

# A Guide to Retirement Savings Options

Enhancing people's lives



ellis bates  
FINANCIAL ADVISERS

## Contents

- 03 | Pension Types
- 05 | SIPPs Self Invested Personal Pension Schemes
- 06 | OEIC's Open Ended Investment Companies
- 07 | Investment Bonds
- 08 | Bank & Building Society Deposits
- 08 | Using Property to Save for Retirement
- 09 | ISA's (Individual Savings Accounts)
- 10 | Lifetime ISA



Ellis Bates are here to enhance people's lives by delivering peace of mind, enabling financial freedom and helping clients achieve their goals.

# Welcome to our Guide to Retirement Savings Options

Planning for your retirement is one of the most important financial decisions you will make and no matter what your age or how far away from retirement you are, putting savings plans in place as early as possible is vital. There are several savings options for you to consider.

### Pension Types

#### Defined Contribution Pension

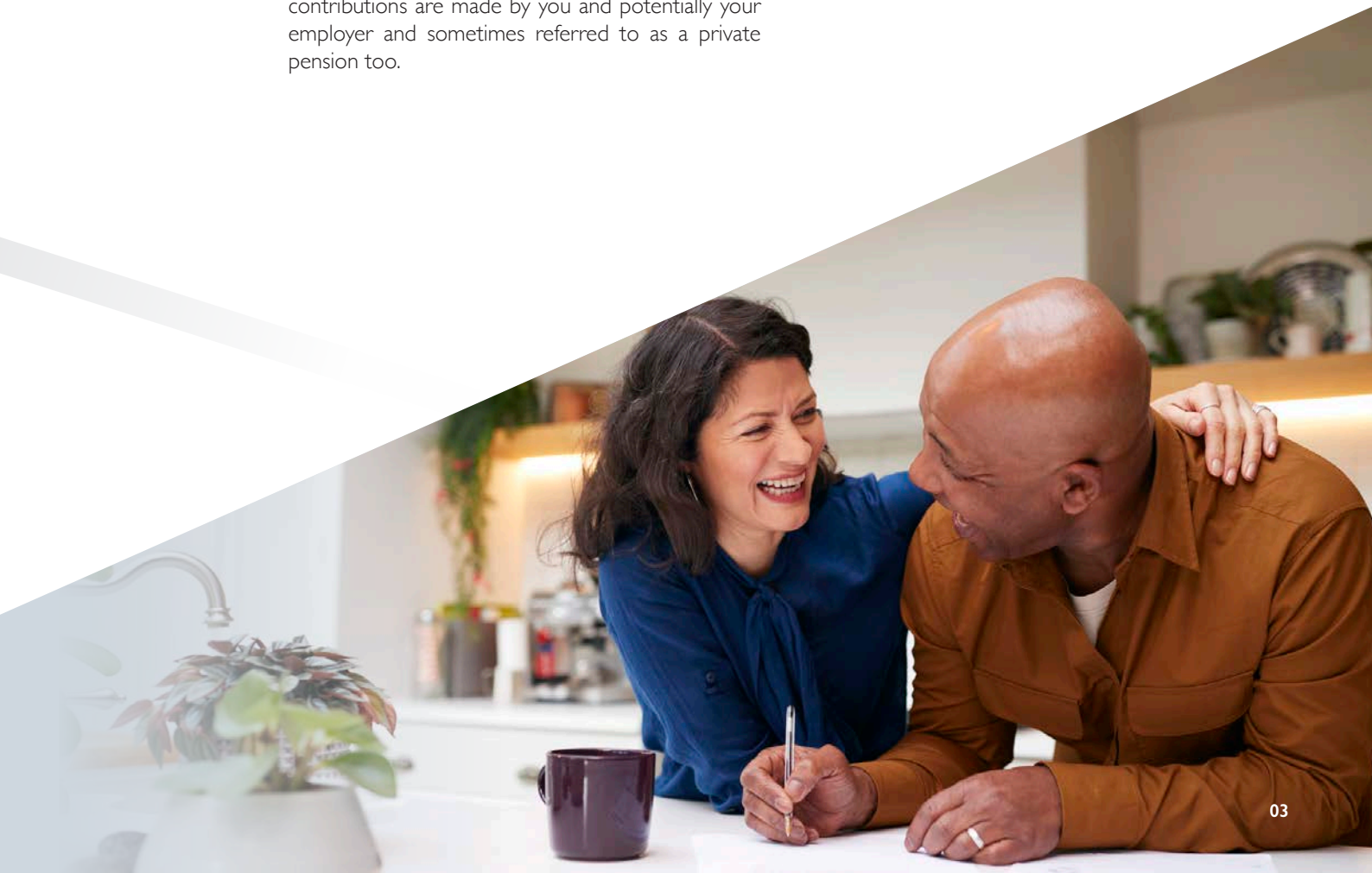
A defined contribution (DC) pension is a type of pension where the amount you get when you retire depends on how much you put in and how much this money grows. Your pension pot is built up from your contributions and your employer's contributions (if applicable) plus investment returns and tax relief.

