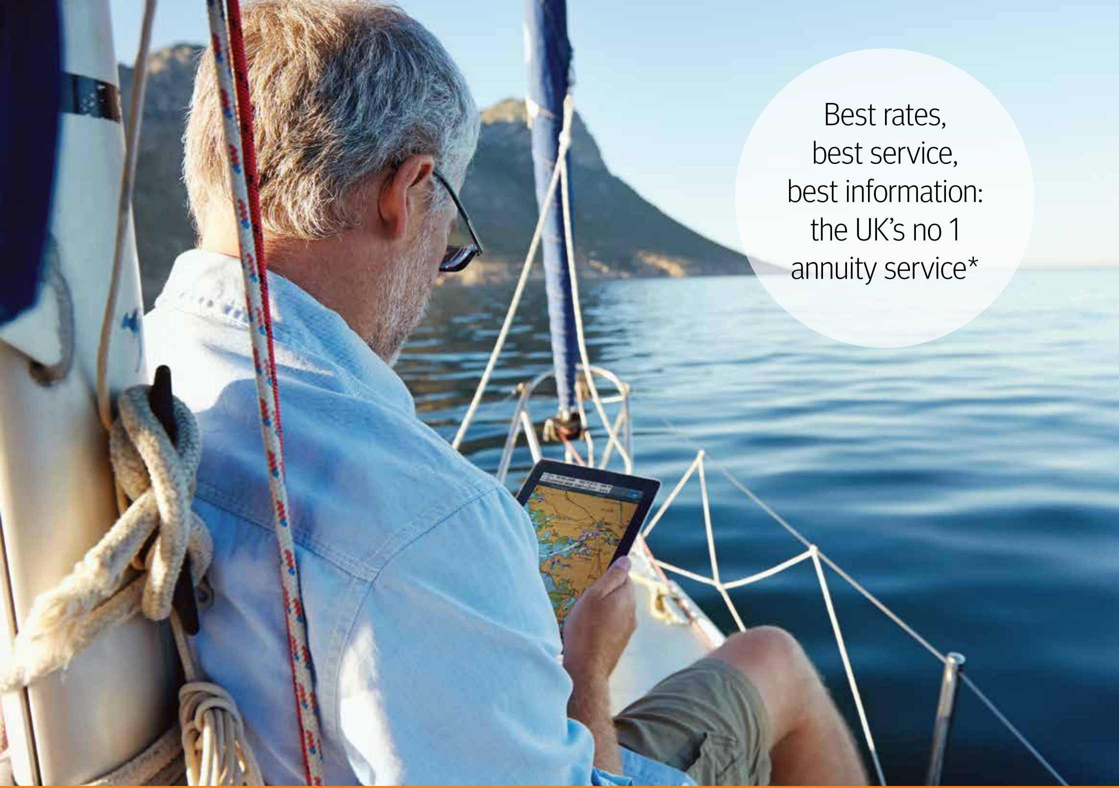

www.hl.co.uk/annuity

Guide to taking a secure retirement income

How to boost your income – for life

GOLD STANDARD AWARDS 2015 WINNER RETIREMENT

HARGREAVES LANSDOWN

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www.hl.co.uk

An **annuity** is one of the few ways of providing a secure income from your pension.

It is a guaranteed income for life, no matter how long you live. It's easy to find a **better** annuity income, using our annuity service. This guide explains your options and shows you how to achieve that better deal, quickly and simply.

If you have any questions call us on **0117 980 9940**.

What you do with your pension is an important decision. Therefore, we strongly recommend you understand your options and check they are suitable for your circumstances: take appropriate advice or guidance if you are unsure.

Pension Wise, the Government's pension guidance service, provides a free impartial service to help you understand your options at retirement. You can access the service online at **www.pensionwise.gov.uk**, by calling **0800 138 3944** or face to face.

This guide is not personal advice. We offer a range of information to help you plan your own finances and personal financial advice if requested.

*We are the UK's number 1 non-advised annuity service as we write more annuities each year than any other broker. Source: Equifax Touchstone.

Your options

At retirement you have some choices to make. From age 55, you can usually take up to a quarter of your pension fund tax free, with any further income or withdrawals taxed as income.

You are likely to want to provide some kind of income for your future retirement.

