Pru
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Your pension, your choice

We're here to help you start thinking about your options

You've got an important date coming up and you'll need to think about what to do with your pension. You've a number of options, and this guide explains these.

While you start thinking about your options, we'll help you understand the things you might want to find out more about, and where you can go for guidance and advice. This guide is for customers with UK pension arrangements.

What's in this guide?

When the time comes, we want you to make an informed decision. That's why we've written this guide, to give you an idea of all the possible choices you can make. This guide is designed to show you the options you have to choose from in the marketplace, rather than specifically what we can offer you at Prudential. We might not be able to offer all of the options to you because of your fund value or the range of options we offer. Other providers might have alternative choices to offer you. If that's the case, you might be able to transfer to another provider.

That's why it's important to shop around – and we'll cover that later.

You could have some restrictions on your plan and things you'll need to consider. These could be things like the minimum amount you can invest, and any guarantees or charges you might have on your plan. You can find this in your plan documents.

So we'll show you:

- **how do you decide?**
- **your options in a nutshell**
- **where to look on our website to find out more**
- **other things to think about**
- **where to get more help**

And we'll be in touch again nearer the time. But you can start finding out more right now by reading through this brochure, and you can also go online at **pru.co.uk/pensions-retirement**

How do you decide?

Before we look at the options you have to choose from, it's important to consider some of the more general things you might need to think about. You have to consider things like what other money you'll have coming in, how you want to live once you're retired, and whether you'll want to leave any money to anyone.

Try asking yourself these questions:

? How long will you need your money to last?

People generally live longer these days. If you don't have any income or savings other than your pension, you'll be relying on it for the rest of your life. As the price of everyday goods like bread, milk and fuel goes up, your money won't stretch as far, in the future, as the same amount would now. This is called inflation. The rate of inflation is the change in prices for goods and services over time. Prices could go up with the effect of inflation and impact the buying power of your money. You'll also need to think about your health/lifestyle as this might influence what you decide to do.

? How much money will you need?

Your salary might stop when you retire, but what you spend doesn't. You need to factor in that you might still have a mortgage or rent to pay. You'll need to cover bills, day-to-day things like food and transport, as well as extras like hobbies.

And you need to consider that prices go up over time with inflation, so the money you have today will be worth less in a few years.

? How much state pension will you get?

When you get to state pension age, you can claim your regular payment from the Government. How much you get depends on how much National Insurance you've paid over the years.

You can find out what you might get, and when you can start claiming, by using the Check your State Pension service to see what they predict you'll get. For more information, go to: **yourpension.gov.uk**

? How long do you want to keep working?

You might decide to carry on working for longer. You can live off the money you make from that and leave your pension pot invested. Or you could work fewer hours and start dipping into your pension pot whilst you're still working. Either way, remember that any money you leave invested can go down or up in value.

? How much tax you might pay?

The amount of tax you pay will depend on which option you choose, and your tax position.

? How much do you want to leave to your loved ones?

Do you have family? Do you have dependants? Does your partner need an income? Some options let you leave a lump sum when you die, others let you leave an income but not a lump sum. It's important to think about what's important to you and if the option you choose for your pension will allow you to provide for a loved one. Whether any payments made from your plan are taxable, will depend largely on what HMRC regulations are in place at the time.

The information in this guide is based on our current understanding of taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any other tax reliefs) depends on individual circumstances

Your options in a nutshell

Access helpful information online

Planning for your retirement is an exciting time but we recognise there's a lot to take in. That's why we want to support you through the next steps by helping you understand all the retirement options available to you.

Please read the information in this brochure to find out about your options.

You can also access helpful video content and other information, including details of your potential next steps, by visiting **mandg.com/pru/accesspension**, or by scanning the above QR code with the camera on your phone.

