Legal & General

Retirement, your way

Your guide to planning the retirement you want, and how to pay for it

Three steps to your best retirement

Thinking through your retirement choices and making the best decisions can seem like an overwhelming job – especially when your retirement date is getting closer.

Whether you're planning alone or with a loved one, we've created this easy-to-follow, three-step plan to help you understand your options and plan for the retirement you want.

We're going to help you answer three key questions:

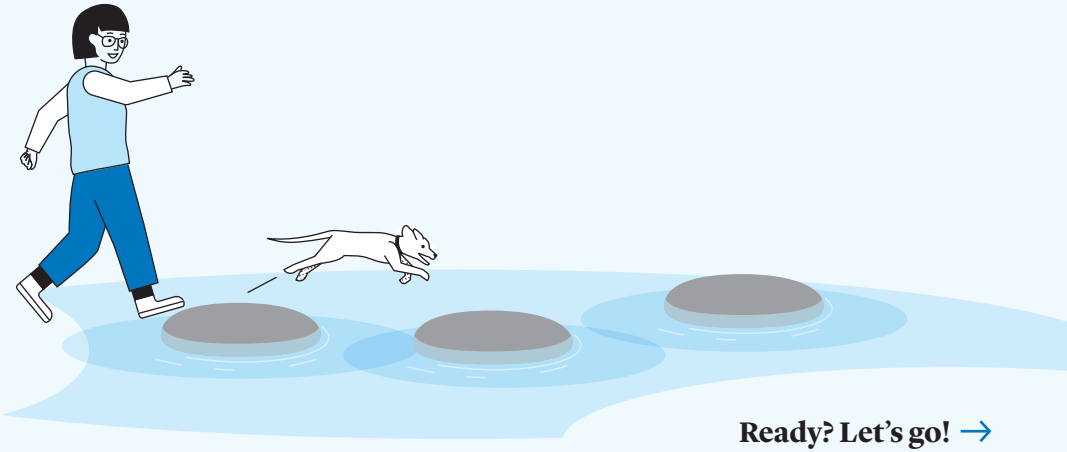
1. What sort of retirement do you want?
2. How much money will you have coming in?
3. What's the best retirement income plan for you?

We'll go into a lot of helpful detail, but this guide is just a starting point. It's always a good idea to get independent financial advice, do your research and shop around.

To help, the Government provides a service called Pension Wise. It offers free and impartial pensions guidance and will help you understand your retirement options.

Visit **moneyhelper.org.uk/pension-wise** or call **0800 138 3944**.

Pension Wise



Ready? Let's go! →

1. Step 1 Imagining the retirement you want

Ask yourself some questions about the retirement you'd like. The answers will help you understand just how much money you might need for it.

Of course, your retirement can last for a long time – maybe 20 years or more. Breaking it down into manageable chunks, of five or ten years, can help. So, thinking about the next five or ten years:

Do you want to keep working full time, part time or not at all?

If you plan to keep working full or part time, how long will you do it for?

- Working could help you:
  - top up your pension income
  - keep active (both physically and socially)
  - give your life structure and purpose
  - it may even give you lively social time with others
- You might be able to work reduced or flexible hours. You can find out more at **gov.uk/flexible-working**

What are your essential monthly costs?

Work out how much you spend on things like:

- your weekly food shop
- paying car insurance
- your heating and other regular bills
- what about rent or your mortgage payments?

Will you be caring for a family member?

- This could be from the generation above, the generation below, or your partner
- Think about how their or your needs could change over time

Where will you live during your retirement?

Do you want to:

- downsize?
- move closer to your family?
- stay where you are?
- move abroad?

Are there any practical age-related housing adaptations that you might need to consider?

For example, in the future, you might need help:

- getting up and down stairs
- climbing in and out of the bath
- with any other daily tasks
- how else could your needs change over time?

How will you fill your days?

For example:

- What will you do on Monday mornings?
- Is Sunday lunch home-cooked or a carvery trip with family and friends?
- What sort of treats and holidays will you be able to afford?
- Do you have any pastimes or hobbies?
- Would you want to spend your time in other ways – volunteering, perhaps?

Do you need to clear any outstanding debt?

Making sure all your debts are covered is a big part of retirement planning.

Write down any debts you may have, including credit cards or a mortgage. Can you clear them before you retire?

If debts are becoming difficult to manage, debt charity StepChange can help.

Visit **stepchange.org**

Do you plan to leave some money in your will?

If you do, this will need to be considered in your overall plans.

