4 min read

Quilter

Seven questions to ask yourself before you make a withdrawal from your pension

We have identified seven questions that many people find helpful before they make a withdrawal from their pension.

1. Have you consolidated all your pensions into one pot before you retire?

Most people have multiple pension pots and stay with the same pension providers. In many cases it may be better to shop around and consolidate them into one easy to manage plan. This means you may get a better deal. It can also help people make better decisions about making withdrawals.

We can help you assess what is best for you and that might mean moving your pension to another provider.

2. Are you aware that the value of your money in your personal pension is not guaranteed and can go down in value as well as up?

The money in your pension pot and money that moves into your drawdown pot is invested in the assets. These assets can go down as well as up in value. This means there is always a chance that your investments can go down in value and you may not have enough money in your drawdown pot to take as an income for as long as your need or you may have to reduce the amount you take to make it last longer.

It is important to think about:

- whether you should consider a guaranteed income (annuity)
- the type of assets you leave your remaining money invested in.

We can help you make sure you make the best decisions for your circumstances.

3. Have you thought about how long the money in your pension pot will last?

If you take too much out of your pot too quickly, you may run out of money in your pension. Once your money is gone, it is gone.

It is impossible to predict exactly how long your pension pot will need to last and it varies for each person depending on when they retire and how long they live for.

You should make sure you plan carefully how much money you take out of your pension pot and what income you would have if you run out of money in your pension.

We can help you plan how much income to take from your pension.

4. Are you planning to save any money into any pensions in the future?

The amount you can save into a pension each year is linked to the annual allowance. You can normally save up to the standard annual allowance of £60,000, each year without a tax charge.

However, if you withdraw money from flexi-access drawdown you may not be able to save as much in future. This is because when you take money from flexi-access drawdown for the first time you will trigger the money purchase annual allowance. This reduces the standard allowance by nearly 80% from £60,000 to £10,000.

We can help you manage the standard and money purchase annual allowances.

5. Do you receive means tested benefits or do you have a debt that you can't pay back?

Withdrawing money from your pension pot may affect your eligibility for means-tested benefits or reduce the payments you receive.

If you owe money and can't pay it back, your debtors can't touch the savings in your pension; but if you take money out of your pension pot, they can make a claim for that money.

If you think you may be affected by either of these please let us know and we will help you.

6. Are you aware of the charges on your different pensions including any costs to withdraw money from them?

The level and amount of charges you pay on your pensions can have a considerable bearing on the value of your pension pots over time.

We can help you understand these charges and ensure they are managed to provide you with value for money.

7. Do you know how to spot a pension scam?

Pension scams are on the rise, and scammers posing as financial advisers are using increasingly sophisticated tactics. They can approach you out of the blue with investment proposals that seem very good value.

Be on alert for any of these warning signs:

- Contact out of the blue about your pension – cold calling about a pension is illegal in the UK
- Free pension reviews – professional financial advice comes at a cost
- The promise of high or guaranteed returns – if it sounds too good to be true, it probably is
- The offer to access your pension before you're 55 – you could be left with a tax bill for taking your money before the minimum pension age, or you could lose that money
- Pressure to act quickly – scammers might rush you, so you don't have time to realise it's a scam. Make sure you don't rush making a decision
- Unusual and complicated investments that don't make it clear where your money will end up – if you don't understand how your money is invested, it's probably not a good idea
- Involvement from lots of different parties – all taking a fee and some who may be based overseas

Please read the Financial Conduct Authority (FCA) leaflet ***'Don't let a scammer enjoy your retirement'.***

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