We're here to help no matter what decision you come to, but please note that we might not offer all the retirement options we talk about. For example, if your preferred option is 'drawdown' and your product doesn't allow for this, you'll generally need to go through a financial adviser to find the best solution, either from Prudential or another provider. Some providers might offer drawdown without the need to take financial advice. For details of how to shop around and get advice or guidance, see pages 9 and 10.

You've got three main options – we cover these below in no particular order. What you decide to do should be right for you. You can also choose to combine them if you like or, you can do nothing at all for now too. You might choose not to do anything, for example, if you're still working and don't need to dip into your pension money yet.

With most of the options, you'll usually be able to take 25% of your pension pot as cash without paying any tax. But you might need to pay tax on the rest, depending on your circumstances and the options you choose. Tax rules can also change in the future.

1 Drawdown – Tax-free money first and taxable money when you need it

How it works

With this option, you can take some or all of your tax-free cash first, and then some or all of your taxable money as and when you need it. You could choose to take out your 25% tax-free cash and the other 75% stays invested for you, giving it a chance to grow. However, it could go down in value too. You can take money out this way, as single amounts, and/or regular income. The taxable money – the 75% that's not tax-free – is taxed like a salary. With this option, any money left in your pot can usually go to your loved ones when you die.

Why you might like it

- You've the flexibility to take your money out as and when you need it.
- You can manage how much tax you pay.
- You can usually leave your money to your loved ones when you die.
- You can choose your investment funds, so your money could carry on growing.
- If you want to switch to a guaranteed income later, you can.

But...

You'll need to keep an eye on any money you keep invested and review the funds you invest in. The value of your investment can go down as well as up so you might get back less than you put in. If you take more money from the plan than the amount your investment has grown by, the value of your investment will be less than you've put in.

- You'll still have to pay charges on the money left invested.
- If you take out more than the amount you can get tax-free, it will be added to any income you have and be taxed as income. This could push you into a higher rate tax bracket.
- You could lose all or some of your means-tested state benefits or have to repay debt. You should speak to the relevant agency before making any decision.
- If you don't have any income coming in from anywhere else, you'll need to make sure the money lasts all the way through your retirement, so you don't run out.
- If you take money out of your plan over your tax-free entitlement, it might limit what you can save into this or any pension in the future.

2 Annuity – A guaranteed income for life

How it works

With this option you can take tax-free cash (usually up to 25% of your pot), and the remainder is used to buy an annuity, which will give you a guaranteed regular income for the rest of your life. This income is taxed, like a salary would be. With this option, you can usually choose to leave a regular income to your loved one – you can't normally leave a lump sum.

Why you might like it

- You can choose to get an income on a regular basis so you know exactly how much money you'll have coming in.
- Or you can choose to have your income increasing each year to help keep pace with inflation.
- You'll get payments for the rest of your life, so you know they'll always be there.
- If you choose a 'joint life' annuity that covers you and your loved one, you usually can pass on regular payments to them when you die.
- If you or your loved one has (or has had) certain health or lifestyle conditions, you could get a higher income through what's known as an enhanced annuity.
- You can also pass on payments to a loved one if you choose a guarantee period.

But...

- Once you buy a guaranteed income for life, you can't change your mind after the cancellation period.
- If your annuity is only for you, you usually can't leave a lump sum to your loved one when you die.
- If inflation goes up, your money might not stretch as far (unless you've chosen an income that increases each year).
- Choosing some of the options – like a 'joint life' annuity, a guarantee period, or payments rising each year – would mean you get less income at the start.
- You might get back less than you paid in, depending on how long you live.
- You could lose all or some of your means-tested state benefits or have to repay debt. You should speak to the relevant agency before making any decision.

2 Annuity – A guaranteed income for life (continued)

The main types of annuities

Lifetime annuities: These provide an income for the rest of your life (or for a dependant when you die if you choose a joint life policy). You can choose, for example, to have a fixed level of income or increasing payments, or a guarantee period that ensures your income continues for a set period of time even if you die during it, or value protection that ensures a lump sum goes to any beneficiaries if you die before you've received back (in income) the full amount used to buy your annuity. Both health and lifestyle conditions can increase your income if you choose an annuity. This is called an "enhanced annuity". Find out more on page 13.

