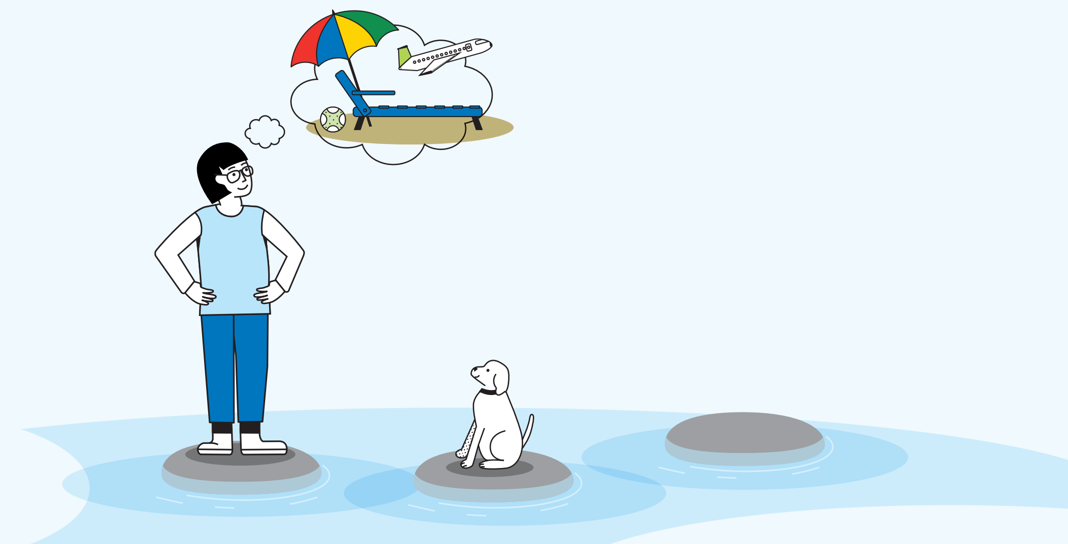
It could help cover any unexpected costs, like:

- a replacement boiler
- future care costs, should your circumstances change

There are retirement products available that give you security and flexibility. Depending on the product you choose, they can even be adjusted to meet your changing needs. There's more about the different products in step 3.

Do you plan to leave some money in your will?

If you do, this will need to be considered in your overall plans.



Ready for step 2? →

2. Your potential retirement income

Saving into a pension is just the start. When you're retiring, you'll need to decide how your savings will give you a retirement income.

Before you reach retirement age, it's a good idea to work out how much money you'll have available to buy your retirement income. Start thinking about the pensions you've paid into, as well as any other income sources you may have. For example, your State Pension, savings or property.

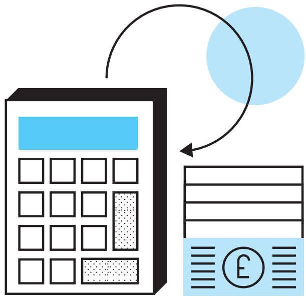
The next page tells you some of the ways you can find out what you've got.

Could you pay a little extra into those pensions?

If you're not thinking of accessing your pension savings soon, then you could think about adding just a little each month from now until you retire. This could increase the amount you'll get out.

Check our retirement income calculator to see how much a larger pension pot could boost your retirement income, and help support a later life that's closer to your dreams.

legalandgeneral.com/myincome



Your State Pension

Find out how much you've paid into your State Pension and when you'll start getting payments:

- go to **gov.uk/check-state-pension** to check your entitlement.
- you won't get your State Pension automatically, you'll have to claim it. You should get a letter from the Government before you reach your State Pension age, telling you what you need to do. If you don't, you'll have to get in touch with them.
- the amount you'll get depends on how many years you've been employed or self-employed and paid National Insurance.
- your State Pension is classed as taxable income – just like any other form of income.
- people with smaller State Pensions may qualify for Pension Credit, which tops up their pension payments.
- you don't have to access your entire pension in one go. For example, you might reduce your hours rather than give up work completely – so you may only need to take enough to cover your reduced wages.
- you can wait before you start taking your State Pension, which could increase your payments when you do claim it. Find out more at **gov.uk/deferring-state-pension**
- remember, tax rules can change, the availability and value of any benefits will depend on your personal circumstances.

Personal and workplace pensions

Check the value of your pensions

Many people have more than one pension, either from working in different jobs, or because they've set up personal pensions themselves.

Understanding the different types of pension will help you work out what you'll get in retirement. It's important to read any pension paperwork or annual statements you receive from your provider, to give you an idea of what you've saved, and any benefits or guarantees they come with.

Trace lost or forgotten pensions

You might have lost touch with some of your pensions, especially if you've moved jobs a few times. One way to trace your pensions is to contact your previous employers and pension providers.

The Government has a free-to-use, online pension tracing service, where you can find the contact details of pension providers to speak to directly.

