Taking your money out of NEST

About this booklet

This booklet is designed to help you think about what you want to do with your money when you take it out of NEST.

It doesn't give you financial advice and is provided for information only.

You can also get professional independent financial advice about using the money in your retirement pot and which type of retirement income you'd like. You don't have to, but it might help you understand your options if they aren't clear. Please remember that any financial advice you do get will be independent of NEST.

Did you know?

The glossary at the end of this document is a useful reference tool. It will help you understand some of the technical terms you may come across while you're researching your retirement options.

Although we explain technical terms as we come to them, the glossary puts them all together.

What's inside

01 Getting started

We've designed this booklet to help you get the most out of your NEST savings. It's part of your NEST retirement pack and should be read alongside your retirement letter.

When we talk about retirement we mean the point in your life when you choose to take your money out of NEST.

It doesn't necessarily mean you'll stop working. Some people decide to take their money out when they reach a particular age but they still want to work as well.

What's in your NEST retirement pack?

As well as this booklet, you should also have:

- your retirement letter

nest
NATIONAL EMPLOYMENT SAVINGS TRUST

Miss A AATAAAEERWKONEln
2 Imperial Place
ABERDEEN
AB11 6PJ

02 February 2012

Our reference: MEM000005762/GEN-B005/61066
Your NEST ID: MEM000005762

Dear AATAAAEERWKONEfn

Welcome to your first annual statement

Your annual statement gives you the facts about your retirement pot and helps give you an idea of what it might be worth in the future.

Your retirement pot on 31 March 2012

On 31 March 2012 the value of your retirement pot was £60.97.

Since you started saving with NEST:

- You've put £50.00 of contributions in to your retirement pot. This amount also includes contributions made by anyone else on your behalf, other than your employer(s)
- we've collected £12.50 as tax relief from the government on your behalf and put this in to your retirement pot.

Understanding the value of your retirement pot

Your annual statement shows you the value of your retirement pot as at 31 March 2012. You can think of this as a snapshot in time showing what your pot was worth on that date. We also show you what your retirement income could be when you take your money out.

The value of your pot is made up of a number of things. This includes your contributions, investment performance and the charges we deduct.

We manage your money extremely carefully at every stage of your time with NEST. Each of our funds works differently but usually we aim to grow your money faster than the cost of living - even after charges have been taken into account. We aim to keep the journey as smooth as possible but there may be times when the value of your pot goes down as well as up. Because of the way we manage your pot we aim to protect you from sudden large falls in value that may have a bigger effect on how much it's worth.

NEST, Nene Hall, Lynch Wood Business Park, Peterborough, PE2 6FY t: 0300 020 0090
www.nestpensions.org.uk

1

The decisions you make now about whether to continue saving or take your money out will make a difference to how much is in your retirement pot when you take your money out of NEST. Your retirement could last for many years, so it's important to think carefully about your options.

This booklet will help you understand the decisions you need to make. It explains your options and helps you decide which one is right for you.

There's a lot to think about so give yourself time to read about all your options and collect any other information you need.

You shouldn't rush these decisions. You may want to talk to your partner or family before choosing how and when to take your money out of NEST or any other pension scheme.

Important

Getting guidance

The government has set up a service to offer free, impartial guidance on your retirement options. Pension Wise will explain all your options, the decisions you'll need to make and what tax or fees to look out for when you take money from your pot.

When you're close to retirement call Pension Wise on **0800 138 3944** or visit **pensionwise.gov.uk/en/about** to book an appointment, or to arrange a face to face meeting at a Citizens Advice branch.

To make sure they can give you the right information, Pension Wise will ask you about all of the pension schemes you're saving in. You'll find all the information you need about your savings with NEST in your retirement letter. You may be asked if your scheme includes any guarantees, special features, restrictions or conditions – none of these apply to your NEST retirement pot.

You can also find lots of general guidance about retirement options at **pensionwise.gov.uk/en/about**

Other ways to get help

You may want to get additional professional financial advice to help you make your retirement decisions.

The Money Advice Service can help you find out about professional financial advice, the different types available, when you might need it and where to get it from. It's all on their website at **moneyadviceservice.org.uk**

If you decide you want to speak to an independent financial adviser you can find one near you at **unbiased.co.uk**

An independent financial adviser will be able to give you advice about your options while taking into account your individual circumstances. However, they may charge you for the advice and any services they provide.

Any advice you receive will be independent of NEST and NEST won't be responsible for any fees you may be charged.