#### Personal Pension

This is a pension scheme set up by yourself and contributions are made by you and potentially your employer and sometimes referred to as a private pension too.

#### Defined Benefit (or Final Salary) Pension

A defined benefit (DB) pension scheme is one where the amount you are paid is based on how many years you have been a member of the employer's scheme and the salary you have earned when you leave or retire. A DB pension pays out a secure income for life which increases each year in line with inflation. You may have one if you worked for a large employer or in the Public Sector.



## Saving for your Retirement with Pensions

Advantages	Disadvantages
You receive tax relief on your contributions at 20% - so if you contribute £1000 into your pension the Government will add an extra £250.	The value of your investment can go down as well as up depending on market circumstances
Higher and additional rate tax payers (40% and 45%) can also receive basic rate tax relief and can claim back an additional 20% or 25% back via their tax return	Typically no access until age 55
Ability to carry forward and contribute up to 3 years unused allowance	Any withdrawals after your 25% tax-free entitlement are subject to income tax
Your employer can make contributions	
Contributions are flexible - you can increase, decrease, stop payments or add lump sums	Liable to legislative changes
Investment choice and growth potential from the compound effect	Cannot be in joint names
Usually access is age 55 (57 from 2028) so a disciplined saving option	Tax relief on contributions limited to the Annual Allowance which is currently £40,000 pa or 100% of your salary.
Pension savings normally sit outside of your estate for Inheritance Tax (IHT) purposes	
Ability to nominate a beneficiary to receive your pension savings in the event of your death	
Any retirement savings you haven't accessed at State Retirement Age are not taken into account when assessed for means-tested state benefits	
Making pension contributions can help manage your liability to certain tax charges such as child tax credit and a reduction in personal allowance	
Paying contributions into your children or grandchildren's pensions is an extremely tax efficient way to help them financially and also locks the money away until they are able to access it	
Paying into a pension fund for a child/grandchild who is a higher rate tax payer can enable them to claim back tax relief on your contributions, as well as benefit from the tax relief itself	
If you die before your 75th birthday, the pension funds can be paid to your beneficiaries tax free	



## SIPPs Self Invested Personal Pension Schemes

A SIPP is a flexible and tax-efficient pension designed to be managed by yourself if you have sufficient investment knowledge or with the help of a trusted financial adviser. As with all pensions a SIPP is designed to help you reach your pension pot and retirement goals.

Advantages	Disadvantages
Once in a SIPP wrapper, your savings will grow free from UK income tax and capital gains tax	As with all defined contribution schemes, the amount that you will have available when you retire depends on the contributions that you, and any employers, have made and how your investments perform over time.
You can make both regular and/or lump sum contributions	
Others can also contribute including your employer or family members	
You can transfer other pensions into your SIPP	
Offers flexibility across a broad range of investment options	

If appropriate, almost anyone under the age of 75 in the UK could open and make tax-relievable contributions into a SIPP.



## OEIC's Open Ended Investment Companies

This is a type of fund which offers a professionally managed portfolio of pooled investor funds that invests in different equities, bonds, and other securities. OEICs help avoid the volatility and risk of investing in a single asset class - while still looking to achieve returns that can potentially outstrip inflation.

Advantages	Disadvantages
Growth potential from investment diversity	Investments can go down as well as up depending on market circumstances
Managed by an experienced fund manager	Potential income Capital Gains Tax liability
Ability to make lump sum and/or regular contributions	Potential negative impact of inflation
Suitable for a range of risk attitudes	
Ability to sell shares at any time	
Uncapped investment amount	
Ability to alter fund choice	
Benefit from money being pooled with other investors	
Some investment growth can be offset against Capital Gains Tax allowance	
Can be jointly owned	
Income tax exemption for dividend income is available	
A personal savings allowance may be available, so growth may be free from income tax within certain limits	

## Investment Bonds

An investment bond is a single-premium investment with an element of life insurance and allow you to invest in a diverse portfolio of funds that are expertly managed on your behalf. Bonds are typically designed for longer (min 5 years) term capital growth. Bonds can be held either offshore or onshore and its important to understand the tax implications of both.

