

Some frequently asked questions

Understand your choices when taking your pension

- **For Defined Benefit schemes** – you will have the choice of taking your pension in three possible ways; as a lifetime annual pension; taking a proportion of your pension as a lump sum with a reduced lifetime annual pension, this is called a commutation; and if your scheme allows it, transferring your pension to a defined contribution environment and taking your pension under those rules, see below, This last option is likely only to be suitable for a minority of people and those considering it must seek financial advice before making any decisions. Many people chose the commutation option but what is right for you can be reviewed with a financial adviser as this will depend on your circumstances, needs and an estimate of life expectancy.
- **For Defined Contribution schemes** – from April 2015 DC members have increased freedom in how to tailor their pension benefits at retirement. They are able to:
 - take all of their retirement fund as cash;
 - use their retirement fund to provide a pension;
 - leave their money invested in their retirement fund, but withdraw cash from it as and when they need it. This is known as ‘drawdown’;
 - take any combination of the above;
 - access their pension from age 55.

Find out what state pension you can expect and when

- Request a state pension statement to get an accurate overview of what you can expect to receive from the state pension and when.
- Go to: <https://www.gov.uk/state-pension-statement> to find out more.

Work out when you are aiming to retire

- Legally, you can start taking your pension from age 55 but check your own pension scheme rules as penalties for early payment usually apply to Defined Benefit Schemes. You should check your own scheme rules if you are thinking of retiring early.
- Look at your current budget and then compare it to what you expect to spend in retirement. Remember some costs will reduce in retirement, such as pension contributions, tax, but some costs are likely to increase ie travel and other activities, utilities. Our budget and pension calculators will help.
- These will give you an idea but remember by contributing more to your pension, and from as early as possible, will enable you to build a bigger pot. This may then mean you could retire earlier.