- If you need secure income, as many people do, you can use our **annuity service** to find a better income. This is important. It could boost your income for life, by thousands of pounds. This guide explains the options and how to get the best deal.
- If you don't need a secure income yet, you could consider taking a variable regular income directly from your pension fund instead. This is an option known as **drawdown** and is becoming increasingly popular, although it is higher risk as your fund remains invested and income is not guaranteed. See page 12 for more details on how it works.
- If you would like a mix of secure annuity income and variable drawdown income then our **Retirement Planner** can help you to build a bespoke plan. See page 12 to learn more about taking a mix-and-match approach.
- **There are also some options to take your pensions as cash.** Normally 25% of the lump sum is tax free, the rest would be subject to income tax. See page 13 for details about taking a lump sum.

» Visit **www.hl.co.uk/annuity** or call **0117 980 9940**. We can talk you through your options, help with all your questions and, most importantly, help you get the best annuity deal.

25%
The amount of pension most people can take tax-free at retirement

Mrs Reeves, Wiltshire

Client case study: Mrs Reeves, Wiltshire

"Hargreaves Lansdown were brilliant in setting up my annuity. They did all the legwork for me by shopping around and finding me the highest income available from my pension. Everything was finalised within three weeks of first enquiring. I particularly liked that whenever I rang I spoke to someone straight away who was able to help."

Are you one of the 70% who could qualify for an enhanced annuity?

Retirement is one time where being less than fighting fit can work to your financial advantage.

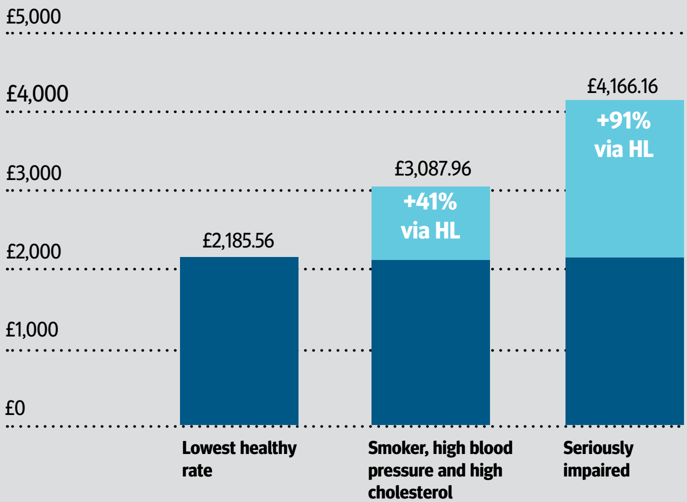
An enhanced annuity could pay you a lot more than a standard pension. It's estimated that 70% of people could benefit from a boost to their income when they retire because they drink alcohol, are overweight, smoke, or have even minor health conditions (source: RetirementAdvantage).

» Visit **www.hl.co.uk/enhanced-annuity** or call **0117 980 9940**.

There are over 1,500 conditions which could mean you get a better income. Some common factors that could increase your income are:

- drinking alcohol
- being overweight
- smoking
- high blood pressure
- high cholesterol
- diabetes
- heart problems
- regularly taking prescribed medication

See how lifestyle and health conditions can increase annual income



Source: Hargreaves Lansdown annuity calculator 10 May 2016 – 65 year old with £45,000 pension fund, single-life level annuity, paid monthly.


Best rates,
best service,
best information


Just five
minutes to get a
guaranteed
quote

Could this be the most profitable five minutes you've ever spent?

Just five minutes to get a quote

100% guaranteed quotes

Available 24 hours a day

1ST in the UK

www.hl.co.uk/enhanced-annuity

Enhanced annuities can boost income significantly. In the past, getting an enhanced quote has taken time, not to mention lots of paperwork. Our service lets you do it straight away online - at any time of the day or night.

Our online calculator was the first of its kind offering **guaranteed** and fully underwritten quotations online - why not give it a try?

It takes less than five minutes to get a quote. There are no estimates or waiting for a call back - just up-to-the-minute guaranteed figures clearly showing the annuity income available.

"I was able to login and enter my details and medications quickly and easily. What I found particularly useful was that I was able to find my specific medication from the website itself. No routing around for prescriptions or finding the exact spelling, it was all available from a prescribed list. I got live and fully underwritten quotes in a matter of minutes. I would give it a 10 out of 10."