Advantages	Disadvantages
Ease of access - you can withdraw up to 5% each year, of the amount you invested, without immediate tax liability.	The value of your investment can go down as well as up depending on market circumstances
Diversified investment choice	No tax relief on money invested
Ability to alter fund choice	Non-taxpayers cannot reclaim tax paid within the fund
Can be jointly owned	Lump sum investment only
Suitable for a range of risk attitudes	The investments that make up your bond will be taxed within the funds during the investment period
Growth potential from investments diversification	Potential negative impact of inflation
Benefit from money being pooled with other investors	You may have an additional income tax bill at the point you cash in your investment if your growth gains push your income into the higher or additional rate tax bracket in that year. The full value of your bond gain may also have an impact on your benefits and allowances
Life cover element	
Potentially efficient for Inheritance Tax planning, when held in a Trust	
Ability to transfer part of your bond to a named beneficiary (e.g child/grandchild to help them financially)	

## Bank & Building Society Deposits

A deposit account is a secure home for your every day and emergency cash and forms part of any financial plan.

Advantages	Disadvantages
Capital is secure up to the Financial Services Compensation Scheme limits	Low interest rates deliver low returns
Easy access to your money	Inflation eats away at the buying power of your money

## Using Property to Save for Retirement

Many will plan to use their property as part of their retirement planning, typically through downsizing and equity release or owning Buy to let properties.

Advantages	Disadvantages
There is a nil-rate band for your main residential property	Mortgage rates are on the increase
Property values have increased significantly over the years and look set to remain so	You are liable to Capital Gains Tax when you sell any 'second' properties
Repairs and maintenance for Buy to lets is tax deductible	Property will form part of your estate when you die, so there may be an Inheritance Tax (IHT) liability
You can claim "Replacement Furniture Relief" for Buy-to-lets	Buy to Let mortgage rates and deposits are usually higher than standard residential rates
Rental returns have increased significantly over the last few years and look set to remain high	Income from a Buy to Let is liable to income tax
	You may experience 'bad' or 'nuisance' tenants
	Property maintenance and repair costs can be substantial
	You may not be able to quickly access your money if you need to sell your property to release funds
	Downsizing could mean moving away from family and friends