Pension wise
Get to know your options

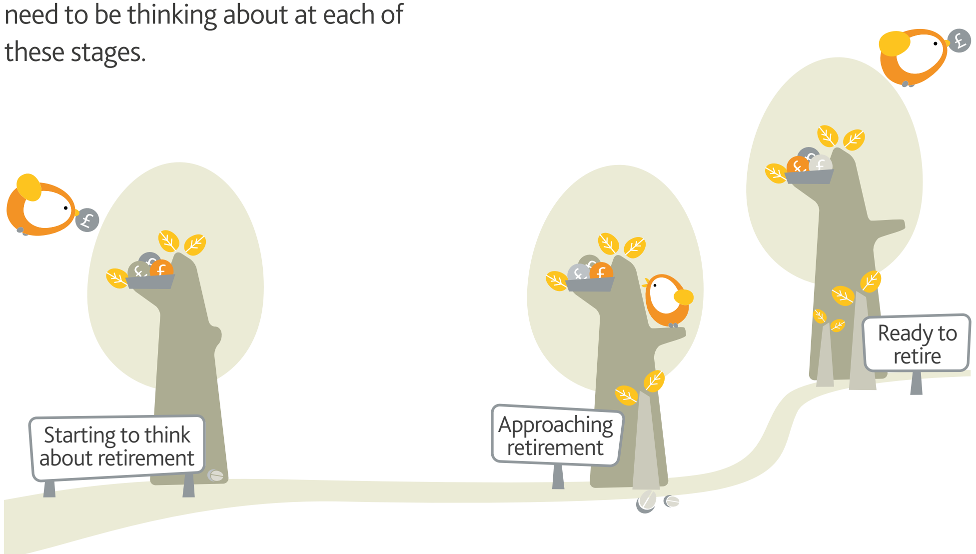
02 Getting ready for retirement

Your retirement is important. You could be retired for 20 years or more so you need to consider your retirement plans carefully.

The way you plan for retirement will change as you get closer to it. You might want to think about which of these three stages you're at now. Are you at:

- **Stage 1: Starting to think about your retirement** – you're still some way from retiring?
- **Stage 2: Approaching retirement** – in the last year or so before retiring?
- **Stage 3: Ready to retire** – you're close to your retirement date?

The following pages tell you what you need to be thinking about at each of these stages.



Important

Beware of pension scams

Some people have built up a lot of money in their retirement pots. This has attracted an increasing number of scams that target people approaching retirement.

Spotting a scam

Scams can take many forms and their tactics often change. Here are some of the typical warning signs to look out for.

What they usually offer

- High growth investment opportunities for your pension savings, usually overseas.
- Early access to your retirement pot if you're under 55.

Tell-tale language

- Upfront cash or a free pension review.
- Offers to cash-in or liberate your pension, pension loans, early pension release, pension selling, saving advance.
- Unique or one-off investments, often with guaranteed returns.

How they may deal with you:

- Approach you over the phone, by text or at your door.
- Pressure you to sign documents quickly, for example with a courier at your door.
- Encourage you to speed up your pension transfer.

What can happen

Scams are designed to look appealing, but they usually end with people losing some or even all of their retirement savings. Once you've signed over your money, you can't get it back. Not only that, you can also face large tax penalties for taking an unauthorised payment from your retirement pot.

What you should do

It's sensible to get independent advice on any offer to transfer your pension or check with The Pensions Advisory Service on **0300 123 1047**. Never rush a decision or sign anything under pressure. If you think you've already been approached by a scammer, call Action Fraud on **0300 123 2040**.

Find out more at **thepensionsregulator.gov.uk/pension-scams**

Starting to think about your retirement

You're over a year away from retiring

Thinking carefully about your retirement at this stage can help you make the most of the money you've saved. Some of the things that will have a big impact on your retirement are:

- how old you are when you choose to take your money out of NEST
- how many years you've been saving
- how much you regularly save
- the level of retirement income you'll need.

The number of years you've saved and the size of retirement pot you've built up will affect the cash lump sum and any retirement income you could get.

This is also true of any other retirement pots you may have. The value of retirement pots can go up and down but saving for longer gives you more time to try and grow your money.

It's important to let us know in advance the date you plan to take your money out of NEST. If your money is invested in one of our NEST Retirement Date Funds for example, we'll aim to manage your retirement pot to be ready for the particular year we expect you to take your money out. So if you change your planned retirement date, please tell us. That way, we can make sure that we manage your money to be ready for you when you want to take your pot.

Unless you've told us differently, we've assumed you'll take your money out of NEST when you reach 65, or your current State Pension age, depending on your date of birth. If you don't take your money out of NEST when we're expecting you to, or if you join NEST after your State Pension age, we'll set your retirement age at 75. We'll put your money in our Post Retirement Fund. This may not be the best place for your money if you plan to keep it in NEST for a number of years.

Did you know?

You can change your NEST retirement date at any time by visiting **nestpensions.org.uk** and logging into your account.

Where will your retirement income come from?

When you retire, you may have income coming from more than one source. It's worth spending a bit of time working out where your income could come from.

For example, you might have:

- your State Pension
- other pension savings
- your own non-pension savings
- your spouse or partner's pension.

You may also decide to carry on working or take a part-time job to add to your income.

How much will you need in retirement?

