



**Make sure
you're not a
cold age
pensioner.**



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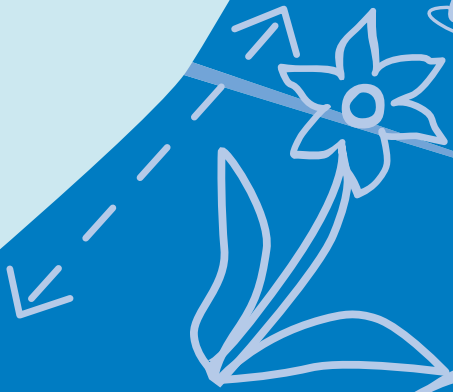
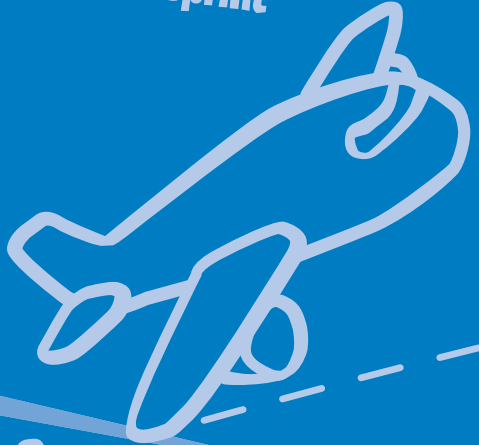
Why it's important to plan your retirement

It is no secret that Britain has an ageing population and we all can expect to live longer than our predecessors.

The number of babies born each year remains constant whilst there are more and more pensioners relying on a smaller and smaller workforce to fund their State pensions. The single persons' current basic State pension is just £77.45 a week, and that figure is set to fall in value compared to earnings in coming years. On top of this there will be less and less State pension money available to go around.

Therefore it is vital that we all make extra provision for our retirement through some form of savings vehicle. To encourage people to save for retirement, the Government allows very generous tax breaks on pension contributions. Basic rate taxpayers receive tax relief at 22% and higher rate taxpayers can receive relief at 40%. It's not often that the Inland Revenue actually gives you money. So it makes sense to take advantage of a pension, one of the most tax-efficient ways of investing you will ever find.

Pension blueprint



What type of pension scheme should I invest in?

There are a number of different types of pension plans to choose from, and the plan appropriate to you will depend on your circumstances.

If you are employed and your employer runs a company pension scheme, it almost always makes sense to join it especially if your employer makes contributions in addition to your own.

If your employer does not offer a company pension scheme, or if you are self-employed, you should consider first a Stakeholder or personal pension plan.

If employed, you may be able to persuade your employer to make contributions too.

If you feel confident enough, you also have the option of a Self Invested

Company pension

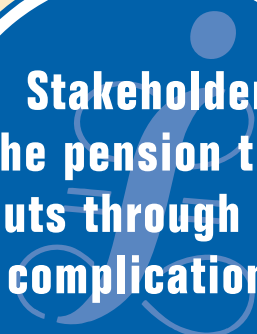
Stakeholder

Personal Pension (SIPP), where you can manage your own investments.

You can contribute to as many Stakeholder or personal pension plans as you like as long as you do not exceed the maximum levels for contributions set by the Inland Revenue.