Fixed-term guaranteed annuities: Instead of opting for a guaranteed income paid out for life, you can choose to have it paid for a set term, usually between 3 and 25 years. Investment-linked annuities: They offer a chance of a higher income but only by taking extra risk. You can still choose a fixed-term or lifetime annuity, but the level of income you get isn't guaranteed. Your income could reduce if the fund doesn't perform as expected. If you're considering this option, look at what your provider can offer and then get financial advice.

Please remember: Prudential don't offer enhanced annuities. But you might qualify for an enhanced annuity with another provider and get a higher income. When you're shopping around, you can get quotes for different types of annuities so that you can compare them. Find out more by requesting a free, printed copy of the guide at **pru.co.uk/moneyhelper**

3 Lump sum – Tax-free and taxable money at the same time

How it works

With this option, when you take some or all of your money, it must be taken as a combination of tax-free and taxable money at the same time. This means each time you take money out, usually up to 25% of the amount will be tax free and the other 75% will be taxed like a salary.

Any money left in your pension pot is invested for you, giving it the chance to grow. However, as with any investment, it could go down in value too.

You can take money out this way as single amounts, regular amounts or both, and any money left in your pot can usually go to your loved ones when you die.

Why you might like it

- It's up to you how and when to take your money, in one go or in stages.
- If you decide to take your money out in stages, you can control how much tax you pay by spreading the amounts out over different tax years.
- By taking your money out in stages, you can also leave some of your money invested so it could grow, and you will have the option to choose your funds.
- If you decide to take it in stages, you can also usually leave what's left in your pot to your loved ones when you die.

But...

- As 75% of the money you take could be taxed, you could pay a higher rate of tax on this and any other income.
- The amount you take out could be subject to Emergency Tax. You will have to claim back or pay any difference in tax to HMRC.
- The value of money you take out could be eroded by inflation.
- You could lose all or some of your means-tested state benefits or have to repay any benefits you may have received. You should speak to the relevant agency before making any decision.
- If you take your money out in stages, you can't take the full tax-free lump sum at the start.
- You'll need to keep an eye on any money you keep invested and review the funds you invest in. The value of your investment can go down as well as up so you might get back less than you put in. If you take more money from the plan than it has grown by, the value will be eaten away and you could run out of money.
- You'll still have to pay charges on any money left invested.
- If you don't have any other income, you'll need to make sure the money lasts all the way through your retirement, so you don't run out.
- By taking money out of your plan, you might limit what you can save into a pension in the future.

4 Mix your options

You can take more than one option and you may want to combine options, even if you only have one pension pot. For example you may want to use part to get a guaranteed income for life and leave the remainder invested.

5 Leave it alone

You can usually take your pension at age 55 (57 from 6 April 2028), but you don't have to. This is the earliest age you can access your benefits and not a deadline, it's up to you. Age 60-65 is when most people think about reducing their working hours and moving into retirement. If you do decide to leave your money in your plan we'll contact you again. Please note most pension plans will require you to have made a decision before you reach age 75.

Why you might like it

- We can usually keep it invested for you so it could grow, ready for when you decide to take it.
- If you're still paying in, you could carry on getting tax relief on your payments.
- You might be able to keep guarantees or other features in your plan, these are detailed in your letter.

But...

- While your money remains invested the value can go down as well as up, so you may not get back what you've put in. If your money doesn't grow over time, inflation could reduce what you can buy in the future.
- You might lose guarantees or other features in your plan.
- If you decide to do nothing we recommend you review your plan to make sure this is the right decision for you.

