

A Guide to understanding Pensions



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Welcome to Succession Wealth

Our Wealth Planners are here to help you take control of your finances and provide you with the confidence you need to go after the things that matter to you.

Succession Wealth Management Limited is a large national UK financial advice firm. Our teams of Wealth Planners deliver high quality independent advice to thousands of clients across the UK, and we're committed to helping people achieve more with their money.

Our clients are at the heart of everything we do and looking after their wealth journey is a privilege to us. The relationships we build last longer than a lifetime, and we are proud to provide advice across generations. When you choose to work with us, we promise to provide an exceptional personal service tailored to your unique financial aspirations.

This guide has been created to provide a high-level overview of some of your pension options and may be useful in helping you understand the basics of how pensions work and how you can make the most of them.

Know your options and choose the right pension for you

How many times someone have you heard someone say, "I don't understand pensions"?

Pensions can be confusing, and what should be a simple and effective long-term savings vehicle is often made more complicated by the various rules and regulations that apply. A pension is a crucial element of your overall financial plan and can be one of the best ways to build wealth efficiently over the long term.

Pension basics

A pension is a way of saving money to live on when you decide to retire. You typically pay in a portion of your earnings each year and can access that money after the age of 55 (or 57 from 2028).

The benefits of a pension are that, as well as the money you pay in, you are likely to receive money from the Government and in many instances, your employer.

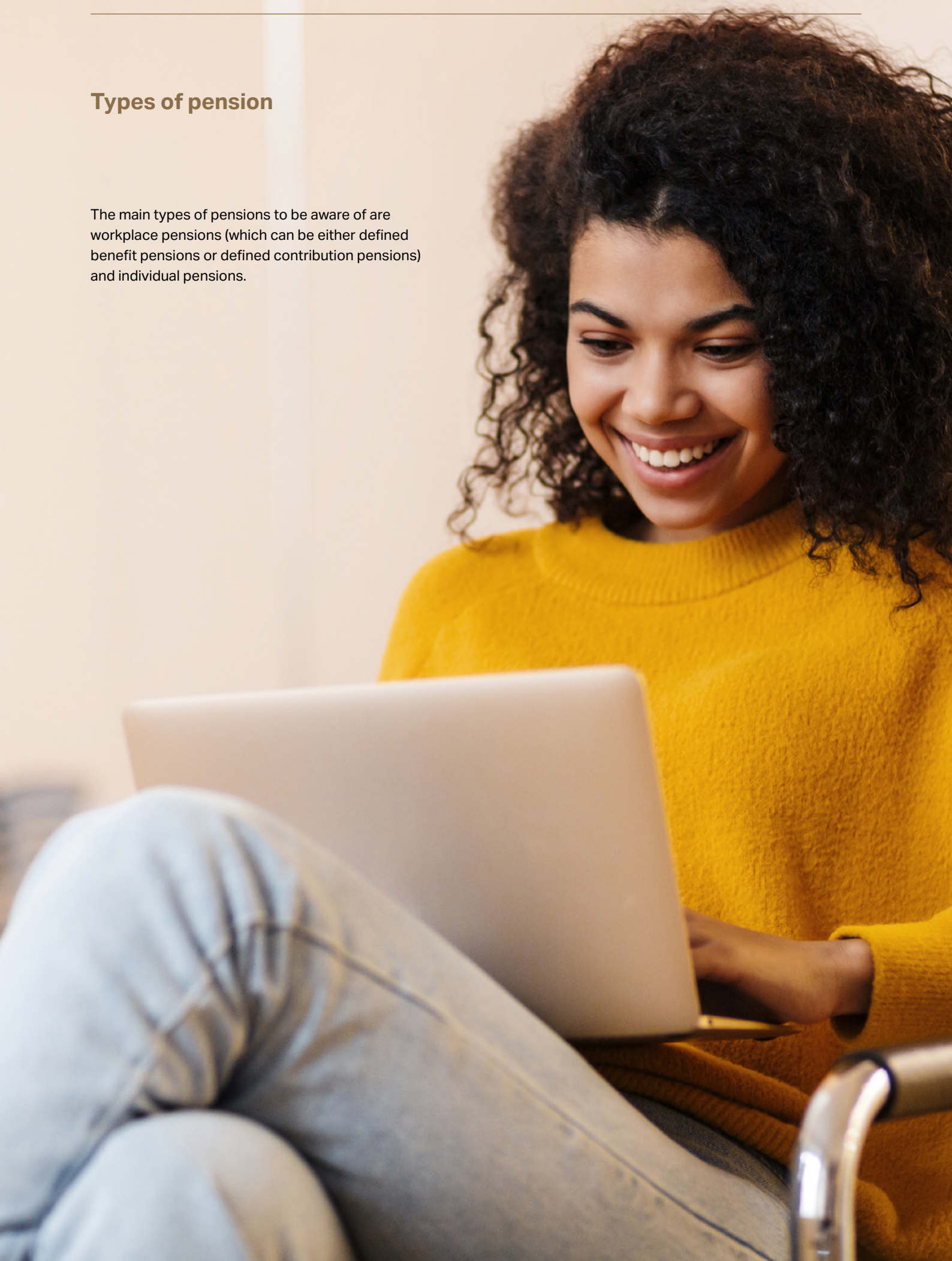
Depending on when you or your employer start to pay into your pension, that collective money could be invested for many years, so it has the opportunity to grow, and that growth is protected from tax.