It's a good idea to think about how your spending is likely to change in retirement. For example, when you stop working you could spend less on things like transport. On the other hand, with more time on your hands, you may want to spend more on leisure activities and holidays. You might want a lump sum to finish paying off your mortgage.

Understanding how much you'd like in retirement can help you identify how you'll want to take your money from your pot. It can also give you an idea about whether you're on track to get what you want.

Did you know?

There are some useful online tools to help you work out your income and expenses. Try the budget calculators from The Money Advice Service at **moneyadviceservice.org.uk/en/tools/budget-planner**

Approaching retirement

You're in the last year or so before retiring

When you're approaching retirement, you should get together the details of any pension savings you've built up during your working life.

Looking at the details of all your sources of retirement income will help you decide how and when to take your money out of NEST. You should also start thinking about how you might like to access your money when you get to retirement.

Finding out how much you have

The first thing you need to consider is how much your retirement savings are worth. To find out how much you can get from the State Pension, go to **gov.uk/check-state-pension** to start the process of getting your State Pension statement.

You may have other retirement pots from other employers or from an insurance company. Tools like the pension calculator from the Money Advice Service can help you get an idea of how much these could give you in retirement. Find this at **moneyadviceservice.org.uk/en/tools/pension-calculator**

If you can't find details of your other retirement pots, you could try and find them using the Department for Work and Pensions (DWP) free pension tracing service. Go to **gov.uk** and search for 'find a lost pension'.

You need to understand what your whole household income will be when you retire, so you should also think about your spouse or partner when considering your retirement. The sorts of things you need to consider are:

- whether your spouse or partner is still working
- when they expect to retire
- whether you want to put off your retirement until your spouse or partner retires
- whether they have their own pension or will be relying on your savings.

Ready to retire

You're close to your retirement date

Many people find retirement decisions quite daunting. If you think you're ready to start making your retirement decisions now, you should think about getting help from an expert source.

You'll be able to see exactly which options apply to your NEST retirement pot by looking at your retirement letter. This is included in the retirement pack we send you six months before your NEST retirement date.

New ways to access your retirement pot

Since April 2015 you've had more flexibility in how you can take your money when you retire.

With the new rules you can:

- start accessing your retirement pot however you want from the age of 55
- take some or all of your pot as cash, with a quarter of your pot tax-free
- keep your retirement pot invested and draw an income from it.

If you prefer, you can still use some or all of your pot to buy an annuity that will give you a guaranteed retirement income. We'll look at all these options in the next sections.

Did you know?

The government has set up a service that offers everyone approaching retirement free, impartial guidance on their options. It's called Pension Wise.

Find out more at **pensionwise.gov.uk**

03 Your retirement options

The first decision you need to make is when to take your money out of NEST.

How old you are when you decide to take your money out of NEST will affect any income you choose for your retirement. The younger you are when you take your money out, the smaller the regular retirement income you're likely to get and the longer you'll need to rely on the income it gives you.

By leaving your money in NEST longer, and adding to it, you'll have more time to work towards building a larger retirement pot. Doing this could give you:

- a larger lump sum to take as cash
- higher retirement income payments.

Your options

Are you ready to take your money out of NEST?

You can take your money out of NEST at any time from the day you turn 55. The age we expect you to take your money out of NEST is called your NEST retirement date.

You can see your current NEST retirement date by logging into your online account. You can also change your NEST retirement date. For example, you can put off taking your money out of NEST by choosing a later retirement date.

Can you take your money out earlier?

If you're suffering from serious ill health or you're incapable of work due to illness you may be able to take your money out of NEST before you reach 55. To do this you'll need to have your medical condition confirmed by your doctor or registered medical practitioner.

You should be very cautious if you're offered early access to your retirement pot for other reasons. Many of these offers are scams that could end in you losing some or all of your retirement savings and risk paying large tax penalties. Find out more in 'Beware of pension scams' on page 7.

How do you want to take your money out?

You can access your retirement savings from age 55 and take out as much as you want, whenever you want. However, the extent to which you'll be able to do this depends on your pension scheme and how much you have in your pot.

Potentially, you could:

- take all of your pot as cash
- use all of your pot to buy a retirement income
- take some as cash and use the rest to buy a retirement income
- withdraw your money in stages
- do nothing and keep your money invested until you know what you want to do.

Some of these options are only suitable if you have a large sum in your retirement pot. As NEST is only a few years old, most of our members haven't been saving with us for very long and have relatively small pots. As a result we don't currently offer all of these options directly. Later in this booklet we explain how to transfer your money if you want to access them using another pension provider.

Did you know?

If you want to change your NEST retirement date, simply log into your online NEST account at **nestpensions.org.uk** and choose 'Edit profile'.

You can choose the NEST retirement date you want. This means we'll be able to keep managing your retirement pot to make sure it's ready for the date you plan to take your money out.

How can you take your money out of NEST?

