



BARCHESTER GREEN INVESTMENT

Independent Financial Advisers
Specialists in ethical and environmental funds

Barchester briefing- GUIDE TO RETIREMENT PLANNING

What is Retirement Planning?

It is generally accepted that retirement planning is about ensuring that you have sufficient financial resources to enjoy your retirement.

Over recent years there has been considerable political comment and press coverage regarding the level of the State Retirement Pension. Large numbers of people believe that they will require more money after their retirement than the state pension can offer.

These feelings often lead to people beginning their long term planning with regular contributions into a pension scheme. Pension planning is normally a long-term commitment. The Government is trying to encourage more people to build up a pension fund of their own with the introduction of Stakeholder Pensions (2001) and changes to Contracting Out from the State Earnings Related Pensions (SERPS) or the State Second Pension (S2P).

Tax Incentives

Pension funds in the UK benefit from significant tax incentives.

These include allowing for any growth in the value of the pension fund to be free of tax. Also the current rules provide that a portion of the pension fund may be drawn in the form of a tax-free lump sum, this is normally 25% of the fund value at retirement. Additionally any contributions made to the pension fund by either you, or your employer, will qualify for tax relief.

Those people who pay income tax at the basic rate (20% for the tax year 2008/09) will receive tax relief at this rate reducing the real cost of any pension contribution (e.g. a £200 contribution will actually cost you £160 due to the tax relief available). Where contributions are made to Stakeholder or Personal Pension plans the tax relief is granted at source, meaning that you actually pay the net amount due, and the pension company reclaims the amount available in tax relief directly from the Inland Revenue.

Tax relief up to 40% is available for those people that are liable to pay income tax at the higher rate. Those with Stakeholder or Personal Pensions must claim their additional tax relief from the Inland Revenue this can be done via a tax return.

If you are less certain about the timing of your retirement you may wish to



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consider savings using products other than Pension Plans then you may find the tax efficiency of ISAs very attractive. Savings into Unit Trusts/OEICs or Shares can be very tax efficient for those people who make proper use of the exemptions available under the current rules of Capital Gains Tax. This may be an area where you wish to seek advice from us.

Savings into share based assets such as unit trusts/OEICs or stocks and shares ISAs are normally considered to be most suitable for those people who wish to save for the medium to long term.

There is not a long time before I wish to retire

Even if you do not have a long time to save for your retirement you should still consider retirement planning. There have been many changes to the charging structures applied by the Pension Providers. This means that even if the period until your retirement is quite short you could still get a good overall return on the money you invest. Investment returns can fluctuate and cannot be guaranteed.

When can I retire?

It is possible to draw benefits from a UK registered pension scheme at any time after your fiftieth birthday.

When I draw my Pension must I buy an annuity?

The simple answer is, no you don't. In fact pension schemes have become much more flexible in recent years offering unsecured pension income options and a mix of tax free cash benefits with income.

Annuities offer security because the income level is usually fixed at outset but the decision is still complex because of the various types of annuities now on offer.

Self investment options or SIPP's

Many more people are choosing to take greater control over their pension investments; selecting their own funds, investing more money in pension cash accounts and generally seeking out the very best investments from the whole market.

This can be achieved most effectively within a Self Invested Personal Pension or SIPP. A SIPP is best understood as a pension scheme with fewer



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restrictions on where money is invested, the investments you can hold within a SIPP are:

Open Ended Investment Companies (OEICs)

- Unit trusts
- Investment trusts
- Single company shares
- Cash deposit accounts
- Government and corporate bonds
- Exchange traded funds
- Commercial property

Green Options

A large number of ethical and environmental funds can be accessed via pension funds. Some can combine the ethical funds of several different fund management groups.

In recent years many of the high quality Managed funds offered by Jupiter, Impax and AEGON have become available within pension schemes.

For further details:

Visit – <http://www.barchestergreen.co.uk>

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