Will you plan some rainy-day money?

It could help cover any unexpected costs, like:

- a replacement boiler
- future care costs, should your circumstances change

Thankfully, there are retirement products available that give you security and flexibility. Depending on the product you choose, they can even be adjusted to meet your changing needs. There's more about the different products in step 3.

That should help get you started. Now you have an idea of what you want, retirement might start to feel more exciting.

Ready for step 2? →

2. Step 2 Your potential retirement income

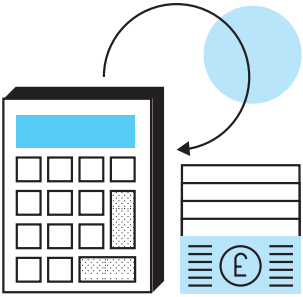
Saving into a pension is just the start. When you're retiring, you'll need to decide how your savings will give you a retirement income.

Before you reach retirement age, it's a good idea to work out how much money you'll have available to buy your retirement income. Start thinking about the pensions you've paid into, as well as any other income sources you may have. For example, your State Pension, savings or property. The next page tells you some of the ways you can find out what you've got.

Could you pay a little extra into those pensions?

If you're not thinking of accessing your pension savings soon, then you could think about adding just a little each month from now until you retire. This could increase the amount you'll get out.

Check our retirement income calculator to see if adding a little extra can help you get a retirement that's closer to your dreams.
legalandgeneral.com/myincome



Your State Pension

Find out how much you've paid into your State Pension and when you'll start getting payments

- Go to **gov.uk/check-state-pension** to check your entitlement.
- You won't get your State Pension automatically, you'll have to claim it. You should get a letter from the Government before you reach your State Pension Age, telling you what you need to do. If you don't, you'll have to get in touch with them.
- The amount you'll get depends on how many years you've been employed or self-employed and paid National Insurance.
- Your State Pension is classed as taxable income – just like any other form of income.
- People with smaller State Pensions may qualify for Pension Credit, which tops up their pension payments.
- You don't have to access your entire pension in one go. For example, you might plan to reduce your hours at first, rather than give up work completely – so you may only need to take enough to cover your reduced wages.
- Or you could consider waiting before you start taking your State Pension. Deferring could increase the payments you get when you decide to claim it. Find out more at **gov.uk/deferring-state-pension**
- Remember, tax rules can change, the availability and value of any benefits will depend on your personal circumstances.

Personal and workplace pensions

Check the value of your pensions

Many people have more than one pension, either from working in different jobs, or because they've set up personal pensions themselves.

Understanding the different types of pension will help you work out what you'll get in retirement. It's important to read any pension paperwork or annual statements you receive from your provider, to give you an idea of what you've saved, and any benefits or guarantees they come with.

Trace lost or forgotten pensions

You might have lost touch with some of your pensions, especially if you've moved jobs a few times. One way to trace your pensions is to contact your previous employers and pension providers.

The Government has a free-to-use, online pension tracing service, where you can find the contact details of employers and pension providers to speak to directly.

Visit **gov.uk/find-pension-contact-details**

Doing it yourself can take a lot of time and effort. For a fee, there are pension tracing services that will do it for you.

We, at Legal & General, offer a free pension consolidation service for customers setting up a personal pension, where we can trace your pensions for you.

Think about bringing your pension pots together

You might want to bring all your pensions together in one place. This is called pension consolidation. Consolidating pensions can save you time and, by having them all in one place, they can be easier to manage too. Especially when you're ready to retire and need to decide how to take your retirement income.

For some people, having their pensions in one place means paying less in fees and charges, as they'll only be paying them to one provider. But consolidation isn't suitable for everyone; some pensions come with valuable benefits, which you could lose if you move them, and some providers charge exit fees for leaving. As with any investment, the value will go up and down. There are no guarantees, and you may get back less than you put in.

We can help you consolidate your existing pension into a single Legal & General pension pot. If you already have a workplace pension with us, or are buying our personal pension, visit **legalandgeneral.com/pensionready**

Will you take some of your pension as tax-free cash, and if so, how much?

You can usually take up to 25% of your pension pot tax-free, the rest is taxed as income. You then need to decide what to do with the rest of it, whether that's keeping it invested or using it to buy an income for your retirement. We cover the different products available in step 3.

- Find out more about pension tax **legalandgeneral.com/tax**
- You'll need to read through your pension documents or call your providers to understand your options.
- Tax-free cash can only be taken once, and as a lump sum.
- Remember, tax rules can change.

