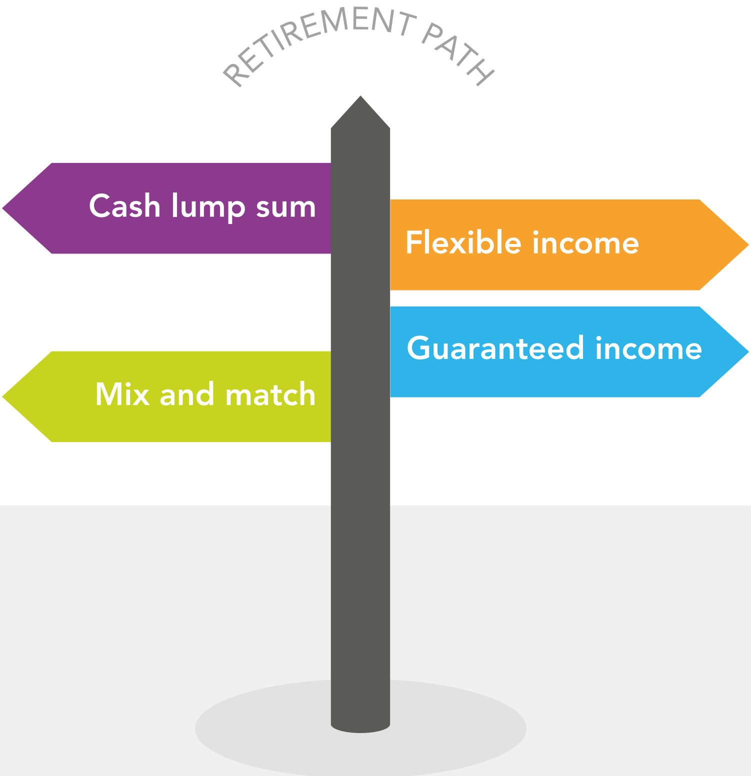
It’s nearly time to choose your path



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AEGON

The options for taking retirement benefits offer more flexibility and choice than ever before.

1 Cash lump sum	2 Flexible income	3 Guaranteed income	4 Mix and match income

How you take your pension benefits is largely up to you, but get it right and it can give you more control and a higher level of income in retirement. You can take flexible pension benefits with one or more providers, so it's important to consider the range of options available on your policy and their different features, potential income levels, charges and tax implications (including the lump sum allowance, lump sum and death benefit allowance, annual allowance and money purchase annual allowance).

Also think about timing. If you're not ready to decide yet, or don't plan to retire anytime soon, you can leave your pension where it is for now. But remember, if you delay your decision, you should check your pension contributions and investments are still right for you.

The value of your plan can fall as well as rise, and isn't guaranteed. You may get back less than you pay in.

This is one of the most important decisions you're likely to make, so we recommend you get guidance or advice to help with this decision. You can speak to a financial adviser or use Pension Wise, a service from the government that offers free and impartial guidance regarding your flexible pension options.

Find out how to access this by visiting **moneyhelper.org.uk/pensionwise** or call 0800 138 3944 to book an appointment. The service is available online, over the telephone or face to face.

1 Cash lump sum

You can take a cash lump sum in three ways:

Full lump sum
You can take your full pension pot as a cash lump sum.

Partial lump sum
Lets you take money out a bit at a time. You'll be able to take out as much of your savings as you want, when you want, leaving the rest invested.

Small pot lump sum
You can take up to three non-occupational pension pots each worth £10,000 or less as a cash lump sum.

With each of the above options, normally 25% of the amount you take is tax free, and the balance is taxed as income. While this may seem appealing, think carefully about your tax position as taking everything at once may mean that you pay a significant amount of tax on your savings. It may even mean paying higher rate tax.

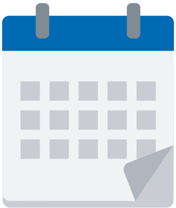
It's important to note that taking a full or partial lump sum will use up some of your lump sum allowance and lump sum and death benefit allowance as well as triggering the money purchase annual allowance. Taking a small pot lump sum doesn't affect your lump sum allowance and lump sum and death benefit allowance and won't trigger the money purchase annual allowance. You can find out more in the MoneyHelper booklet: Your pension: your choices

If you take all your pension pot as a cash lump sum, no further benefits can be paid from it at a later date when you may require it. If you take part of your pension pot as a cash lump sum, then the benefits paid at a later date will be reduced as your pension pot will be reduced.