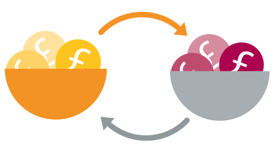
When you're ready to take out your money there are a number of things you can do. NEST won't charge you for taking money from your pot, but your options will depend mainly on how much you have.

We'll look at each of these in more detail in the next sections.

- **Taking cash from your NEST retirement pot** - see section 4

- **Getting a guaranteed income through an annuity** - see section 5

- **Transferring your retirement pot to another scheme** - see section 6



Remember, if you're not ready to take your money out of NEST you can put off your retirement and keep your pot invested for longer. Just let us know by logging into your account and changing your retirement date.

Important

We'll retain and process personal information to comply with our legal obligations, resolve disputes, and enforce our agreements. Please read the privacy notice on our website **www.nestpensions.org.uk/privacypolicy** for more information on how personal data is used and how long we keep it.

04 Taking cash from your NEST retirement pot

When you reach retirement you'll need to decide whether or not you want to take any of your retirement pot as cash. Your retirement letter tells you the options available to you.

Keep in mind that if you decide to take all of your money out as cash, it means you'll have used up your whole retirement pot. This means you won't get any future income from your NEST savings.

If you're suffering from serious ill health or you're incapable of work due to illness you may be able to take your money out of NEST before you reach 55. To do this you'll need to have your medical condition confirmed by your doctor or registered medical practitioner.

If you take your pot as cash due to serious ill health when you're under age 75, it will usually be paid out to you tax free.

If you take your pot as cash due to serious ill health once you've reached age 75, we'll need to take off income tax from the total amount in your pot. We'll take off the tax before we pay the cash lump sum to you. The right amount of tax you'll need to pay depends on your individual circumstances and how much other taxable income you have that year.

However, it's important to consider the different options you have for taking your money out of NEST. Choosing another option could mean you pay less tax. For example, if you ask to take your NEST pot as cash without going through a serious ill health claim, a quarter of your pot will usually be tax-free. This option is described on the next page. You'll also need to take into account the warning on page 18, which applies if you have more than £10,000 in your NEST pot.

You can get more information about how you'll be taxed on your pension savings from Pension Wise, the free guidance service. To find out more about getting help with your options see 'Getting guidance' on page 5.

Did you know?

If you want to take any of your retirement pot as cash and invest it somewhere else, be alert to the risk of pensions fraud.

See 'Beware of pension scams' on page 7.

Your options

Do you want to take some or all of your pot as cash?

From the age of 55 you can choose to take cash from your NEST retirement pot. You could:

- take some of your pot as cash, leave the rest invested and continue to save with NEST. This is subject to our criteria
- take all of your pot as cash
- take up to a quarter of your pot as cash and use the rest to buy a retirement income.

Alternatively you could transfer it to another provider to be able to access other ways to take out your money.

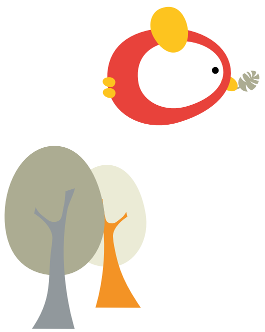
You can choose to take some or all of your pot as cash, or you can buy a retirement income. Either way, you can withdraw up to a quarter of your pot as a lump sum without paying tax on it.

So it's worth considering taking some as cash to make the most of the tax-free allowance.

A note about tax

Apart from any part that's tax-free, money that you take from your retirement pot will count towards your taxable income for the year. So if you take the whole of your pot as cash, you could be pushed up into a higher tax bracket.

See more in 'How we'll take off your tax' on the next page.



How we'll take off your tax

We have to take off income tax before we pay you any cash lump sum.

When you take cash from your NEST pot, a quarter will usually be tax-free. If you take the rest out as cash or as any kind of retirement income, it's taxable in the same way as any income you'd earn, like your wages.

The right amount of tax you'll need to pay on your pot depends on your individual circumstances and how much other taxable income you have that year. It will match the highest rate of income tax you pay – 0 per cent, 20 per cent, 40 per cent or 45 per cent.

We'll give you a certificate showing the tax we've taken off when you take out a cash lump sum.

! Important

Remember that you can usually only take a quarter of your pot tax free. Any other cash or income that you take from your retirement pot counts towards your taxable income for that year. If you take a large amount in one year, this may push you into a higher tax bracket. This means you could be paying tax at rates of 40 per cent or 45 per cent on some or all of your retirement savings, even if you aren't usually a higher rate taxpayer. If you want to avoid paying the highest rate of tax, it may be worth delaying or staggering your cash withdrawals so that they don't all fall in the same tax year.

Checking you've paid the right amount of tax

We use the same tax rate for everyone who takes cash from their NEST pot. This may be different from the actual rate you'll need to pay. For this reason it's possible that you'll need to pay more tax or have some tax refunded. The tax office will usually do that automatically during the tax year by adjusting your tax code. Sometimes they can't do that, for example if you don't get paid any more taxable income during the tax year. In that case, they may wait until after the end of the tax year to either pay you a tax refund or request an additional tax payment.