Other sources of income

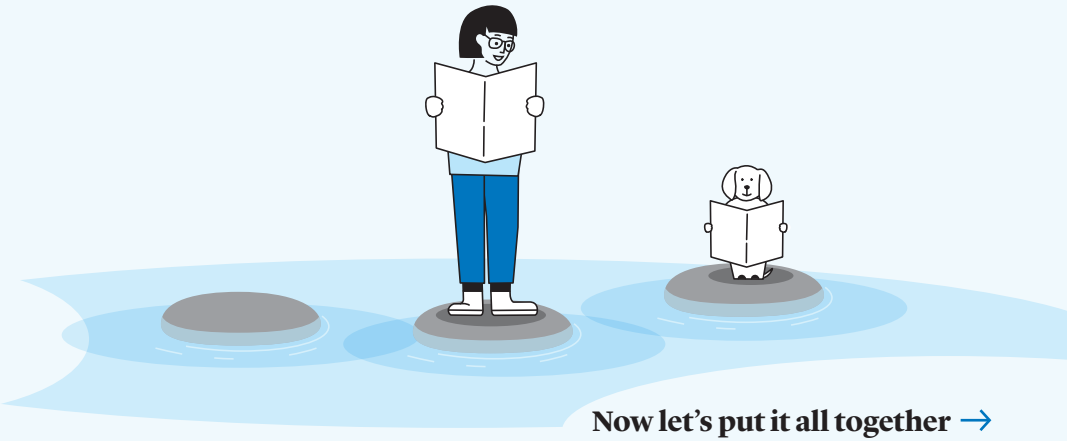
What current accounts, savings, shares or other valuable assets do you own?

You could use them to boost your income in retirement.

If you own your home, it could be one of your biggest assets, so you may want to think about including it in your plans.

A later life mortgage allows you to borrow money based on your age and the value of your home, while continuing to live there.

- If you're aged 50 or over, you could release some of the equity in your home as tax-free cash. A later life mortgage is a loan secured against your home that lets you do just that. **legalandgeneral.com/mymortgage**
- If you have children living at home, do they or could they contribute toward costs?
- Could you rent a room to generate income?
- Could you downsize, or move to a less expensive area or property, releasing equity from your home to support your retirement plans?



Now let's put it all together →

3. Step 3 Let's write your plan

The last stage is to use the information you've gathered so far to create your retirement plan:

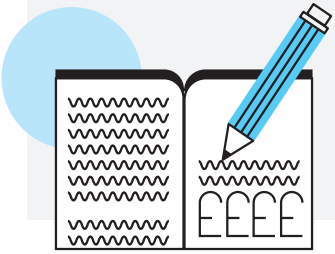
- In step 1 you thought about what type of retirement you'd like.
- In step 2 you worked out what pension savings and assets you have available to use for an income in retirement.

Let's get writing the first draft of your plan. It's unlikely to be the final version, and that's OK. As you work through the plan, or as things change in the future, you may need to change some of your decisions or revisit your options. Don't forget, breaking it up into five and ten-year periods can be helpful.

Start with the basics. Write down:

1. When you plan to retire
2. When you'll be eligible to take your State Pension
3. If you'll take an income from your other pensions when they become available at age 50 (or 57 from April 2028)
4. What you think your outgoings are likely to be

You can use this information later to help you decide which retirement income products will best suit your needs.



Other things to consider:

If you think you might have a gap, is there still time to adjust what you're paying into your pension or other savings, like an ISA, so you'll have more later?

- Your property, and any savings or investments you may have, should be included in your overall income plans. For example, could you downsize your home or sell items such as a car?
- Can you delay your first State Pension payment if you don't need it yet? This could increase your future pension income payments when you're older **gov.uk/deferring-state-pension**
- If you want to continue working either full or part time, this can also increase your income later.
- There is no one size fits all to retirement planning, but thinking about everything you have and need before you make any decisions will help you get the best from your retirement.

Now, what do you want from your retirement income?

Before looking at retirement income products, think about your needs and how you like to manage your finances. This will help you decide the right product for you:

Do you want the security of knowing you'll have a regular income for a fixed period of time, or one that lasts as long as you do?

Do you want to have flexibility in how much income you take and how you manage your pension pot?

What else do you need to consider in the future?
Thinking ahead can help you plan better.
For example, would you like to leave an inheritance? Or, though you might not need it now, care can become a cost as you get older.