Taking a cash lump sum could result in the loss of any means-tested benefits you currently receive or may be eligible for at some point in the future.

Remember, once you choose this option, your pension income (and any other assets and/or income you have) will need to last as long as you live, so it's important to think about the consequences of withdrawing all or part of your pension pot.

You don't have to take a cash lump sum if this isn't right for you, you still have the option to buy a guaranteed income for life or to access your income flexibly.



2 Flexible income

You can take some of your pension pot as tax free cash, this is normally up to 25%, then use the balance to provide a flexible income (taxed as income).

Flexi-access drawdown

Lets you keep your pension pot invested, and choose a regular income and/or one-off payments. This gives you significant flexibility – you can start, stop or vary your payments to suit your needs and yearly tax position. It's an adaptable option, but be aware the more you take out, the greater the risk that your funds will run out. In the event of your death, any funds left can be passed on.

For this option you need to consider the following:

- You should make sure that you choose a product with features and charges that meet your needs.
- The level of income isn't guaranteed and there is a real chance that you may need to reduce your drawdown income in the future, in particular if the performance of your investments is lower than expected, you live to a greater age than originally anticipated when choosing your initial income level or you withdraw too much. You must consider the long-term impact of making withdrawals.
- You'll pay tax on any income you take at your highest marginal rate. This means your income from flexi-access drawdown is added to any other income you receive in the tax year, and this could move you into a higher tax bracket.
- There is a risk that charges payable on future investments may be greater than those paid under your current pension savings. Charges impact the value of your fund which affects the amount of income you could receive or how long this income will last.
- If you choose a flexi-access drawdown plan, you need to be prepared to review it regularly, make decisions and take any actions necessary to make sure you're able to continue taking the income you want.
- Taking a cash lump sum and/or income from your pension pot may result in the loss of any means-tested benefits you currently receive, or may be eligible for at some point in the future.

3 Guaranteed income

You can take some of your pension pot as tax-free cash, this is normally up to 25%, then use the balance to provide a guaranteed income (taxed as income).

Annuity

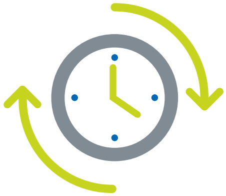
A lifetime annuity provides a guaranteed regular retirement income for the rest of your life. The income paid is usually a fixed amount that can't be adjusted if your needs change.

There are two main types of annuity: a standard annuity and an enhanced/impaired life annuity. Enhanced/impaired life annuities are available from some providers and they pay a higher income than standard annuities based on certain health and lifestyle factors.

Annuities can be set up in a range of ways, the income payable normally reduces when you add extra features such as regular income increases. Typically these features include options such as regular income increases, joint-life payments (pays an income to your spouse, partner or another dependant if you were to die first), or a guaranteed payment period that pays an income for a fixed period of time if you die before the end of the guarantee period.

We don't provide annuity products but have partnered with Legal & General (0800 009 3867) to help you explore this option. Remember, it's important to shop around if you choose an annuity as you may get a higher retirement income with another annuity provider. This is because different annuity providers offer different rates and types of annuity products.

Annuity rates can change substantially and rapidly, there is no guarantee that when you do purchase an annuity the rates will be favourable. This could mean that your pension income may be less than you hoped.



4 Mix and match income

To meet your retirement needs you may require a combination of cash and regular income. Blending options might give you the exact balance of security, flexibility and growth potential you're looking for.

The rules governing how much income you can take directly from your pension is based on legislation that may change in the future.

What next?

Deciding on the best retirement income option is one of the most important financial decisions you'll ever have to make. We recommend getting advice or guidance to help you choose the right option.

Working with a financial adviser will make sure you make the best decisions for your circumstances. If you don't have a financial adviser visit **moneyhelper.org.uk**

You can also use Pension Wise, a service from MoneyHelper. This is a free and impartial service offering you guidance to help you understand your retirement options. You can book an appointment online at **moneyhelper.org.uk**, call them on 0800 138 3944, or contact us and we'll and book an appointment for you.

Your Retirement Planner can help. It offers tools and support which are designed to help you make informed decisions about your financial future. The Planner:

- Explains your options in a way that's easy to follow.
- Lets you see how different choices can affect your income.
- Has support and guidance to help you plan for the retirement you want.

Visit aegon.co.uk/retirementplanner to find out more.

This information is based on our understanding of current taxation law and HM Revenue & Customs practice, which may change.

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