Mr Walder, Lancashire

» Visit **www.hl.co.uk/enhanced-annuity** to get an enhanced quote in minutes

What are my annuity options?
Three main questions to get started

1 Do you want to take tax-free cash?

You can normally take up to a quarter of the pension value as a tax-free lump sum, and use the rest to buy an income (on which you would have to pay tax).

Choose how much tax-free cash to take:

✓ No tax-free cash.
✓ Generally up to 25% tax-free cash.

Important:

If you are married or have a partner, it's essential you consider providing an income for them when you die. Otherwise they could be left with nothing.

How much will your pension pay?

Compare incomes and options yourself at **www.hl.co.uk/annuity**. It's important to choose the right option as your annuity is set up for life.
If you have any questions, please call us on **0117 980 9940**.

2 What will happen to your income when you die?

This is one of the most common questions. Annuities continue to pay out for as long as **you** live. You can also choose to protect the income when you die, which may be very important if you are married or have financial dependants.

Choose a pension for your husband, wife or partner:

✓ 100%, 66% or 50% of your income can continue to be paid to your husband, wife or partner when you die (a joint life annuity). Your starting income will be lower, but more could be paid out overall.
✓ Or, choose no pension for a husband, wife or partner (a single life annuity) where income stops when you die.

Choose an option to guarantee income:

✓ An income with no guarantee period at all. The annuity simply stops when you die (unless you have chosen a joint life annuity).
✓ A guarantee period (for example 5, 10 or even 30 years). The annuity still pays for your whole life but if you die within the guarantee period it continues to pay to your estate or beneficiaries for the remainder of that period.
✓ A money-back option (called value protection), paid if you die before a certain age and have not had all the original capital back as income.

3 Do you want your income to keep pace with inflation?

An annuity payment can stay the same, or increase each year. Having increases will mean you start with less, but can help protect against inflation. This is important, as you may be taking an income for 30 years or more. Over the last 30 years inflation has seen the costs of goods and services rise by 168%. This means something which would have cost £1,000 30 years ago would typically cost £2,680 today.

Choose an option to increase your pension:

- ✓ A level income (which does not increase - this offers no protection from inflation).
- ✓ An income linked to the Retail Prices Index (RPI).
- ✓ An income increasing by a fixed amount each year (typically 3% or 5%).

You should carefully consider how inflation will affect your income in future. It can make sense to have some kind of increasing income - or you could consider using a mix of annuity and drawdown?

Mr Coe, Stockton-on-Tees

Mr Coe used our service to buy an income that increases with inflation

"I just wanted to say thank you for the enhanced RPI protected annuity quote received today. Thanks to you making it so easy I am going to receive an annual sum £2,500 greater than the lowest standard quote, and this is entirely down to your team. I remain hugely impressed with the service you provide."

How often do you want income paid? You can choose your annuity to be paid every month, every three months, every six months or once a year – and have it paid at the start (in advance) or the end (in arrears) of the chosen payment period.

How is annuity income taxed?

Annuity payments after death can be tax free

Annuity income is subject to income tax, deducted by the annuity provider. Annuities can be set up to pay income (or a lump sum) after your death (as described on the previous pages). The tax treatment of these payments will depend on your age when you die.

Choosing the right annuity options is very important, particularly if your spouse or partner also depend on the income. Including continuing income or lump sum payments after your death will reduce your starting income but could mean more is paid out overall and payments after your death could be tax free.

How can your annuity be passed on?	Tax treatment if you die before age 75	Tax treatment if you die after age 75
Income – payable if you've chosen a joint life annuity or a guarantee period.	Your beneficiaries will receive the income **free of income tax**.	The income is taxed at you beneficiary's/beneficiaries' rate of **income tax**.
Lump sum – payable if you've chosen the money back option (value protection).	Your beneficiaries will receive the lump sum **free of income tax**.	The lump sum is taxed at your beneficiary's/beneficiaries' rate of **income tax**.

This table applies where death occurs on or after 3 December 2014 and the first resulting payment from the lifetime annuity is paid on or after 6 April 2015. Death benefits paid from a scheme pension, even if provided via an annuity, are not tax free. Tax rules can change and benefits depend on individual circumstances.