You can take out more than one income product, and they can be taken at different times throughout your retirement. This gives greater flexibility in how you manage your money as your needs change.

When you're retired, you'll still pay tax on any taxable income over your personal tax allowance. Keep this in mind when you decide what pension product, or products, you take out.

It's your choice, and support is available

Whatever you decide, it's important to have a look around at the different products and providers available, to help you make a decision that's right for you.

Pension Wise from MoneyHelper is the Government's free and impartial service, offering guidance to make money and pension choices clearer.

Visit **moneyhelper.org.uk/pension-wise** or call **0800 138 3944**.

Alternatively, you could speak to an independent financial adviser, although they may charge for their services.

How do you want to use your pension pot?

When it comes to deciding how to take money out of your pension pot, there's no one right answer. Different providers offer different products, so it's always good to shop around, find free guidance or speak to an adviser to help you find the right product or mix of products.

To help you get started, here are some ways you can use your pension to give you an income.

Option 1.
A guaranteed income that lasts as long as you do

A pension annuity, also known as a lifetime annuity, pays you a regular income for the rest of your life, no matter how long you live, even if that's to over 100 years old.

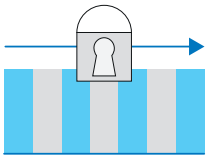
With an annuity, you'll know exactly how much you're getting, come rain or shine. So you'll have security and peace of mind. When buying a pension annuity, the options you choose are fixed and can't be changed. Think carefully if this is the right product for you. But if you choose an annuity, you can be safe in the knowledge that your annuity income will never run out.

It's worth noting that you could get a higher income if you have certain health or lifestyle risks.

- You can take up to 25% of your pension pot as a tax-free cash payment, and then use the rest to buy an income that will last as long as you do.
- You can choose features to suit your needs. Is it important your spouse, partner or other dependants continue to receive an income after you pass away?
- If you decide to get a quote with Legal & General, we can tell you if our quote is the best in the market. If it isn't, our partner Annuity Ready lets you compare quotes from other providers, to help you find the best deal.
- You also have the option for your annuity payments to go up each year. This could help protect you against the rising cost of living, for example.

legalandgeneral.com/myannuity

A guaranteed income that lasts for a fixed time



A guaranteed income for a few years

Fixed term annuities are a good choice for some people, because they let you keep your options open. Which could give you some flexibility as your circumstances change. At Legal & General, we have two options:

Fixed Term Retirement Plan

- This plan pays out a guaranteed income for a set term, rather than for the rest of your life. You decide how long.
- Once the term's up, you will receive a guaranteed maturity lump sum, that you can then decide what to do with, for example, buy another annuity or drawdown product (explained later).
- You can also decide not to take an income, and just take the maturity value at the end of the fixed term.

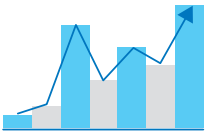
legalandgeneral.com/fixedterm

Cash-Out Retirement Plan

- This plan pays out a guaranteed income for a set term, usually five to ten years. Bear in mind that once the fixed term is up, you won't receive an income any more.

legalandgeneral.com/cashout

Other types of annuity



An investment-linked income

Investment-linked annuities, also known as variable annuities, are linked to stocks and shares. They give you an income that varies, depending on the value of the investments they're linked to.

Your investment can grow and your income can rise. But they can also fall in value. There's usually a guaranteed minimum income, but make sure it's enough to meet your needs, if your money falls to that value.

Try our free annuity calculator

Our website has guidance, tools and videos available to help you understand your options.

legalandgeneral.com/calculate

Best Annuity Provider

Option 2.
A flexible income

Drawdown is a flexible way to take money out of your pension. Think of your pension as a pot of money that you can dip into – either regularly, or as and when you need a little extra – until it runs out. Whatever you're not taking as an income stays invested, which means it could grow, but investments can also fall in value. As drawdown isn't a guaranteed income, you'll need to manage your money so that it won't run out.

A flexible income

You're in control of how much you take and when. You could choose to take a regular and/or occasional income, or no income at all. You can take out as much or as little as you like, for as long as your pension size and investment performance allow.

An income you'll have to monitor

Your income won't be secure, and it could run out. So you'll need to keep track of how your investments are performing and manage your income carefully as well.

You decide how you want your money invested

You decide based on what you would like to do with your money within the next five years; we offer four options, also known as investment pathways. When you choose your investment pathway, you won't be locked in, and can change it at any time. Other providers may have different options to choose from.