If you think you've paid too much tax or believe you need to pay any more, you don't have to wait until the end of the tax year for the adjustments to be made. You can send a form to your local tax office for an immediate assessment. The form you need to complete depends on your circumstances. To find out which is the right form for you, visit the HMRC website at **gov.uk/claim-tax-refund/you-get-a-pension** or call them on **0300 200 3300**.

Did you know?

We'll show you how your NEST retirement pot will be taxed in your retirement letter contained in your retirement pack.

You can also get information about how you'll be taxed for different retirement options from the free guidance service Pension Wise.

Find out more in 'Getting guidance' on page 5.

Important

You won't be able to pay more than £4,000 a year into any pension savings in future without paying extra tax if:

- you take some of your pot as cash and leave the rest invested with NEST
- you have more than £10,000 in your NEST retirement pot and take it all as cash
- you've recently transferred money into your NEST retirement pot and take all your pot as cash.

It's worth considering how much you plan to save for retirement in the future before taking cash from your retirement pot.

See 'Annual allowance' on page 29.

05 Getting a guaranteed income through an annuity

You can choose to convert some or all of your retirement pot into a regular income. One way to do this is to buy a product called an 'annuity' from an insurance company. With an annuity you can get a guaranteed income paid to you for the rest of your life.

NEST doesn't provide annuities. However, if you decide you'd like to use your NEST pot to buy an annuity, we can help you arrange it once you've chosen a provider.

We'll take a look at the basics of annuities in this section.

Jargon buster

An **annuity** is an agreement with an insurance company that they'll pay you a certain level of income for the rest of your life. It's a way of insuring against running out of money before you die. You pay some or all of your retirement pot to the insurance company and in return they guarantee your income.

See the 'Glossary' on page 31.

Did you know?

There are some good resources available to help you decide whether an annuity is the right approach for you. Some useful places to look are:

- **moneyadviceservice.org.uk** for an annuity comparison tool and a useful overview of your options in the guide, **Your pension: it's time to choose**. You'll find this in the *Free printed guides* section of their website.
- **pensionsadvisoryservice.org.uk** for general information about your retirement options.

Also take a look at 'Getting guidance' on page 5.

Your options

Is an annuity right for you?

Many insurance companies apply a minimum pot size for buying an annuity. If your retirement pot is below £5,000 you may have limited access to an annuity, unless you have pots elsewhere to combine with it. There are many other types of retirement income products available from a wide range of companies besides annuities. Many of these offer more flexibility in how you can take out your retirement savings.

To use these other options you'll need to transfer your NEST pot to another provider who offers them. You can find out more about the range of retirement income options and transferring your retirement pot to another provider in the next section.

Find out more about getting help with your options in 'Getting guidance' on page 5.

Do you want to take some of your pot as cash?

Even if you choose to get a retirement income you may still want to take some of your retirement pot as tax-free cash. You could use this money to help repay a mortgage for example, or pay for a once in a lifetime experience when you finish working. You can take up to a quarter of your total pot without paying any tax on it.

Keep in mind that if you do take some of your NEST retirement pot as cash, this will reduce the amount that's left to buy an annuity. This means the retirement income you receive for the rest of your life will be lower than it would be if you'd chosen not to take any of your pot as cash.

All of the retirement income you'll get will be taxed as earned income. It will count towards your taxable income for that year and could therefore affect the rate at which you pay tax.

Choosing an annuity

If you want to convert your NEST pot into an annuity, you have some decisions to make. Thinking about these carefully is important as they can significantly affect the income you and your family get during your retirement.

There are three main steps in choosing an annuity.

- **Step 1:** Choose the income options that meet your needs

- **Step 2:** Find out if ill-health or your lifestyle means you can get a bigger income

- **Step 3:** Choose the annuity provider that's right for you

Step 1: Choose the income options that meet your needs

The first step is to decide what type of annuity you want. Different products offer different features that affect the amount of income you or your family can get.

Important

There are special types of annuities called 'flexible annuities'. These let you increase and decrease your level of income or give you taxable lump sums when you choose. If you buy one of these you'll have a limit on what you can pay into your pension pots each year, without paying extra tax. This limit is currently £4,000.

See 'Annual allowance' on page 29.

Your options

How can you tailor an annuity to suit you?

There are a number of ways to fine-tune the type of retirement income you'll get from an annuity. For instance, you can choose to:

- provide an income for your spouse or partner if you die before them
- guarantee your income for a minimum amount of time in case you die during that period
- change the amount of income you receive over time, for example to keep up with the cost of living.

Choosing options like these will affect the amount you'll receive as a retirement income. You can find out more about this and the full range of options in the guide, **Your pension: it's time to choose** at **moneyadviceservice.org.uk** on the *Free printed guides* page.

