

# Plan your retirement now!



Part of the Department  
for Work and Pensions

This guide gives you information about some of the options available on top of the State Pension.

Contents	Page
<b>Are you an employee?</b> .....	2
• Occupational pension schemes .....	2
<b>Are you self-employed?</b> .....	3
<b>Would you like to know more about pension and saving options?</b> .....	3
• Personal pensions .....	3
• Stakeholder pensions .....	4
• Non-pension saving options .....	4
<b>Have you thought about a flexible retirement?</b> .....	5
• Delaying claiming your State Pension .....	5
<b>Where can I get more information?</b> .....	6

# Are you an employee?

## Occupational pension schemes

An occupational pension scheme is an arrangement an employer makes to give their employees a pension when they retire.

For people in work, **occupational pension schemes** are usually a very good way of saving and you can get an occupational pension as well as any State Pension you may be entitled to.

Two important benefits of occupational pensions are tax relief and employer contributions.

### ***Tax relief***

With a basic rate of income tax of 22%, every £100 that goes into your pension costs you £78 (based on the tax year 2004/05). With a higher rate of income tax of 40%, every £100 that goes into your pension costs you £60 (based on the tax year 2004/05).

### ***Employer contributions***

Your employer can pay contributions on top of the contributions you make yourself. This helps to increase the overall value of your pension.

By not joining you could be missing out on both tax relief and contributions from your employer.

Occupational pensions often offer other benefits such as life assurance or a pension for your dependants if you die. And, if you change jobs, you might be able to move your pension to your new job. But you would need to check the exact benefits with the pension scheme provider.

So, if you're not already a member of an occupational pension scheme, find out if your employer offers one.

And, if you are already paying into an occupational pension scheme, remember you may be able to increase the amount you pay in to get more back when you retire. (Your employer can make arrangements for you to do this.)

For more information on occupational pensions, please see *Occupational pensions – Your guide* (PM3). See page 6 for details about how you can get a copy of this guide.

## **Are you self-employed?**

Unlike employees, if you are self-employed you are not covered by additional State Pension because you pay a lower rate of National Insurance contributions. However, you may find the section below, 'Would you like to know more about pension and saving options?', useful. It gives information about personal pensions, stakeholder pensions and other saving options. Or see *Pensions for the self-employed – Your guide* (PM5). See page 6 for details about how you can get a copy of this guide.

## **Would you like to know more about pension and saving options?**

There are other pension choices available, such as personal and stakeholder pensions, as well as other non-pension saving and investment options.

### **Personal pensions**

Personal pensions are a way of making regular savings for your retirement. The money you save is put into investments for you, such as stocks and shares. This 'fund' will then be used to buy a pension, from a pension provider, to give you a regular income when you retire.

An important benefit of contributing to a personal pension is the tax relief it gives you. With a basic rate of income tax of 22%,

every £100 that goes into your pension costs you £78 (based on the tax year 2004/05). With a higher rate of income tax of 40%, every £100 that goes into your pension costs you £60 (based on the tax year 2004/05).

Before you decide to take out a personal pension scheme, compare the costs you will have to pay with the costs of a stakeholder pension (see the section below on 'Stakeholder pensions'). And make sure the personal pension you choose is the right one for you because if you decide to transfer to a different type of scheme you may have to pay extra charges.

For more information on personal pensions, please see *Personal pensions – Your guide* (PM4). See page 6 for details about how you can get a copy of this guide.

## **Stakeholder pensions**

Stakeholder pensions are a type of personal pension which has low charges. Stakeholder pensions are flexible and allow you to make your contributions (which can be as little as £20 at a time) when you are able to.

As with personal pensions, the money you save is put into investments for you, such as stocks and shares, and your 'fund' will then be used to buy a pension, from a pension provider, to give you a regular income when you retire.

For more information on stakeholder pensions, please see *Stakeholder pensions – Your guide* (PM8). See page 6 for details about how you can get a copy of this guide.

## **Non-pension saving options**

A pension is not the only way to save for retirement. You could investigate other savings and investment options.

If you are approaching retirement age or you already have a pension, it may be better to investigate **other savings options**, for example an ISA (an Individual Savings Account). For more information, please see *ISAs, PEPs & TESSAs*. See page 7 for details about how you can get a copy of this guide.