Visit **gov.uk/find-pension-contact-details**

Doing it yourself can take a lot of time and effort. For a fee, there are pension tracing services that will do it for you.

We offer a free pension consolidation service for customers setting up a personal pension, where we can trace your pensions for you.

Think about bringing your pension pots together

You might want to bring all your pensions together in one place. This is called pension consolidation. Consolidating pensions can save you time and, by having them all in one place, they can be easier to manage too. Especially when you're ready to retire and need to decide how to take your retirement income.

For some people, having their pensions in one place means paying less in fees and charges, as they'll only be paying them to one provider. But consolidation isn't right for everyone. Some pensions come with valuable benefits, which you could lose if you move them, and some providers charge exit fees for leaving.

Make sure you check for any downside before you bring your pensions together. As with any investment, the value will go up and down. There are no guarantees, and you may get back less than you put in.

We can help you consolidate your existing pension into a single Legal & General pension pot. If you already have a workplace or personal pension with us, visit **legalandgeneral.com/pensionready**

Will you take some of your pension as tax-free cash, and if so, how much?

You can usually take up to 25% of your pension pot tax-free. You then need to decide what to do with the rest of it, whether that's keeping it invested or using it to buy an income for your retirement. We cover the different products available in step 3.

- Find out more about pension tax at **legalandgeneral.com/tax**
- You'll need to read through your pension documents or call your providers to understand your options.
- Remember, tax rules can change.

Other sources of income

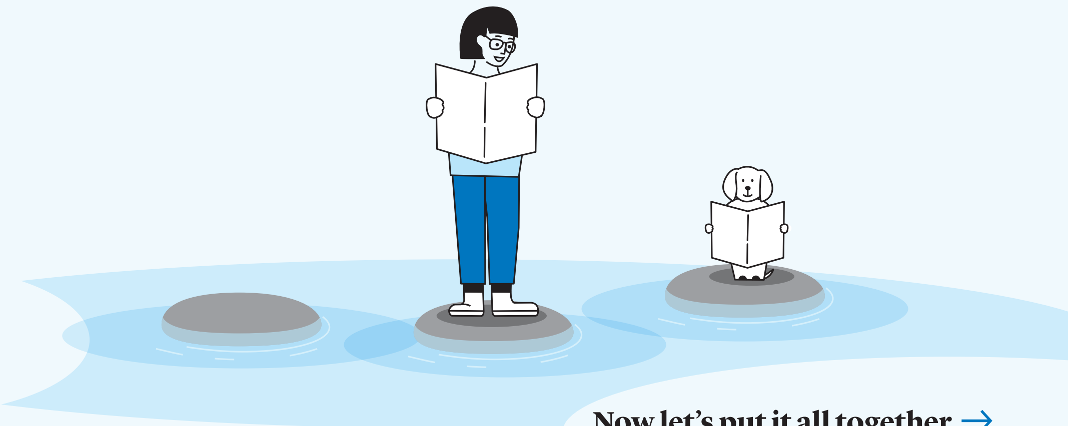
What current accounts, savings, shares or other valuable assets do you own?

You could use them to boost your income in retirement.

If you're a home owner, your home could be a particularly important asset to consider:

A later life mortgage allows you to borrow money based on your age and the value of your home, while continuing to live there.

- could you release some of the equity in your home as tax-free cash? Our later life mortgages are different types of loan secured against your home that let you do just that – find out more at **legalandgeneral.com/mymortgage**
- could you downsize, or move to a less expensive area or property, releasing equity from your home to support your retirement plans?
- could you rent a room to generate income?
- if you have children living at home, do they or could they contribute toward costs?



Now let's put it all together →

3. Let's write your plan

The last stage is to use the information you've gathered so far to create your retirement plan:

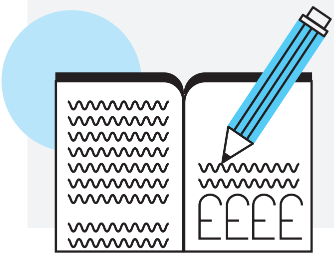
- in step one you thought about what type of retirement you'd like.
- in step two you worked out what pension savings and assets you have available to use for an income in retirement.

Let's get writing the first draft of your plan. It's unlikely to be the final version, and that's OK. As you work through the plan, or as things change in the future, you may need to change some of your decisions or revisit your options. Don't forget, breaking it up into five and ten-year periods can be helpful.

Start with the basics. Write down:

1. When you plan to retire
2. When you'll be eligible to take your State Pension
3. If you'll take an income from your other pensions when they become available at age 55 (or 57 from April 2028)
4. What you think your outgoings are likely to be

You can use this information later to help you decide which retirement income products will best suit your needs.



Other points to ponder:

If you think you might have a gap, is there still time to adjust what you're paying into your pension or any other savings product, like an ISA, so you'll have more later?