er Pension

Personal Pension

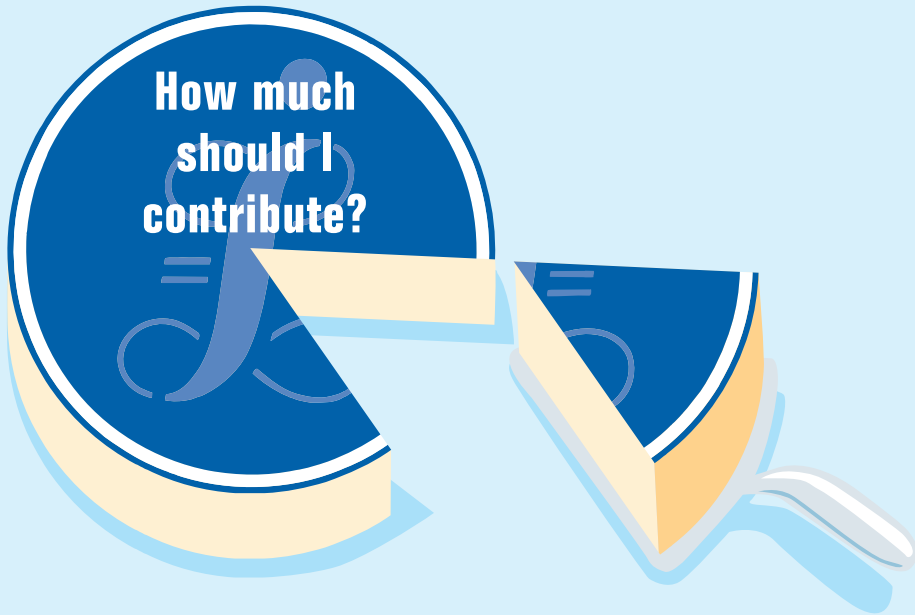


Stakeholder, the pension that cuts through the complications.

Stakeholder pensions were introduced in April 2001, to encourage those on lower incomes to make private provision for their retirement. They are generally available to anyone based in the UK. Stakeholder pensions are available for both employed and self employed people. For the first time, those without earned income, including children are able to save into a pension plan or someone can on their behalf.

Many employers will be obliged by law to offer a Stakeholder pension scheme to employees, unless they already offer a pension scheme which meets certain standards.

The aim is that Stakeholder pensions will be straightforward, low-cost, flexible and transparent. The rules state that pension providers cannot charge planholders more than 1% of their fund in total charges each year and contributions can be varied (even stopped) without penalty at any time.



The simple answer is: as much as you can afford. Experts recommend at least 10% of your salary, 15% is an even better amount. The most important thing is for you to increase your contributions as your earnings increase.

In an occupational pension you are allowed to invest up to 15% of your taxable earnings, on top of what your employer contributes. However contribution rates are often set at, say 3% or 5%. But should you wish to top up your pension benefits whilst in an occupational pension scheme you can do so by contributing to an Additional

Voluntary Contribution (AVC) scheme run by your employer or a Stakeholder pension plan. If you earn no more than £30,000 p.a. and are not a controlling director you will be able to make concurrent contributions to a personal pension plan, including a Stakeholder pension. Contributions of up to £3,600 p.a. gross will be permissible, in addition to any AVCs. Alternatively, you can look outside the company and go to the provider of your choice for a Stakeholder pension or a Free Standing Additional Voluntary Contribution (FSAVC) scheme. But note that an

FSAVC will generally be more expensive when it comes to charges.

If you are not in an occupational pension scheme you are able to contribute up to £3,600 p.a. gross into a Stakeholder or personal pension regardless of your earnings.*

Where an annual contribution exceeds £3,600 there are percentages of your income which you can invest in schemes such as Stakeholder or personal pensions.

Age on 6 April	% of net relevant earnings (NRE)*
Up to 35	17.5%
36 – 45	20.0%
46 – 50	25.0%
51 – 55	30.0%
56 – 60	35.0%
61 – 74	40.0%

Source: Inland Revenue

*Subject to the maximum 'earnings cap' which is currently £99,000.

What income can I look forward to?

From a traditional occupational final salary scheme – ‘defined benefit’, the amount of income you can expect each year is worked out using a set formula. The company might pay you, say, 1/60th of your final pay for every year you have worked there. For example, if you have worked for 25 years and your final salary is £25,000, you will receive 25/60ths of £25,000, which is £10,417 a year.

If you are in an occupational money purchase scheme – ‘defined contribution’, your contributions and those made by your employer on your behalf are invested in

funds, usually linked to the stock market. The return on your investment depends mainly on the performance and the type of fund(s) you have chosen to invest in. The same applies with Stakeholder and personal pension plans. As with any long-term investment, the value of funds can go down as well as up and past performance is no indication of future performance.

Approximate fund values for net contributions of £200 a month

After 5 years	£15,000
After 10 years	£39,000
After 15 years	£69,000
After 20 years	£111,000
After 25 years	£166,000
After 30 years	£239,000

- These figures are for a net contribution and are net of charges.
- The gross contribution is £256 pm including basic rate tax relief at 22%.
- Investment return of 7% p.a.
- These figures are only examples and not guaranteed.
- What is payable depends on how your investment grows and the interest rates at the time you retire.
- You could get more or less than the figures shown.
- The figures are based on a 1% annual management charge.



Which is the right choice for me?