Mr Scott, Devon

Mr Scott's annuity will pay for his wife's lifetime as well as his own

"The service Hargreaves Lansdown offered was outstanding. They talked me through the various options and I was able to choose an annuity that suited my circumstances (a joint life annuity which will pay to my wife if she outlives me). An annuity was right for me because I wanted a secure regular income that, most importantly, would pay out for the whole of my retirement and continue to my wife."

Next steps

Consider your options carefully and call us on 0117 980 9940 if you have any questions. Once you are ready to go ahead, it is important to act quickly.

REASON 01

Annuity quotes are guaranteed for a short time - typically 14 days. The annuity provider will need to receive the pension fund to guarantee the rate.

REASON 02

Annuity rates can change regularly - they may go up or down in future.

REASON 03

Every month you delay means a month's lost income - this can be hard to make up again.

Mr Franklin, Middlesex

Client case study: Neil Franklin from Middlesex got thousands more using our service

"I read about HL in the paper and I used the online tool to get some annuity quotes. The figures were thousands of pounds better than my pension provider's even though they were from the same insurance companies! Whenever I phoned the HL helpdesk I found it to be helpful and they always called back when they said they would."

Other options

An annuity provides a secure income, for however long you live. You won't find many other retirement plans which promise to do that. But what about the other options?

1. **Drawdown.** This is the main alternative to an annuity. It allows you to take up to a quarter of your pension as a tax-free lump sum, and a taxable income from the rest. You stay in control of the pension, which means you choose where to invest it, and how much income to take.

   There is no minimum limit to the amount of income you can take, so you could simply take your tax-free cash and leave your remaining funds invested until you require an income. When you do decide to draw an income you can take what you like, there is no limit. However, the income you do take will be added to any other income received in that tax year, so large withdrawals could push you into a higher tax bracket.

   The aim is to keep your options open and increase your fund value assuming your investments perform well. However, if investments don't go the way you want, or if the pension pot is depleted by excessive income withdrawals, your fund value and therefore future income will be reduced. The risk and responsibility rests with you (something which doesn't apply when you buy an annuity) so being comfortable with managing and reviewing your investments on a regular basis is essential.

   There are more options for passing the pension on to your beneficiaries when you die, tax free in some circumstances. However, if things don't go well, which could easily happen if you take too much income or your investments don't perform as well as you expect, your fund value will dwindle or even run out, leaving little or nothing for your dependants.

   Drawdown may appeal to you if you don't need a secure income. However, it may cause you worry or concern, and in that case drawdown may not be for you. Drawdown is a more complex option than an annuity and if you are not sure about its suitability for your circumstances, you should seek personal advice.

   » **If you want to learn more about drawdown call us on 0117 980 9940 or you can ask for a guide and illustration at www.hl.co.uk/drawdown**

2. **Mix and match.** You don't need to make a single choice – you can mix and match the options. You can use an annuity for some of your pension to provide for your essential living costs, and use drawdown for the rest, as long as you accept that drawdown is not guaranteed.

   » **Our Retirement Planner can help you achieve a mix of secure and variable income to match your needs. Visit www.hl.co.uk/retirement-planner to create your own plan.**

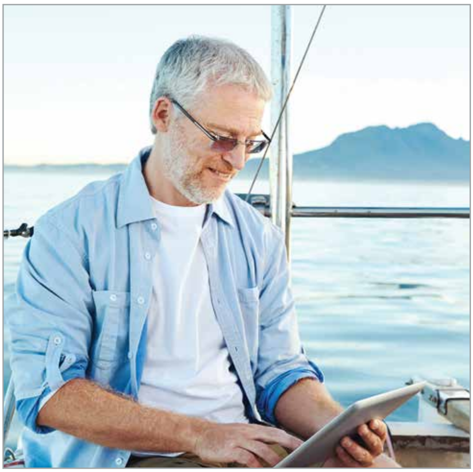
The pros and cons of drawdown

Pros	Cons
✓ Choice and control	✗ Your income is not secure
✓ Potential for investment growth and a rising income	✗ Potential for investment losses and a dwindling income
✓ Keeps options open when you die - your beneficiaries have a choice on how to take the remaining drawdown pension, including as a cash lump sum	✗ You could run out of money
✓ Flexibility to stop, start or vary income as you want, to meet your needs and circumstances	✗ This is a more complicated and higher risk option than an annuity and you can't just forget about drawdown – you need to review the situation regularly

3. **Withdraw lump sums from your pension.** The pension rules introduced in April 2015 make it easier to take lump sums from your pension. This can be done under the triviality rules, where an individual pension worth less than £10,000 can be taken as a lump sum. The other option, available for pensions of any size, is to take an Uncrystallised Funds Pension Lump Sum up to the whole value of your pension. Your pension provider will be able to confirm which options are available to you.

