Beckford · James

chartered financial planners

These steps can help you understand how to turn your pension pot into income for your retirement

1. Check how much is in your pension pot
You can ask your pension provider to tell you how much is in your pot. You can also look at information your provider has sent to you already, eg a pension statement.

2. Understand what you can do with your pension pot
Take time to think about which option suits you best. You don't need to take the first one offered by your pension provider.

You can:
• leave your pension pot untouched until you need the money - your pot could still grow more tax efficiently than most other investments
• get a guaranteed income (annuity) - you can take 25% of your pot tax free before buying an annuity
• get a flexible income - you can either take 25% of your whole pot tax free, or you can take smaller cash sums each 25% tax free
• take your whole pension pot as cash - 25% will be tax free
You can also mix these options. Check with your pension provider about which options they can offer you.

3. Plan how long your money needs to last
Your costs and financial needs are likely to change during retirement. You need to think about when you'll start taking money from your pension pot and how much you'll need at different times.

4. Work out how much you'll have in retirement
How much income you have is likely to change as you get older. Work out how much money you'll get from your pension and from other income you have and how it'll cover your costs.

5. Watch out for tax
Your income in retirement is taxed, just like it is when you're in work.

6. Shop around for the best deal
Remember that you don't have to stay with your current pension provider. People usually benefit from taking time to shop around and compare products. The pack your provider sends you when you reach retirement age is likely to only include information about their own products.

For more information visit https://www.pensionwise.gov.uk/