- Your property, and any savings or investments you may have, should be included in your overall income plans. For example, could you downsize your home or cash in any investments?
- Can you delay your first State Pension payment if you don't need it yet? This could increase your future pension income payments when you're older see – **gov.uk/deferring-state-pension** for more details.
- If you want to continue working either full or part time, this can also increase your income later.
- There's no one size fits all for retirement planning. But thinking about everything you have and need before you make any choices will help you get the best from your retirement.

Now, what do you want from your retirement income?

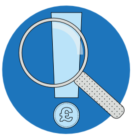
Before looking at retirement income products, think about your needs and how you like to manage your finances. This will help you decide the right product for you:

Do you want the security of knowing you'll have a regular income for a fixed period or the rest of your life?

Do you want to have flexibility in how much income you take and how you manage your pension pot?

What else do you need to consider in the future? Thinking ahead can help you plan better. For example, would you like to leave an inheritance? Or, even if you don't need help just now, should you think about possible future care costs?

During your retirement you can take out different income products at different times. This gives you more money management flexibility as your needs change.



When you're retired, you'll still pay tax on any taxable income over your personal tax allowance. Keep this in mind when you're choosing pension products.

It's your choice and support is available

Whatever you decide, it's important to have a look around at the different products and providers available. That will help you make decisions that are right for you.

If you're not sure what's best, we've suggested some sources of guidance or advice at the end of this booklet.

How do you want to use your pension pot?

When it comes to deciding how to take money out of your pension pot, there's no one right answer. Different providers offer different products, so it's always good to shop around, and get guidance or advice to help you find the right product or mix of products.

To help you get started, here are three different kinds of income your pension can help you set up:

Option one
A guaranteed income that lasts as long as you do

A pension annuity, also known as a lifetime annuity, pays you a regular income for the rest of your life, no matter how long you live, even if that's to over 100 years old.

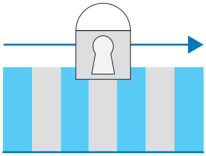
With an annuity, you'll know exactly how much you're getting, come rain or shine. So you'll have security and peace of mind. When buying a pension annuity, the options you choose are fixed and can't be changed. Think carefully if this is the right product for you. But if you choose an annuity, you can be safe in the knowledge that your annuity income will never run out.

It's worth noting that you could get a higher income if you have certain health or lifestyle risks.

- You can normally take up to 25% of your pension pot as a tax-free cash payment, and then use the rest to buy an income that will last as long as you do.
- You can choose features to suit your needs. Is it important your spouse, partner or other dependants continue to receive an income after you pass away?
- If you decide to get a quote with us, we can tell you if our quote is the best in the market. If it isn't, our partner Annuity Ready lets you compare quotes from other providers, to help you find the best deal.
- You also have the option for your annuity payments to go up each year. This could help protect you against the rising cost of living, for example.

legalandgeneral.com/myannuity

A guaranteed income that lasts for a fixed time



A guaranteed income for a few years

Fixed term plans are a good choice for some people, because they let you keep your options open. Which could give you some flexibility as your circumstances change.

We have two options:

Fixed Term Retirement Plan

- This plan pays out a guaranteed income for a set term, rather than for the rest of your life. You decide how long, usually it's 3 to 25 years.
- Once the term's up, you will receive a guaranteed maturity lump sum, that you can then decide what to do with, for example, buy an annuity or drawdown product (explained later).
- You can also decide not to take an income, and just take the maturity value at the end of the fixed term.

legalandgeneral.com/fixedterm

Cash-Out Retirement Plan

- This plan pays out a guaranteed income for a set term, again it's usually 3 to 25 years. Bear in mind that once the fixed term is up, you won't receive an income any more.

legalandgeneral.com/cashout

Try our free annuity calculator

Our website has guidance and tools to help you understand your options.

legalandgeneral.com/calculate

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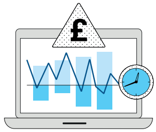
Best Annuity Provider

Option two
A flexible income

Drawdown is a flexible way to take money out of your pension. Think of your pension as a pot of money that you can dip into – either regularly, or as and when you need a little extra – until it runs out. Whatever you're not taking as an income stays invested, which means it could grow, but investments can also fall in value. As drawdown isn't a guaranteed income, you'll need to manage your money so that it won't run out.

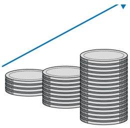
A flexible income

You're in control of how much you take and when. You could choose to take a regular and/or occasional income, or no income at all. You can take out as much or as little as you like, for as long as your pension size and investment performance allow.



An income you'll have to monitor

Your income won't be secure, and it could run out. So you'll need to keep track of how your investments are performing and manage your income carefully as well.