   25% of the lump sum will be tax-free, the rest will be taxed as income. Taking a lump sum could push you into a higher income tax bracket, meaning you may pay more tax than you would have had you spread the withdrawals over several tax years.

» If you want to discuss any of the options listed here, call us on 0117 980 9940.



Important notes

We offer our service without personal advice as standard and have published this guide to help you make your own investment decisions. If you have any doubts about whether an investment is suitable for your circumstances you should seek personal advice.

This guide is designed for people with a “money purchase” pension, such as a Personal Pension, Stakeholder Pension, Self-Invested Personal Pension (SIPP) or an Additional Voluntary Contribution (AVC) plan. If you are expecting a final salary income (or scheme pension) from your employer, this guide will not explain the options you have with that pension. If you are considering transferring your final salary benefits, including pensions with any guarantees or promises, your pension scheme may insist you take advice.

The earliest you can usually access your pension benefits is age 55 (an increase to 57 in 2028 has been announced). If your scheme’s rules allow you to take benefits before age 55, please call us and we will obtain annuity quotes for you.

Annuity quotations are guaranteed for a limited time, shown on the quotation. The pension money and paperwork must be with the annuity company by the date the quote expires to secure the rate. Annuity rates can change regularly and may go up or down.

An annuity is a long-term investment. Although you have the right to cancel, you only have a limited time to do so. Once set up an annuity cannot normally be altered so it is important to consider your options carefully.

Enhanced annuities can only take into consideration health and lifestyle at the time of applying. Should your health change in the future your annuity and rate cannot be altered.

Lifetime annuities are covered by the Financial Services Compensation Scheme. This could act as a safety net if an annuity company is unable to meet its annuity obligations.

Before transferring a pension you should find out if you have to pay any penalties or exit charges or if you are losing out on any valuable benefits. You should carefully consider whether it is in your interest to go ahead and you need to be sure that benefits will be at least as good as the benefits you are giving up (for example make sure you will not be sacrificing defined benefits or guaranteed annuity rates).

Lifetime allowance: This is the total amount you can build up in pensions. It is measured when benefits are taken from a pension and at age 75. All private and work pensions must be taken into account, including any pensions from which you are already taking an income. The lifetime allowance in the tax year 2016/17 is £1 million so you will have to pay tax on anything above this level, unless you have registered for protection with HM Revenue & Customs.

Tax-free cash recycling: If you significantly increase pension contributions in the year you take tax-free cash from a pension or in the two years before or after, this may be seen as ‘recycling’ tax-free cash and you may have to pay a tax charge of up to 70% on the tax-free cash.

The options described in this guide are those generally available at the time of writing (6 April 2016). However, pension scheme rules can be more restrictive than legislation. Pension and tax rules change and the benefits will depend on your circumstances. This booklet is based on our understanding of current pensions legislation which may change. Hargreaves Lansdown Asset Management is authorised and regulated by the Financial Conduct Authority.