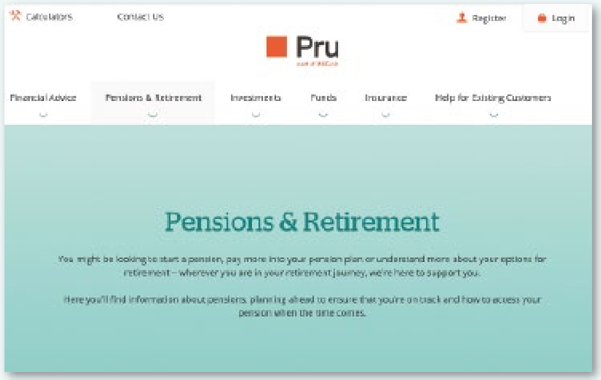
You should regularly check that your investment funds are meeting your needs and are performing as you expect.

What you decide to do should be right for you.

Your options in a nutshell

You've got more choices than ever before about what to do with your pension savings, so you've plenty to think about.

That's why we've created online support. Take a look at: **pru.co.uk/pensions-retirement**



We want you to have as much information as possible on your options. That's why we've dedicated a whole section on pensions and retirement at **pru.co.uk**. You can look at this to see how the options could work for you, to help you get a better understanding of the implications of each, before you decide what to do.

- You'll find examples to give you some ideas about how you could get the most out of your money.
- You'll also find articles and guides to help you with your choices.
- We'll give you more detail about the options as well as the things you should consider for each one.

To get an idea of how much you might get from your pension pot...

We have a calculator that can help bring your options to life. You can put your pension pot value into the calculator and it'll give you an idea of how much you could get for each of the options. If you have pension pots elsewhere you can add these in too. But please note, the pension calculator isn't tailored to you as an individual. It just gives a general overview. So it won't take into consideration any specific features or benefits you might have with your plan, such as guarantees. It also won't show changes in value of different investment funds.

- It can give you an idea of how much money you could have to live on from each option. And some idea of how much you could take as a lump sum from your pension pot.
- It won't take into account special features or specific details of your plan. Please see your letter that comes with this brochure which will explain these.
- The pension pot calculator is really quick and easy to use, and you can use it at any time of day or night.

Other things to think about

We might not be able to offer you all the choices

We've given you an overview of some of the options here, but each pension provider and type of plan is different. We may not be able to offer these options to you, because of your fund value or the range of options we offer. Other providers might have alternative choices to offer you that could be more appropriate for your needs and circumstances.

Still paying in? Be careful about taking money out

If you take money out of your pension pot over and above the tax-free amount – either all in one go, or in stages – some of the options can affect how much you can pay into this or any other pension in the future. Taking money out can also affect how much your employer can pay into any pension. For defined contribution/money purchase arrangements the limit on how much you or your employer can normally pay in without incurring a tax charge is called the Money Purchase Annual Allowance (MPAA). The limit for the current tax year is £10,000 but is subject to change by HMRC.

Money Purchase Annual Allowance (MPAA)

MPAA was created to stop people from trying to avoid tax on current earnings or gain tax relief twice, by withdrawing pension savings and then paying them straight back in again.

The MPAA is applied in different ways, depending on the tax year, and kicks in as soon as you start to draw your pension. MPAA only applies to contributions you make to your pension, after the date it has been triggered. And in every tax year after that, all contributions will be covered by MPAA.

It's really important that you get information and advice on this before you decide how to take your pension.

Your adviser will be able to answer any questions you have and you can also get information from the Money Advice Service. For more information, please visit the HMRC website at **gov.uk**

What happens if you've got a smaller pension?

Pensions of £10,000 or less, are known as 'small pots'.

If you have one or more small pensions, you may be able to take them as cash lump sums – up to three small pots of £10,000 each for personal pensions and an unlimited number from company pension schemes, subject to the rules of each pension scheme.

The first 25% would usually be paid tax-free and the remaining 75% would be taxed as income and cash lump sums taken under the small pots rules will not affect your **Money Purchase Annual Allowance (MPAA)**.

If you have a pension pot of less than £10,000 and would like to take cash lump sums, please speak to your financial adviser, or get in touch with us.