Step 2: Find out if your ill-health or lifestyle can get you a bigger income

You may be able to get a higher retirement income because of your health or your lifestyle. For example, annuity providers may be able to offer you a higher income based on your:

- **lifestyle** - being a smoker or overweight affects your life expectancy and could boost your retirement income.
- **health** - medical conditions like cancer or diabetes can affect your life expectancy. If you suffer from certain health conditions now or have done in the past, you may be able to receive a higher retirement income for the rest of your life.

How much higher the income will be depends on the seriousness of the illness and how much it reduces your life expectancy.

When you apply for a retirement income it's worth giving as much information as possible about your lifestyle and health. Any information you give here will only be used to check if you're entitled to a higher retirement income.

Providers will ask you to complete a health questionnaire so that they can take your lifestyle and health into account when working out your life expectancy.

Did you know?

If you have a number of retirement pots in different pension schemes you may want to combine them all into one. This could make things easier for you. It will let you convert just one retirement pot into a single retirement income from one company and might mean you can get a better deal.

You may also want to transfer your NEST retirement pot if you want other options that you can't currently get directly from NEST. See the next section, 'Transferring your retirement pot to another scheme' for more.

Step 3: Choose the annuity provider that's right for you

Here's how buying an annuity works.

- The provider, an insurance company, is given the amount left in your retirement pot after you've taken any tax-free cash.
- They'll pay you an income for the rest of your life.
- You pay tax on this income. This tax will be deducted by the provider before it pays your income to you.

Shopping around for an annuity

No two people are alike and everybody has different priorities for their retirement. It's important to choose the right annuity provider for you as this could affect the income you receive for the rest of your life.

There are a number of online tools available to help you find the right product for you, at the best rate. You can start by looking at the comparison tool from the Money Advice Service at **moneyadviceservice.org.uk/en/tools/annuities**

To find out how much you might get from an annuity, you'll need to know the current size of your retirement pot. You can find out how much is in your NEST pot in your retirement pack, or by logging into your online account at any time.

Once you've bought an annuity you can't change your mind, so it's important to choose the right one for you. Before you make any decisions it's a good idea to use the free impartial guidance service, Pension Wise, to help you understand your retirement options. See more in 'Getting guidance' on page 5.

There are also independent advisers who can help you shop around and get personalised quotes. Advisers usually charge for this service through a direct fee. Alternatively, you can contact providers directly yourself or search online through price comparison sites.

See more about how to shop around at **pensionwise.gov.uk/shop-around**

Did you know ?

When you've chosen the annuity you want you can let us know by logging into your online NEST account. You'll need to complete the online retirement tool to tell us if you want to take any cash as a lump sum before we send your pot to your chosen annuity provider.

06 Transferring your retirement pot to another scheme

There are two main reasons why you might want to transfer your NEST retirement pot to another pension scheme. These are:

- to use your pot to buy a retirement income product available from another provider
- to bring a number of retirement pots together before you convert them into a retirement income.

NEST won't charge you anything for transferring your pension pot. However, the provider you transfer to may charge you for receiving your money or may charge a different amount for looking after it.

Did you know?

Retirement income products usually have technical names like 'income drawdown', 'phased retirement' and 'short-term annuities'.

Find out more about what these mean by going to the Money Advice Service website at **moneyadviceservice.org.uk** and reading their guide, **Your pension: it's time to choose**. This can be found in the *Free printed guides* section of their website.

Other ways to get a retirement income

In the last section we talked about how to convert your pot into an annuity to get a guaranteed income for life. It's important to remember that NEST doesn't offer annuities or drawdown products. However, there are other, more flexible ways you may be able to get a retirement income through another provider. For example, you can choose to:

- keep your money invested while you start getting an income from it
- access your cash flexibly as and when you need it in a way not currently offered by NEST.

If you want to use one of these retirement options, you'll have to transfer your NEST retirement pot to a provider that offers them. Providers will have different options available with different tax implications and charges. The provider that you transfer into will give you information about what they have available and the tax implications of the option you choose. Please see page 29 for more information on your annual allowance.

Shopping around is important for all of these options to get the things that are important to you. Choosing the right product for you is important as this could affect the income you receive for the rest of your life.

Bringing your pots together

You could have built up a number of retirement pots with different employers or in private pensions. You may want to bring them all together by transferring all your pension savings into one retirement pot. If you do this, you could:

- get a single, potentially higher retirement income
- access other retirement options that require a minimum pot value, like income drawdown.

From 1 April 2017, NEST's Trustee can decide which transfers it will accept into the scheme.

To find out more about transfers into NEST go to **nestpensions.org.uk/transfersin**

For more information about transfers out of NEST go to **nestpensions.org.uk/transfers**

Your options

Do you want to transfer your NEST retirement pot?