You decide how you want your money invested

You decide based on what you would like to do with your money within the next five years; we offer four options, also known as investment pathways. When you choose your investment pathway, you won't be locked in, and can change it at any time. Other providers may have different options to choose from.

Find out about our drawdown product

If you're comfortable keeping some of your pension pot invested, and that you can manage your pension pot so you have enough money in retirement, pension drawdown could be a good choice for you.

Keep in mind how long you could need your pension to last. You could be retired for 20 years, or much longer. If you withdraw too much too soon, there might not be enough left to last your full retirement.

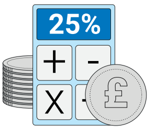
Find out more about drawdown
legalandgeneral.com/mydrawdown

Option three
Lump sums taken directly from your pension pot

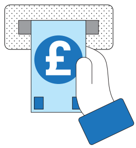
You can take money out of your pension without choosing a guaranteed or flexible income. If you wanted to, you could also withdraw your entire pension as a single lump sum.

When thinking about taking lump sums, remember you may be taxed on these. Any lump sums will count towards your taxable income that year, and you could end up paying a lot more tax than if you bought an annuity or drawdown product with more gradual withdrawals over time.

Anything you don't withdraw, stays invested. Which means it could grow, but investments can also fall in value. You'll need to manage your money so that it won't run out.



You can usually take up to 25% of your pension as tax-free cash.



Depending on your individual circumstances, there's no limit to the amount you can take as a lump sum. But, it's important to keep in mind how long you'll need your pension to last, and that once you've taken your tax-free cash, the rest is taxable. There might be more tax-efficient ways to take an income in retirement.

Mix and match to suit your needs

You don't need to choose just one type of income product. You can combine some or all of them, either at the same time or one after the other, to meet your changing needs now and in the future. For example, using your pension pot to buy a flexible income, as well as a guaranteed income.

legalandgeneral.com/blending

It's important you research or get financial advice when making decisions about your retirement. Find out more at **moneyhelper.org.uk/pension-wise**

You should also know that if you currently receive means-tested benefits, withdrawing money from your pension may reduce how much you receive. Find out more at **gov.uk/benefits-calculators**

Ready to get started?

It's always worth shopping around before you buy. Other providers may have more appropriate products, or be able to offer a higher level of retirement income. We'd also recommend getting some guidance or advice before making any final choices.

Talk to our retirement experts

Legal & General

Our retirement advice team will give you tailored financial advice, so you can make the best choices for you and your family. And because they're independent advisers, they don't just look at our products. If another provider offers a better option, they'll recommend them instead.

Call our advice team on:

0800 001 5845

Monday to Friday, 9am to 5pm.
Calls may be monitored or recorded.

Visit: **legalandgeneral.com/retirement-advice**

Get retirement guidance

Pension Wise

Pension Wise is a service from MoneyHelper, backed by the Government. It offers free, impartial guidance to over 50s. It explains the options to take money from your defined contribution pension pots.

To find out more or book an appointment:

Call 0800 011 3797

Monday to Friday, 9am to 5pm.
Calls may be recorded and monitored.

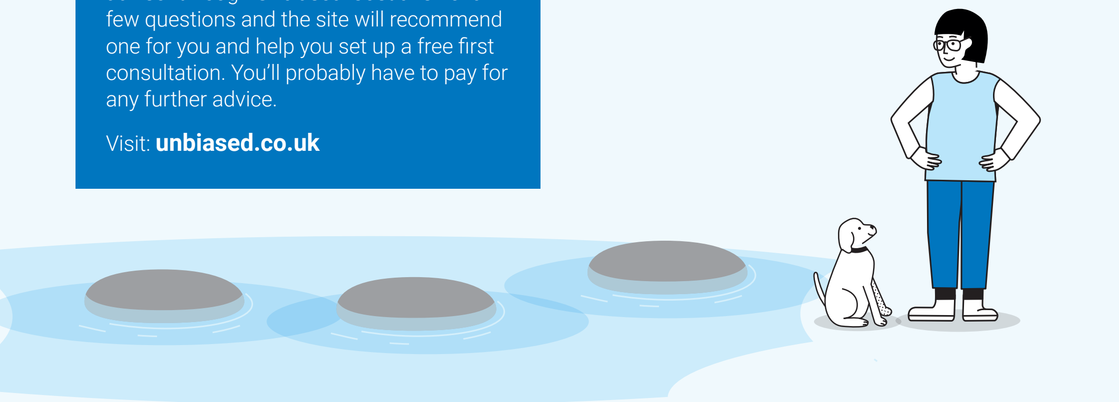
Visit the Pension Wise website at:

moneyhelper.org.uk/pension-wise

Find an independent adviser

Connect to an independent financial adviser through Unbiased. Just answer a few questions and the site will recommend one for you and help you set up a free first consultation. You'll probably have to pay for any further advice.

Visit: **unbiased.co.uk**



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