Find out about Legal & General's drawdown product

If you're comfortable keeping some of your pension pot invested, and that you can manage your pension pot so you have enough money in retirement, pension drawdown could be a good choice for you.

Keep in mind how long you could need your pension to last. You could be retired for 20 years, or much longer. If you withdraw too much too soon, there might not be enough left to last your full retirement.

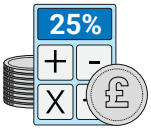
Find out more about drawdown
legalandgeneral.com/mydrawdown

Option 3.
Lump sums taken directly from your pension pot

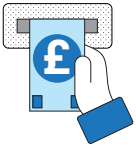
You can take money out of your pension without choosing an annuity or drawdown. If you wanted to, you could also withdraw your entire pension as a single lump sum.

When thinking about taking lump sums, remember you may be taxed on these. Any lump sums will count towards your taxable income that year, and you could end up paying a lot more tax than if you bought an annuity or drawdown product with more gradual withdrawals over time.

Anything you don't withdraw, stays invested. Which means it could grow, but investments can also fall in value. You'll need to manage your money so that it won't run out.



You can usually take up to 25% of your pension as tax-free cash.



Depending on your individual circumstances, there's no limit to the amount you can take as a lump sum. But, it's important to keep in mind how long you'll need your pension to last, and that once you've taken your tax-free cash, the rest is taxable. There might be more tax-efficient ways to take an income in retirement.

Mix and match to suit your needs

You don't need to choose just one type of income product. You can combine some or all of them, either at the same time or one after the other, to meet your changing needs now and in the future. For example, using your pension pot to buy a flexible income, as well as a guaranteed income.

legalandgeneral.com/blending

It's important you research or get financial advice when making decisions about your retirement. Find out more at **moneyhelper.org.uk/pension-wise**

You should also know that if you currently receive means-tested benefits, withdrawing money from your pension may reduce how much you receive. Find out more at **gov.uk/benefits-calculators**

What else can support your retirement plans?

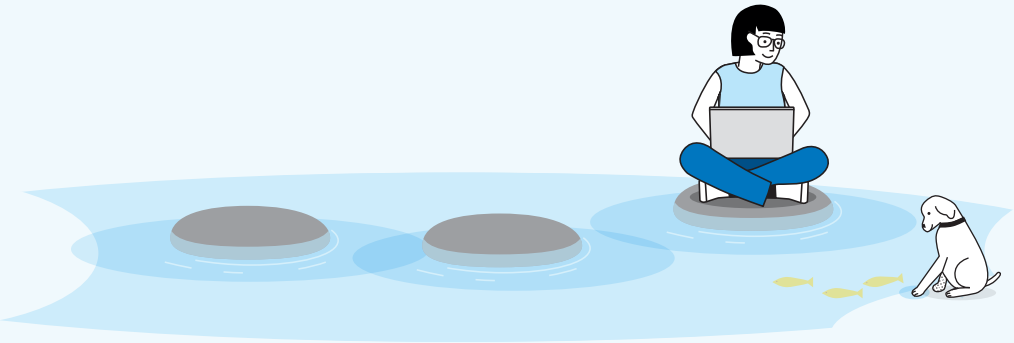
Once you've had a look at the income you could get from different products, if you're worried you might have a gap between your expected retirement income and the costs of the retirement you'd like, it might be worth revisiting your plan.

You could look into:

- delaying or deferring your retirement date
- continuing to work part time
- drawing on other assets that could help, like your home

Using your assets

Over the years, property values have risen. That means your home could be worth much more than you paid for it. It might even be your most valuable asset. Our later life mortgages can help release the money tied up in your home as tax-free cash to use now.



Our later life mortgages

A later life mortgage allows you to borrow money based on the value of your home, while continuing to live there.

- Our products include Lifetime Mortgages and a Retirement Interest Only Mortgage.
- They are a loan secured against your home.
- They're exclusively available to homeowners aged 50 and over.
- You usually don't need to pay it back until the last remaining borrower dies or moves out of the home and into long-term care. It's then paid back from the sale of your home.
- Our team of specialist advisers will answer your questions and talk you through your options.
- Sometimes a later life mortgage isn't the best choice. It may affect means-tested benefits and any future inheritance. We'll tell you if it isn't right for you.
- We don't charge an upfront advice fee, and we make sure you understand every single cost involved.
- As a last resort, your home may be repossessed if you do not keep up with payments on the Retirement Interest Only or Payment Term Lifetime Mortgage.

legalandgeneral.com/mymortgage

As well as plugging any gaps in your retirement, you could use the money you release for making some home improvements, or helping your family onto the property ladder. For many younger people today, home ownership can feel out of reach. Imagine being able to release money to help your children or grandchildren buy homes of their own. And you won't even have to move house to do it.