You can transfer your NEST retirement pot into another pension scheme at any time if you've stopped contributing.

NEST won't charge you anything for transferring your pot.

If you decide to do this, you'll have to transfer the whole value of your NEST pot, not just part of it. Just let us know you want to do this when you log into your account and request the transfer.

Jargon buster

Income drawdown is a retirement option where you can take an income from your pot when you need to, while leaving the rest invested.

See the 'Glossary' on page 31.

Getting advice

If you're unsure whether you should transfer your NEST pot, you may want to get independent financial advice. In some cases, before your transfer can be accepted you'll have to seek authorised advice. An example of this is if any of your savings are in a kind of pension known as a 'defined benefit' scheme.

If you're close to your retirement date, you'll be able to access Pension Wise, the free and impartial guidance service introduced by the government. See more about this and how to find additional professional financial advice in 'Getting guidance' on page 5.

Did you know?

Remember there are an increasing number of scams out there designed to take your pension savings. Before you sign anything, you should check any offer to transfer your pension by seeking authorised independent advice or by calling The Pensions Advisory Service on **0300 123 1047**. Never rush a decision or sign anything under pressure.

See more in 'Beware of pension scams' on page 7.

07 Lifetime allowance

What's the lifetime allowance?

The government puts a limit on the total amount you can accumulate in all of your pension savings without paying extra tax.

This limit is called the lifetime allowance. The standard lifetime allowance is set at £1.03 million for the 2018/19 tax year.

It's not designed to have an impact on the vast majority of pension savers. It's designed to limit the tax breaks that wealthy individuals receive.

This £1.03 million limit doesn't include your State Pension or state benefits. Most people won't go over this limit.

If the total value of someone's pension savings does go over the lifetime allowance limit, they'll have to pay a tax charge on the amount that goes over £1.03 million. This charge is known as the lifetime allowance charge.

You can find out more about your lifetime allowance from HMRC at **gov.uk/tax-on-your-private-pension/lifetime-allowance**

08 Annual allowance

What is the annual allowance?

The government puts a limit on the total amount you can pay into pension schemes in each tax year without paying extra tax.

This limit is called the annual allowance. The standard annual allowance is currently set at £40,000 a year, but has been reduced to £4,000, applicable from the 2017/18 tax year onwards, if you access any of your retirement pots 'flexibly'.

If the total amount you pay into retirement pots in one tax year goes over the annual allowance you may have to pay a tax charge on the amount that exceeds the limit. This is known as the annual allowance charge.

In NEST, contributions count towards the annual allowance based on when we received them. That's the case even if they're deducted from your pay earlier and passed on to us by your employer. So sometimes contributions deducted from your pay in March or early April will count towards the annual allowance in the next tax year.

What is flexible access?

'Flexible access' is when you take a retirement pot from a pension scheme in any of the following ways:

- taking some of your pot as cash without buying a retirement income, unless you take your entire retirement pot and it's worth less than £10,000
- buying a special type of retirement income called a 'flexible annuity' - the insurance company you buy the income from will tell you if it's a flexible annuity
- using some of your retirement pot for 'income drawdown' - see 'Glossary' on page 31.

Your provider will tell you if you've accessed your retirement savings flexibly.

What happens if you do flexibly access your pot?

If you access any of your retirement pots flexibly then any future contributions you make will be subject to the lower annual allowance of £4,000. So before you choose to use flexible access it's worth thinking about whether you'll want to contribute more than this in future.

You can find out more about annual allowance at **gov.uk/tax-on-your-private-pension/annual-allowance**

09 Glossary

Some of the terms in this Glossary have been used in this booklet. Others are technical terms we try to avoid using at NEST, but you might come across them when you're looking into your retirement options.

Annuity

An agreement with an insurance company that they'll pay you a certain level of income for the rest of your life. It's a way of insuring against running out of money before you die. You pay some or all of your retirement pot to the insurance company and in return they guarantee your income.

You can use part of your retirement pot to buy a short-term annuity contract from an insurance company of your choice. A short-term annuity contract will pay you a fixed amount each year. The contract can last for up to five years.

Annuity rates

The rate used by insurance companies to convert a lump sum of money into a series of regular payments. The actual rate used depends on a number of factors. These can include your age, whether the income is guaranteed or increases over time and sometimes other things such as health and lifestyle.

Defined contribution pension scheme

A type of pension scheme where you pay in a set amount each month to build up a retirement pot. You can use this money to buy an income or take it as cash when you retire. The amount you save can also depend on investment returns and the amount of charges over time.

Deflation

When the cost of living goes down.

Enhanced lifetime allowance

A lifetime allowance set at a higher amount than the standard lifetime allowance of £1.03 million (for the 2018/19 tax year). It's sometimes referred to as a personal lifetime allowance. Only a small number of people have this. To get one you would have had to register with HMRC requesting a higher limit.