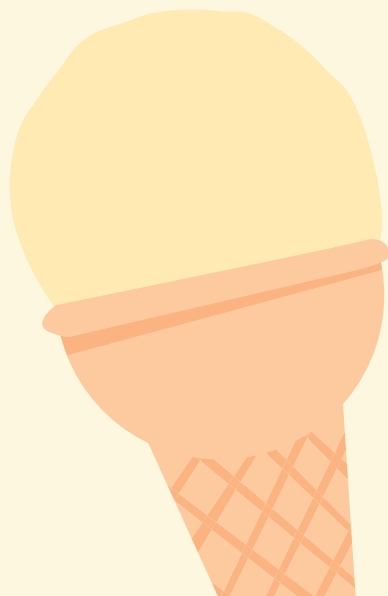
If your employer offers a company scheme which they pay into on your behalf, in most cases you should join it.

Otherwise a Stakeholder or a personal pension plan is a sensible method of funding for retirement as these schemes will give you choices to match your preferences. You may also be able to set up different types of pension plans should you want to, particularly if you are a company director.

The sooner you get started making realistic pension contributions, the more comfortable your retirement is likely to be.

The pensions world remains complex and baffling for many of us. Choosing

the right pension provider, the most appropriate fund(s) and agreeing an affordable level of contributions can be difficult to decide by yourself.



Where do I go for advice?

A visit to an Independent Financial Adviser (IFA) will set you on the right track. IFAs are, as the name suggests, totally independent and have access to all of the financial products in the marketplace and there are over 30,000*! An IFA can assess your financial situation then suggest the most appropriate solutions. They can;

- Explain your investment options.
- Take you through the different types of pensions on offer.
- Assess your attitude to risk.
- Suggest the type of fund(s) that will suit you.

- Look at your earnings, outgoings and priorities and indicate how much you should be putting away each month.

All the advice provided will be set against the background of your complete financial situation.

*Source: DTI, IMA, AKG

Glossary

Additional Voluntary Contribution (AVC)

A contribution you choose to pay on top of your contributions to an occupational pension scheme. The scheme provider invests the contributions and uses it to give you extra regular pension when you retire.

Concurrency

Members of occupational pension schemes (other than controlling directors) who earn no more than £30,000 p.a., are able to make concurrent contributions to a personal pension scheme, including a Stakeholder pension. Gross contributions of up to £3,600 p.a. will be permissible, in addition to any AVCs, and the resulting benefits will not count towards the Inland Revenue maximum benefits.

Defined Contribution

These are pensions or schemes, sometimes known as money purchase schemes which includes Stakeholder and personal pension plans, where the value of the pension fund at retirement is based on the amount paid in, the charges deducted and the investment returns achieved throughout the term.

Defined Benefit

A pension scheme, usually an occupational scheme such as a final salary scheme in which your benefit will be calculated using a pre-determined formula, often based on your final salary and number of years pensionable service.

Free Standing Additional Voluntary Contribution (FSAVC)

An FSAVC is independent of the occupational scheme and your contributions are invested with a pension provider of your choice. A FSAVC is generally more expensive than an AVC when it comes to charges.

Group Personal Pension (GPP)

Not the same as an occupational pension scheme as a GPP is simply a group of personal pension plans.

Net Relevant Earnings (NRE)

If you are employed, your NRE is the total annual earnings before paying tax, including the value of most taxable fringe benefits (e.g. a company car). If you are self-employed it is your net profits for tax purposes.

Self Invested Personal Pension (SIPP)

A personal pension where you or your appointed fund manager is directly responsible for choosing from the wider range of investments that the Pension Schemes Office allows.

Stakeholder Pensions

A Group or Individual Stakeholder pension is a low cost pension plan, which meets certain criteria outlined by the Government, such as low charges and a flexible structure.

Notes

For further information on the subject contained in this guide, please contact your IFA.

If you do not already have an IFA and are looking for advice on personal finances call the

IFA Promotion Consumer Hotline on **0800 085 3250**.

If you do not already have an IFA and are looking for financial advice for your business call the

IFA Promotion Corporate Hotline on **0800 085 3251**.

Alternatively, visit our website at www.unbiased.co.uk



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To request one of the above brochures or factsheets, please call our Hotline on **0800 085 3250** or visit us at **www.unbiased.co.uk**

The above brochures are available in the following alternative formats: large print, braille and audio tape. Please call our Hotline on **0800 085 3250** if you wish to order an alternative format.

Your IFA's details:

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