Bishops
Financial Planning

Guide to understanding the new pension rules

At the start of April 2015 the UK's pension regime saw one of its biggest changes in more than a decade. These changes have allowed many people to have greater access to their pension savings than ever before allowing them to spend, reinvest or even pass on their savings to the next generation.

How we can help you make more of your savings

The introduction of these changes, while welcomed by many for their greater flexibility and freedom, has also created an additional need for sound retirement planning and investment advice.It has never been as important to seek sound advice, as the majority of people are likely to find that their retirement pot will remain invested for many more years than under the past regime.

Freedom

Under the new system, pension savers will be free to take lump sums without incurring a punitive tax charge. Instead a quarter of each withdrawal will be tax-free, with tax only being charged on the balance – an effective tax rate of 15% (or 30% for higher rate taxpayers).

In many cases this may well lead to a whole new outlook of how retirement is funded, after all, it would make some sense to utilise capital that had already been accumulated from taxable income e.g. ISA's and Bonds, before accessing any taxable income from one's pension. In some cases it may even be advisable to take any non-taxable income from ISA's or Bonds rather than access taxable income from a pension fund.

Switching

Some people with defined benefit pensions, also known as 'final salary' schemes, will also be able to benefit from the change by switching their savings to a defined contribution scheme. This will apply to people in a private sector or funded public sector scheme.

Passing On

People with a defined contribution pension who die before the age of 75 are now able to pass on any of their unused pension pot to beneficiaries tax-free – eliminating the 55 per cent tax charge that used to be applied to pensions transferred to beneficiaries after death.

Individuals with a defined contribution pension who die after the age of 75 can also pass on unused pension savings to a beneficiary, which is taxed at their marginal tax rate or at 45 per cent if the entire pot is taken as a lump sum.

Summary

There has never been more choice and many people will find themselves confused and uncertain over which option best meets their retirement needs. At Bishops Financial Planning we take time to look at each individual's circumstances, to identify and explain what is available.

This guide has been designed to give a general overview of key changes. However, in order to get expert advice that is tailored to meet your specific retirement plan, please contact us.

Bishops Financial Planning has many years' experience helping people improve and make the most of their savings. We are able to offer specialised advice to individuals who are looking to drawdown their pensions or reinvest them.

We pride ourselves on starting where most firms finish and constantly manage client's needs through regular contact both over the phone and in person.

Alongside our financial advisory services, we can also offer advice on tax, including capital gains and inheritance tax, which individuals might experience when passing on pension savings and other high-value assets to the next generation.

If you would like to learn more about the services we offer, please contact us by calling **01254 261 166** or visiting **www.bishopsfp.co.uk**

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