You may have **other investments** in mind to support yourself when you retire, for example property or selling your business if you are self-employed. Find out how much these will be worth and also how easy it will be to turn these investments into income when you retire.

## **Have you thought about a flexible retirement?**

You could also think about a more flexible approach to your retirement.

You may not want to retire from work altogether when you reach State Pension age. You can work longer, either full time or part time, whether or not you have claimed your State Pension. For more information on working longer, please get a copy of the guide *Are you over 50?*. This is a guide to the help and advice available from government and voluntary organisations, including information about looking for work, changing jobs and updating skills. See page 6 for details about how you can get a copy of this guide.

## **Delaying claiming your State Pension**

When you reach State Pension age you can choose to delay claiming your State Pension, whether you are working or not, for at least seven weeks in a row up to a maximum of five years, in exchange for a higher weekly payment when you do claim it. This will give you a higher weekly income when you retire.

Depending on Parliamentary approval, from April 2005 the Government plans to increase the rate of extra weekly State

Pension you can get by delaying claiming your State Pension. The planned changes will allow you to put off claiming your State Pension for at least five weeks in a row – there will be no maximum period.

The Government also plans to introduce the option to receive a lump-sum payment instead of a higher weekly State Pension if you delay claiming your State Pension for 12 months or longer.

If you are considering delaying claiming your State Pension, you may want to get independent financial advice to help you decide whether this is the right choice for you. For more information, please see *State pensions – Your guide* (PM2). See the section below for details about how you can get a copy of this guide.

## Where can I get more information?

*State pensions – Your guide* (PM2)

*Occupational pensions – Your guide* (PM3)

*Personal pensions – Your guide* (PM4)

*Pensions for the self-employed – Your guide* (PM5)

*Stakeholder pensions – Your guide* (PM8)

To order any of the PM guides mentioned above, call the pensions information order line on **0845 7 31 32 33**. If you have speech or hearing difficulties, the textphone service is available on 0845 604 0210. Lines are open 24 hours a day. Or visit [www.pensionguide.gov.uk](http://www.pensionguide.gov.uk)

### *Are you over 50?*

To order this guide call **0845 60 22260**. If you have speech or hearing difficulties, the textphone service is available on 0845 60 55560. Lines are open from 9am to 5.30am, Monday to Friday. The guide is also available in doctors' surgeries, libraries and Jobcentre Plus offices. Or visit [www.over50.gov.uk](http://www.over50.gov.uk)

## ***ISAs, PEPs & TESSAs***

To order this guide call **0845 604 1701**. Lines are open from 8.30am to 5.30pm, Monday to Thursday, and from 8.30am to 4.30pm on Fridays. You can also get it from your local tax office (details are in your local phone book) or from the Inland Revenue website at [www.inlandrevenue.gov.uk/leaflets/isa.htm](http://www.inlandrevenue.gov.uk/leaflets/isa.htm)

**The Pensions Advisory Service (OPAS)** can give you information and advice on occupational, stakeholder and personal pensions. You can call them on **0845 601 2923**. Lines are open from 9am to 5pm, Monday to Friday. Or visit [www.opas.org.uk](http://www.opas.org.uk). You can also email them at [enquirxxx@xxxx.xxg.uk](mailto:enquirxxx@xxxx.xxg.uk)

**The Financial Services Authority (FSA)** has a range of free consumer booklets and factsheets about saving for retirement and stakeholder pensions. You can call the FSA Consumer Helpline on **0845 606 1234** (call rates may vary) or visit [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

For basic free help on the different types of pension available, you can contact **Citizens Advice Bureau** (details are in your local phone book under C). Or visit [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

If you are not sure what to do for the best, you may want to get more advice from a financial adviser. But remember, if you see an adviser you may have to pay for their advice. You can check whether a particular financial adviser is authorised by calling **The Financial Services Authority (FSA)** on **0845 606 1234**. Or visit the 'Firm and Person Check' section on the FSA website at [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

This guide is for guidance only. It is not a complete statement of the law.

ISBN: 1-84388-385-6

© Crown copyright  
Produced by The Pension Service  
Printed in the UK  
August 2004  
APF2

