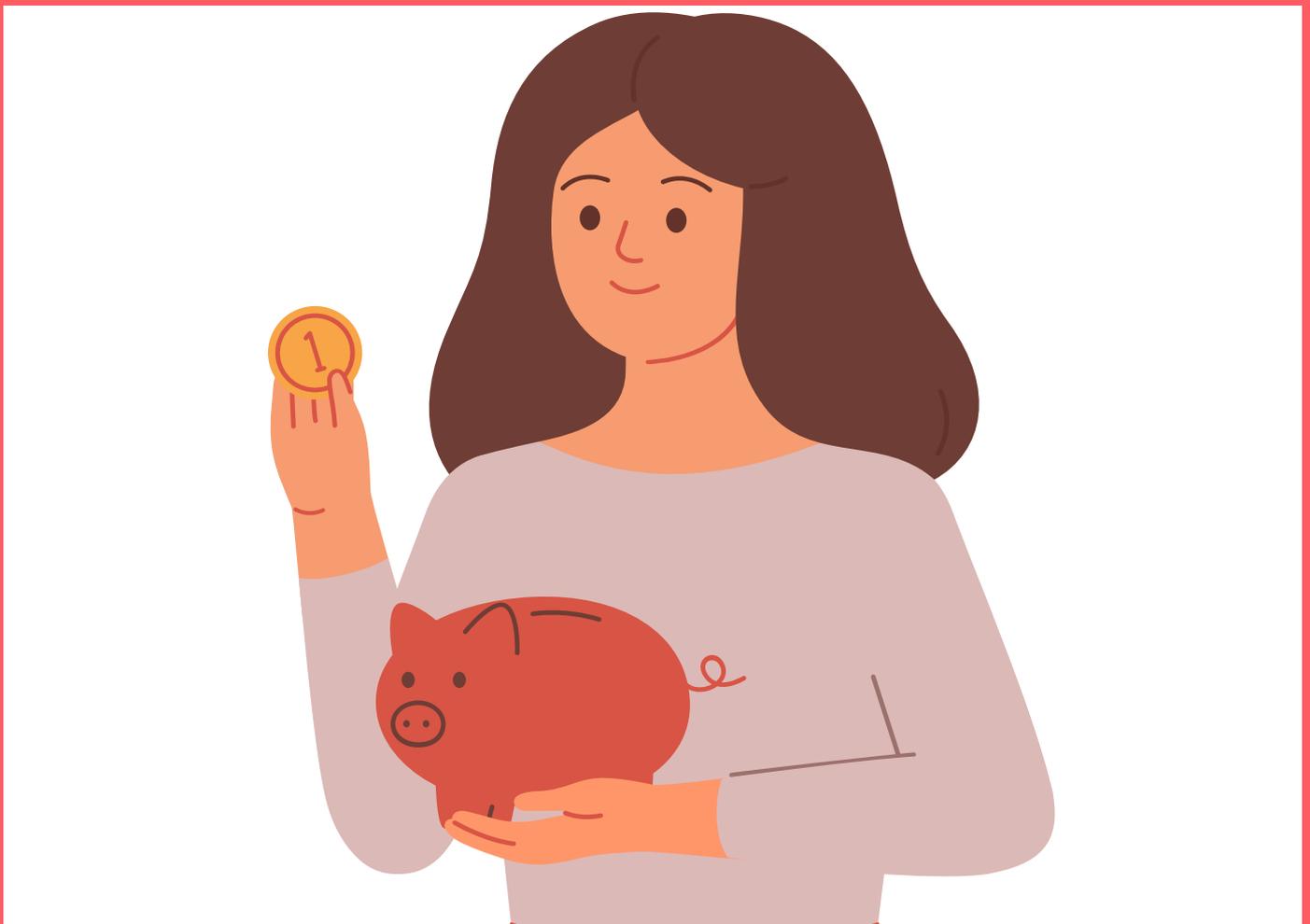


Pensions

solace

There are lots of useful places to get more information on pensions and retirement. There are organisations like The Money Charity and the Money Advice Service which offer comprehensive guides and workshops to give you a thorough understanding of pensions.

This article will explain the three main type of pensions and outline some key facts you should know about pensions and retirements.



State Pension

Most people will receive some State Pension. It's paid by the government and gives you a secure income for life. As of April 2016, a flat-rate State Pension was introduced. That means that for the tax year 2020-2021 the full state pension is £175.20 per week. You won't get your State Pension automatically, but you should get a letter no more than two months before you reach State Pension age, which will tell you what to do. In order to qualify for the full state pension, you'll need 35 qualifying years on your National Insurance (NI) record. Typically, you need more than 10 qualifying years to receive an income from the State Pension.

Defined Benefit Pensions

A defined benefit (DB) pension is a salary-related pension which is typically based on how long you've been a member of the scheme, and what your earnings are. You're most likely to have this type of pension if you've worked in the public sector or work for a large company. Since the 1990s, these schemes have become much less prevalent, with many employers instead offering Defined Contribution pensions. If you have a DB pension, your pension might be based on your pay, when you retire or leave the scheme (final salary scheme) or your pension may be calculated by the average of your pay whilst you were a member of the scheme (career average).

Defined Contribution Pensions

Under this type of pension, you'll build up a pension 'pot', from which you can drawdown an income after the age of 55. These pensions include workplace, personal and stakeholder pension schemes. The amount by which your DC pension grows will depend on: the level of charges paid; how well the investment performs; how much you, and your employer, pay in.

Key points about pension planning:

1. Make sure you understand any features that come with your pension, so you know its true value. Some pensions come with 'special features', such as an income for your dependants after you pass away.
2. Make sure you get advice so you know what income you can expect from your pension pots. Talk to your friends and family for their advice and use the services of free impartial advisors such as the Money Advice Service and PensionWise. Please see links below:

<https://www.pensionwise.gov.uk/en>

<https://www.moneyadviceservice.org.uk/en>

3. Some pensions let you increase your contributions, which will mean you'll have more money saved for the future. However, you should make sure that you can afford this before doing so.

4. If you're a member of a work-place pension, your pension belongs to you, not your employer. Make sure you understand the scheme and keep a track of its performance each year.

5. If you've had lots of different employers, you'll probably have a variety of different pensions. Make sure you keep your paperwork safe and understand where everything is. You can take financial advice to see if consolidating your pension into one pot is right for you, this can sometimes make it easier for you to administer.

6. Your pension belongs to you. Being coerced to withdraw your pension, or someone using your pension to pay for other expenses whilst keeping their own pension is a form of economic abuse. If you think you might be suffering from economic abuse around your pension, please visit [Surviving Economic Abuse](#) for further resources and help.

When you're thinking about your pension, ask yourself these three questions

1. When do you want to retire?

2. What type of life do you want when you retire?

3. What pension arrangements do you currently have?

For more help with your pension go to the Pensions & Retirement section on the Money Advice Service, a free and impartial service provided by the government. If you're nearing retirement, make sure to get advice on your retirement options.

Check if you're eligible for a one-to-one help session with Pension Wise, a free and impartial service backed by the government. You can also consider taking regulated financial advice but be aware that private advisors will charge you for their advice.