When you reach retirement age, you'll have various options to access your money, and depending on the value of the pension, it could provide an income for the rest of your life.



Types of pension

The main types of pensions to be aware of are workplace pensions (which can be either defined benefit pensions or defined contribution pensions) and individual pensions.



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Workplace pension

If you are employed, are aged between 22 and state retirement age, and earn over £10,000 per year your employer is required to automatically enrol you into a pension scheme and both you and your employer are required to make contributions to your pension. You can choose to opt out, and it only applies to companies that have 'eligible jobholders'.

The most common type of workplace pension is a Defined Contribution (DC) pension. With these, you'll make contributions, usually as a percentage of your earnings, and you'll receive tax relief from the Government which will increase their value. The minimum total contributions under automatic enrolment have been set by the Government. The current minimum total contribution will be 8% for most people. Your employer must contribute a minimum of 3% of your qualifying earnings. If they do so, your minimum contribution would be 5%. Some employers will contribute an amount equal to what you contribute – known as matching. This means that as you save, you're receiving additional payments from your employer and support from the Government, none of which would be available if you were not paying into a pension plan, although tax relief may also be available for non-workplace pensions.

The amount you receive in retirement is based on:

How much you contribute

In some instances, you may be able to choose what percentage of your earnings you pay in, but you would need to check with your employer if this is possible.

How much your employer contributes

They must pay a minimum of 3% of your earnings but many pay more.

How much tax relief you receive from the Government

Your pension provider will claim it as tax relief and add it to your pension pot ('relief at source') at a rate of 20%. You may be able to claim more in your annual self-assessment, depending on your tax status. If your rate of Income Tax in Scotland is 19% your pension provider will claim tax relief for you at a rate of 20%. You do not need to pay the difference.

How long your money is invested for

Starting early gives you the best chance of growing your wealth.

The return your investments achieve

While this is difficult to predict, you may be able to choose an investment strategy that aims for higher returns, depending on your risk profile.

How much you pay in fees

There may be a number of fees that are payable, for example to your pension provider or other management fees that are applicable, which could leave you with less money in your account, depending on the performance of your pension funds.

The other type of workplace pension is called a Defined Benefit (DB) pension. These are arranged by your employer and are also sometimes called 'final salary' or 'career average' pension schemes.

How much you get depends on your pension scheme's rules, not on investments or how much you've paid in. Workplace schemes are usually based on a number of things, for example your salary and how long you've worked for your employer.

The pension provider will promise to give you a certain amount each year when you retire.

You can usually choose to get 25% tax-free (up to a maximum of £268,275), and then you'll get the rest as regular payments.

The finer details of DB pensions are beyond the scope of this guide. If you require more information, please contact your pension provider or speak to your Wealth Planner.

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Individual pension

Any UK resident can choose to open an individual DC pension, as well as, or instead of, a workplace pension. Options include a private personal pension and self-invested personal pension (SIPP).

These work in largely the same way as workplace pensions, except that all decisions such as which provider to choose, or how frequently you contribute, lie with you and not your employer. If you already have a workplace pension, you will need to consider whether the additional choice or control is worth the extra charges of a separate pension plan or even the potential loss of employer contributions.



Maximising your pension

If you have any kind of DC pension (be it workplace or individual), there are actions you can take now to grow your wealth for your retirement.

These include:

Starting or increasing your contributions

Personal contributions are crucial to building wealth in your pension. The earlier you start or increase your contributions, the more potential this money has to grow.

Increasing your employer contributions

Check your contract to see how much your employer pays into your pension. Sometimes, if you increase your contributions, they will match them.

Choosing a pension that's right for you

You can take control of your pension by choosing a provider that offers the investment strategy you want at a fee you're willing to pay.

Keeping track of old pensions

If you move on from an employer, keep a record of the pension they paid into. You can transfer this money into a new pension if you want, though you should seek advice first to ensure you don't lose any benefits.

Seeking advice

We can help you to understand and make the most of your pension, ensuring that you're making the right decisions now to benefit you in the future.

Contact us

If you would like to discuss this, or any aspect of financial advice with one of our Wealth Planners, feel free to email us at hello@successionwealth.co.uk or call us on 0800 051 4659 and we will arrange for someone to contact you.



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The content of this article was accurate at the time of writing. Whilst information is considered to be true and correct at the date of publication, changes in circumstances, regulation, and legislation after the time of publication may impact on the accuracy of the article.

The information in this article is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change and tax implications will be based on your individual circumstances.

A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected by interest rates at the time you take your benefits.

Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means-tested benefits and is not suitable for everyone. You should seek advice to understand your options at retirement.

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