It's worth noting that if you give money away as a gift, the recipient may have to pay inheritance tax in the future; visit **gov.uk/inheritance-tax** to find out more.

Other products that can support you in retirement

Our Stocks & Shares ISA

ISAs are a tax-efficient way to save or invest up to £20,000 each year. Any money your ISA makes from either gains in the stock market or from income, is tax-free.

Remember, apart from your initial 25% tax-free lump sum, withdrawals from your pension are taxed. ISAs can be useful in many ways, for example using them to meet your daily expenses, or for emergency money, so that you can leave some of your pension untouched.

You can open one of our Legal & General ISAs with as little as £20 per month or a £100 deposit. You can start saving with a choice from five diversified fund solutions to suit the level of investment risk you want to take on, or you can opt for a fund from our extended fund rage.

A stocks and shares ISA is usually considered a medium to long-term investment. As with any investment, the value will go up and down. There are no guarantees, and you may get back less than you put in.

legalandgeneral.com/ourisa

Our care options

If you or a loved one need professional care, now or in the future, it is likely that you'll be expected to contribute towards the costs. The cost of care, whether in your own home or in a care home, can be quite high. Taking some time to better understand the care options available, their costs and the various ways of paying for this support, can help reduce stress and worry for you and your loved ones further down the road.

A good first step, if you are already in need of care and support, is to ask your local authority for a free 'care assessment'. It will look at your care needs and finances, to understand what level of support you need and how to fund it.

Those who care for loved ones may wish to request a 'carer's assessment' from their local authority, to explore the state support that may be available to them.

Our Care Concierge resource can also help Legal & General customers understand the later life care process. Whether you just need answers to a few questions, support finding a care provider, or want to better understand costs and funding options, we're here for you.

Care Concierge is completely free of charge, and a chat with our friendly care experts will help you to understand, find and fund later life care for your loved ones. Want to know more about your care options?

legalandgeneral.com/concierge

Ready to get started?

Making decisions about how to finance your retirement is important, so it's worth shopping around, and using available guidance and advice before you buy. Other providers may have more appropriate products, or be able to offer a higher level of retirement income.

Get financial advice

Connect to an independent financial adviser in your area through Unbiased.

unbiased.co.uk

To find out more about what Legal & General has available for you, including helpful guidance:

Visit our website
legalandgeneral.com/website

Try our retirement income calculator
legalandgeneral.com/myincome

Retirement guidance

Pension Wise

Pension Wise from MoneyHelper, the Government's free and impartial service, offering guidance to make money and pension choices clearer.

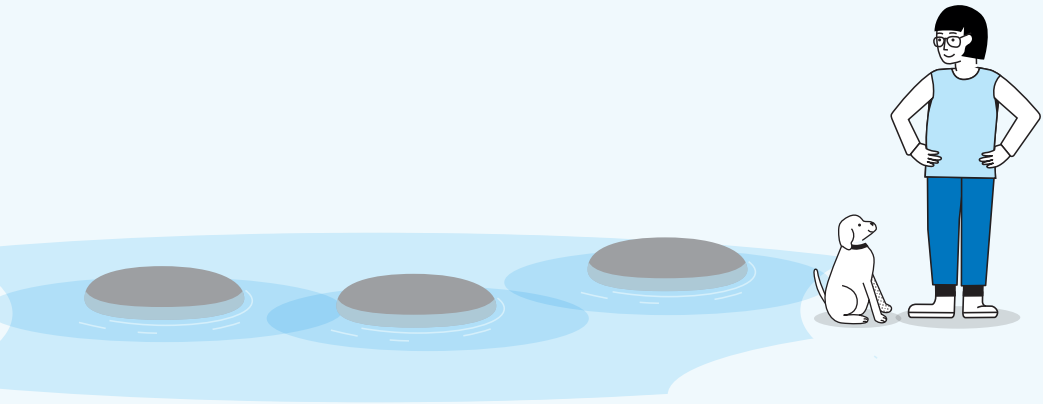
To find out more, or book an appointment:

Call 0800 138 3944.

Monday to Friday, 8am to 8pm.
Calls may be recorded and monitored.

Or visit the MoneyHelper website at:

moneyhelper.org.uk/pension-wise



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