Do you have any guarantees on your pension?

These could be valuable and might make a difference to the value of your pension income, depending on which options you choose. It's important you consider any guarantees you might have before deciding on your options. Depending on the type of guarantee you have, you might need to get financial advice.

You should shop around

When deciding what to do with your pension pot, it's important to remember that each option might have different tax implications and pension providers offer different products with alternative options or features (including the product terms, rates, funds or charges) that might be more appropriate for your individual needs and circumstances.

This is why it's important you should shop around – so that whatever you decide to do – whether that's a guaranteed income for life (also known as an annuity), flexible cash or income (also known as drawdown) or something else, it's the right decision for you.

For some products, like annuities, it's important to shop around so you can get the highest possible income. Yours or your partner's health and lifestyle can increase the amount of income you or your partner can get. Different providers might use different criteria to assess you or your partner's health and lifestyle conditions. This is known as an enhanced annuity. Prudential do not offer enhanced annuities but you might qualify for an enhanced annuity with another provider and get a higher income. That's why it's very important that you should shop around.

And there are other places to go for more help

What to do with your pension is a big decision, so it could be well worth using this time to read up on your options and to shop around. There's lots of support for you, so please make sure you use it.

We recommend you get advice or guidance

We know there's a lot to consider when planning for retirement, and it can be tricky to know where to start. To help you understand all your retirement options, we recommend speaking to your adviser or getting guidance.

Getting advice

We always recommend speaking to your adviser if you're not sure when or how you want to access your money, or if investing is right for you. Your adviser is best placed to look at your individual circumstances and recommend what is right for you. If you don't have an adviser, you can find one at **unbiased.co.uk.** Note that financial advisers will charge either a percentage of your pension pot, a charge per hour or a fixed fee. You'll be able to pay up front, or have the fee deducted from your pension pot after any tax-free amount is taken. Most advisers offer a free initial meeting and they'll always give you an estimate of how much their services will cost before you commit yourself.

Getting guidance

Pension Wise is a free and impartial government service from MoneyHelper to help you understand your options at retirement. They won't make recommendations or tell you how to invest your money, but will provide information on a range of available pension options. You can arrange an appointment to speak to a pension specialist by calling **0800 280 8880** or visiting **moneyhelper.org.uk/pensionwise**

MoneyHelper

Use this service for lots of helpful information about shopping around, how to do online comparisons yourself, and how to get help from a financial adviser. Visit **moneyhelper.org.uk** Or call them on **0800 011 3797**

Citizens Advice Bureau

You can contact Citizens Advice Bureau who are an independent charity offering support online, over the telephone or face to face giving free, confidential information and advice to assist people with money, legal, consumer and other problems. They may be able to offer you additional support and information. Visit their website **citizensadvice.org.uk**.

Pension Tracing Service

If you're not sure whether you've got any other pensions, this service can help. Or if you think you might have some money in a pension with a company, even if that company has closed down, you can contact the Pension Tracing Service.

Call **0800 731 0193 (+44 (0)191 215 4491** from outside the UK).

Textphone: **0800 731 0176**

Go to **gov.uk/find-pension-contact-details**

HMRC

Tax can be a complicated subject. To find out more about anything to do with tax, visit **hmrc.gov.uk**

So, just to recap...

You're coming up to the date when you could be starting to take your pension.

- If things have changed, you don't have to start taking the money then – you can take it whenever you like after you're 55.
- You can leave the money until you're ready.
- When you do want to start taking the money, you've got a number of options.
- We recommend you get advice or guidance.
- It's very important you shop around, so that whatever you do, it's right for you.

We'll be in touch again nearer the time about your options.

In the meantime, we hope this guide helps you start thinking it all through. We recommend you go to the information sources we've suggested to find out more.

For more details on your choices right now, try out the pension pot calculator, or to see some examples of what the options could mean for you go to **pru.co.uk/pensions-retirement** pru.co.uk

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