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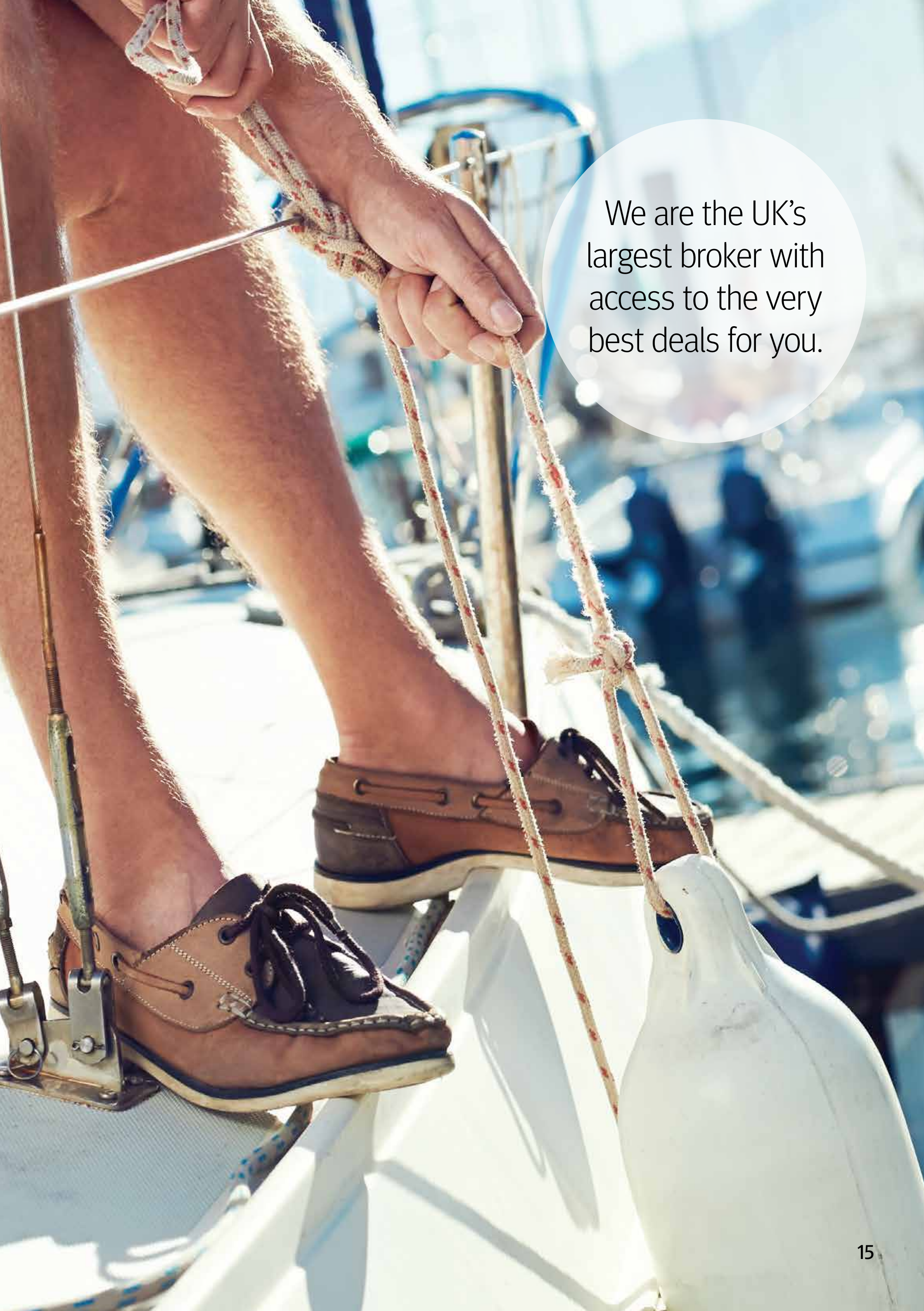

We are the UK's largest broker with access to the very best deals for you.

How we can help

Go online to compare our best annuity rates at **www.hl.co.uk/annuity**

For more information, to discuss your options or get a quote over the phone, call **0117 980 9940**

Or email us at **pension.answers@hl.co.uk**

Recent awards include

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BEST OVERALL PLATFORM 2015

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INSTITUTIONAL PENSIONS WINNER 2015

FINANCIAL NEWS

Why use Hargreaves Lansdown for your annuity?

- ✓ We only offer guaranteed quotes.
- ✓ Our enhanced annuity system allows us to give you enhanced annuity rates in minutes – a UK first.
- ✓ We have simple application forms and will help you with the paperwork.
- ✓ When you call us you will come straight through to a friendly expert based in Bristol.
- ✓ 96% of clients rated our service as excellent, very good or good (HL Survey May 2015, 14,334 responses).

"You gave me the freedom to make my own choices while providing me with all the information that I needed and requested."

Mr Barwick, Hampshire

We can get guaranteed quotes for you from the whole market:

Standard Life, Canada Life, Prudential, Retirement Advantage, Scottish Widows, Just Retirement, Legal & General, Hodge Lifetime, LV=, Aviva

Hargreaves Lansdown Asset Management Ltd, One College Square South, Anchor Road, Bristol, BS1 5HL.
Authorised and regulated by the Financial Conduct Authority

Enquiries: 0117 980 9940