

Retirement Options Procedure

The FCA expects us, as a regulated firm to show you in writing what will happen to your pension fund should you start taking benefits from the plan (this normally means taking your 25% tax free cash (PCLS) and / or starting to take an income).

Therefore, in the event of you wishing to take any monies from your pension, we would follow the below process:

Stage One - Initial Conversation with your Consultant

Before we start putting together the Retirement Options Report, your Financial Consultant needs to complete a Retirement Options factfind with you. This includes but is not limited to the following questions:

This stage may be done at a face to face meeting, or it may be done over the phone.

- Change in personal/financial circumstances (i.e. why are you now taking the income)
- Your health (Good/Fair/Poor) – this may have an impact on the annuity rates we can obtain for you
- How much income do you anticipate needing from your pension to provide you with an income (this is so we can run a cashflow forecast so we can check the feasibility of this).
- Do you expect any changes in your income in the future – this could include any windfalls you expect
- You **MUST** also complete a new risk questionnaire before we can proceed any further. Bear in mind you are now considering taking money out of your pension fund and investments, rather than paying money in.

Stage Two - The Retirement Options Report

From this initial conversation with your Consultant, we will be in a position to put together the Retirement Options Report for you. This does not detail any personalised recommendations for you, it is a factual, thought provoking document to assist you in making the decision regarding taking money out of your pension fund.

Your current situation – including your objectives and details of your existing pensions

Your attitude to risk and capacity for loss – this section of the report will detail the outcome of the new risk questionnaire which you have completed, and your Capacity for Loss in line with the risk questionnaire outcome.

Pension information – this covers off generic details about pensions and how they work

Income Dangers – This section of the report is crucial to understand the risks associated with taking money out of your pension or investments.

Options – this details the solutions available for you to consider. With the introduction of the Pensions Freedoms Reforms in 2016, you are now able to take virtually whatever money you would like out of your pension fund whereas pre-2016 there were restrictions in place to prevent investors from doing so.



How could these work for you? – Here we provide you with examples of the incomes you could expect to receive if you opted for these options. This is where the details provided in the ‘Factfind’ conversation really come into play so we can make these illustrations as personalised as possible for you.

Investment Options – These next pages detail the variety of investment options that may be available to you.

Charges – For our existing customers, this service falls into part of our ongoing service agreement with you.

For new customers to Face to Face Finance, to provide the Retirement Options process up to this stage, we charge £1,000.00.

Stage Three - Retirement Options Meeting

We will contact you to arrange a mutually convenient time for you to either meet with your consultant or for them to call you to go through the report with you and answer any questions which you may have.

During this conversation, you will reach a conclusion as to what income you require from your fund, be it a one-off lump sum or regular payments.

Once you are happy you understand the contents of the report, it can then be signed and the ‘black and white’ copy returned to our office.

Stage Four - Retirement Options Confirmation Letter

Once we receive the signed Retirement Options Report back from you, your Financial Consultant will put together a Retirement Options Confirmation letter for you.

This will summarise and confirm the actions to be taken moving forwards.

Upon receipt, please read through this letter carefully to ensure the instructions documented are as you wish. Only upon receipt of this signed confirmation letter back from you will we proceed to action the income payment/s from your Pension policy.

Anticipated Timescale

Please allow a minimum of least 15 working days **FROM** the date the life office has received your request / paperwork (if required), for the payment to be made into your bank account or for income to start to avoid disappointment.

How will I be taxed?

Under current legislation, you are entitled to 25% of your pension fund value as tax free cash. For example, on a fund of £100,000, you can take £25,000 completely tax free. (A small number of pensions allow more than 25% tax free cash to be taken, your Face to Face Consultant would make you aware if this was the case).

The remaining fund is taxable as earned income, at your marginal rate of income tax which would be 20%, 40% or even possibly 45% if an emergency tax code was used.



If you are taking a lump sum that will be subject to tax, this will be added to your current income and be taxed at source (before being paid to you) at your marginal rate of income tax. Although not guaranteed, if your Pension provider does not hold a tax code on file for you, you are likely to pay 45% (emergency rate) tax on the payment.

You would then have to claim back the difference in tax that you have paid and the amount you should have paid (if any). To reclaim the tax deducted you will need to complete a HM Revenue & Customs form which is available from, and should be submitted to HMRC.

When setting up monthly income, the first few payments may be inconsistent with your expectation. This is whilst the provider obtains the correct tax code from HMRC.

Summary

Should you wish to commence the process or have any questions, please contact the office on 01603 625100 or email info@ftof-finance.co.uk.