Escalating annuity

A retirement income that increases each year rather than staying the same, for example, to keep pace with the cost of living, known as inflation. This is why you may hear an escalating annuity referred to as an inflation-linked annuity. These types of retirement income tend to either follow changes to the retail price index (RPI) or increase by a fixed percentage each year, for example by 2-3 per cent. With some products, income could reduce in times of falling prices.

Flexible annuity

A type of annuity that pays you an income for life and allows you to choose the method of investment as well as the amount of money to be received every month. This annuity can also be used to provide money to your beneficiaries and dependants.

Fund

Funds are usually made up of shares and other financial products and are a way of investing a member's retirement pot in lots of different ways.

Group personal pensions (GPP)

A set of personal pension arrangements for workers at a particular organisation. The workers contribute, and the organisation may contribute through this one arrangement, to provide a retirement income.

Guaranteed annuity

A retirement income that's paid out for the rest of your life, but is also guaranteed to be paid out for a fixed period of time if you die within that time. If you die within the fixed period your income will continue to be paid out until the fixed period ends. If you live longer than the guaranteed period you'll still get your retirement income for the rest of your life.

HMRC

Her Majesty's Revenue and Customs. It's the name of the tax office in the UK.

Incapacity

Under NEST's rules this is a physical or mental condition that means a member is incapable of work and incapable of carrying on any occupation. Confirmation from a doctor is needed to declare that someone is incapable of work.

Income drawdown

A retirement product where you can withdraw some of your retirement pot as income while leaving the rest invested.

Inflation

How we measure rising prices, often expressed as consumer price index (CPI) or retail price index (RPI).

Inflation-linked annuity

An annuity where the payments increase in line with inflation.

Joint-life annuity

A retirement income that's paid out to your spouse or partner if you die before they do. They'll usually get half the income you were receiving.

Member

A person who's joined NEST and hasn't yet taken their money out.

NEST retirement date

When you join NEST we set your NEST retirement date for you depending on when you were born. If you were born on or before 5 December 1953, your NEST retirement date will be the day you reach age 65. If you were born after 5 December 1953 we set your NEST retirement date to match your State Pension age as it is on the day you join NEST. If you'd already reached either 65 or your State Pension age at the time you joined, your NEST retirement date will be age 75.

You also had the option to select a different NEST retirement date to better suit your circumstances. You can still change your NEST retirement date if you'd like to, as long as your age on the new date you choose is no less than 55. You can select an alternative NEST retirement date by logging into your NEST account and clicking on 'Edit profile'.

NEST Retirement Date Funds

Unless you choose a different investment option, this is where your retirement pot will be invested throughout your time saving in NEST. The money will be put into a fund designed to be ready for the year we expect you to take your money out. If your retirement date is 2020, your money will be invested in the NEST 2020 Retirement Fund.

Nominated beneficiary

A person or number of people, trust, charity, club or society that you can choose to give your retirement pot to if you die before taking your money out of the scheme.

Open market option

Shopping around for a retirement income. It gives you complete flexibility to choose how you take an income in retirement.

Retail Price Index (RPI)

This measures inflation by tracking the prices of everyday things we buy, such as food, clothes, bus fares and petrol. If the price of this basket of items goes up this is called inflation. If it goes down this is called deflation.

Retirement pot

NEST's name for the money you save through a pension scheme. It includes your contributions and any contributions from your employer as well as tax relief and any investment returns.

Retirement pack

Your retirement pack includes this booklet, as well as your retirement letter, which tells you which choices apply to you and the forms you'll need to take your money out of NEST.

State Pension

The amount of money you could receive from the government when you reach State Pension age. The figure for the full flat rate State Pension in the 2018/19 tax year is £164.35 per week. The flat rate State Pension replaces the basic State Pension and the State Second Pension for those people reaching their State Pension age on or after April 2016.

State Pension age

The age when people normally start getting their State Pension. You can find out what your State Pension age is by visiting **gov.uk** and searching for 'State Pension age calculator'.

Tax-registered pension scheme

For a pension scheme to qualify for tax relief it must be registered with HMRC for that purpose and comply with limits set out in the Finance Act 2004.

Tax relief

The money NEST claims from the government based on what you pay into your retirement pot and HMRC rules.

! Important

Some of the areas this booklet covers are set out in the legal framework that governs NEST, known as the order and rules. We've taken care to make sure that where this booklet summarises the order and rules it's as accurate as possible. It doesn't cover everything and the order and rules will always take priority. You can read the full order and rules at **nestpensions.org.uk**

NEST
Nene Hall
Lynch Wood Business Park
Peterborough
PE2 6FY

Contact us

Chat to us online at
nestpensions.org.uk/livehelp
Member enquiries **0300 020 0090**
8am to 8pm seven days a week
For bank holiday opening hours visit
nestpensions.org.uk/contactus

Email **support@nestpensions.org.uk**

Find out more online at
nestpensions.org.uk

p15301-v1 14353 03/18