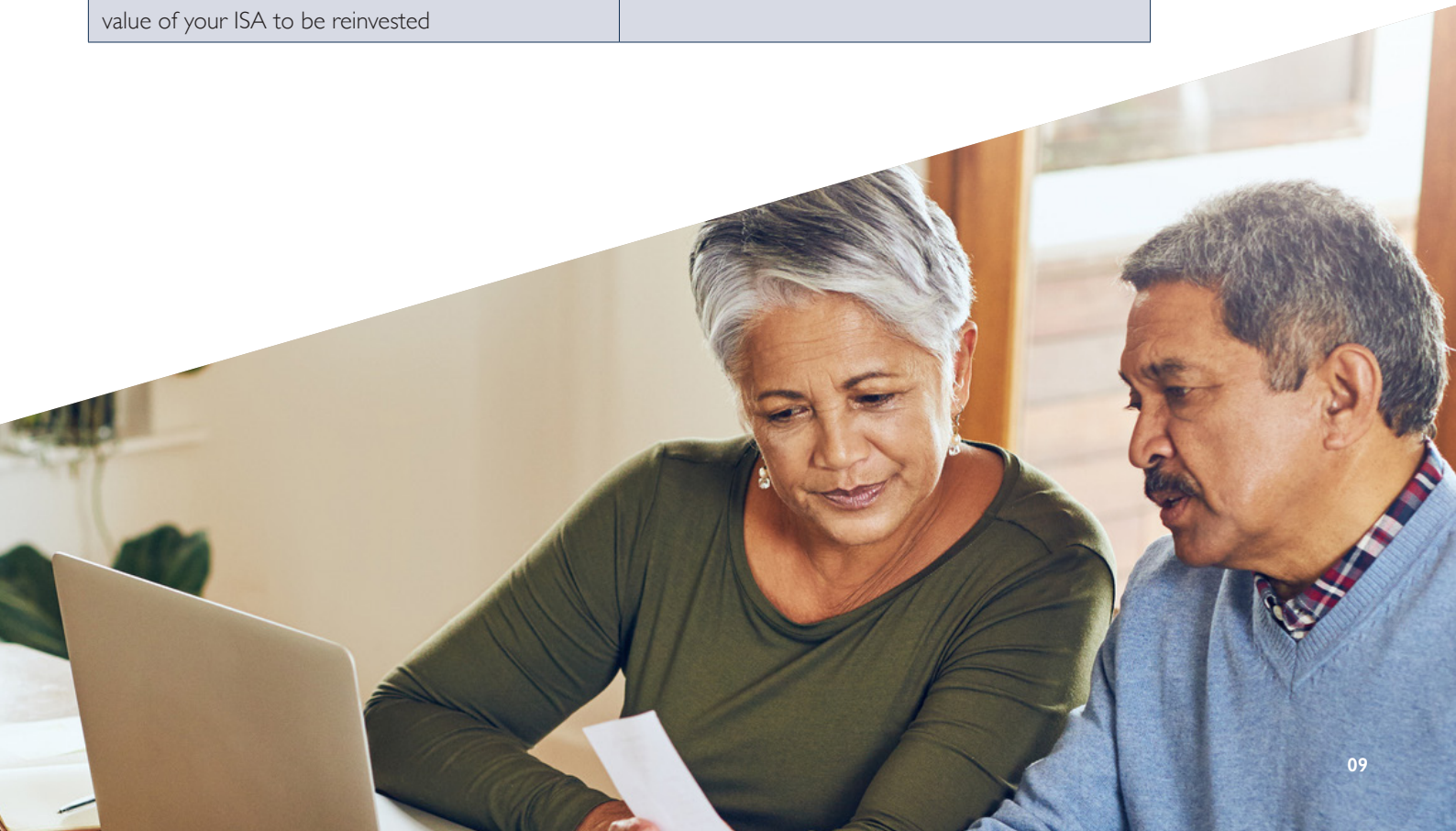


## ISA's (Individual Savings Accounts)

ISAs are a type of savings plans and you can pay in lump sums and/or regular contributions and are tax-efficient when you take the money out with investment growth on cash being tax-free.

You can invest money in a Stocks & Shares ISA and/or a Cash ISA.

Advantages	Disadvantages
No tax liable on money invested or withdrawn	The value of a Stocks & Shares ISA can go down as well as up depending on market circumstances
Ability to save up to £20,000 each year	No tax relief on the money you pay in
Easy access to your money	Maximum contribution £20,000 per year and cannot carry forward any unused contributions as you can with a pension
Cash security ensured as part of the Financial Services Compensation Scheme limits	Cannot be in joint names
Potential investment growth	Comparatively low growth potential of a Cash ISA
Ability to move to and from a Cash and Stocks & Shares ISA	Potential negative impact of inflation
Flexible fund choices with a Stocks & Shares ISA	
Suitable for a range of risk attitudes	
Choice of investment for income, growth or both	
On your death, your spouse/civil partner may receive an additional ISA allowance to allow the value of your ISA to be reinvested	



## Lifetime ISA

Lifetime ISAs (also known as LISAs) are a type of ISA created to help people under the age of 40 to save either for their first home or for retirement. If you take out a Lifetime ISA, the government will give you a bonus worth 25% of what you pay in, up to a set limit, every tax year.

The full new state pension is currently £185.15 per week.

You can check your entitlement at:

[www.gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)



## The State Pension

The State Pension is a vital source of income for millions of retired people across Britain. However, the system can be complex and it's important that you know how it works. If you're looking to maximise your income in retirement, a good place to start is with your State Pension.

To receive the basic State Pension you must have paid or been credited with a minimum of 10 years National Insurance contributions. With 35 years National Insurance contributions you will receive the full state pension. You can 'top up' national insurance contributions.

**Seeking help and advice from an expert, qualified financial planner will help ensure your retirement plans are well thought out, robust and achievable.**



## YOUR ELLIS BATES FINANCIAL SERVICES

FINANCIAL & RETIREMENT PLANNING

GENERATIONAL FINANCIAL  
PLANNING

INDIVIDUAL & GROUP PENSIONS

INVESTMENTS & SOCIALLY  
RESPONSIBLE INVESTMENTS

INVEST DIRECT

WILLS, TRUSTS, PROBATE & LASTING  
POWER OF ATTORNEY

MORTGAGES & EQUITY RELEASE

INSURANCE AND PROTECTION

*"It's difficult to know which route to go with financial advice & planning. After reviewing several companies, we elected to use Ellis Bates as they seemed very balanced and informative, and were competitive. Having a locally based Adviser was also appealing. So far they have been very communicative, responsive to ad-hoc requests and the plan has performed well through the turmoil of the last year, so overall I would recommend Ellis Bates as a stable and reliable provider."*

*"A very professional financial advice service from start to finish. I was kept informed from start to finish of the process and Ellis Bates delivered exactly as they said they would."*

*"I use Ellis Bates primarily to manage my pension. Over the last ten years they have been superb. Regularly keeping me informed and supporting me with sound professional advice. I could not have a better company looking after me. recently Ellis Bates have helped in my wife and I's updated wills and also Power of Attorneys for future peace of mind for our children. We would certainly recommend them."*

With offices throughout the UK  
your Adviser offers face to face,  
video and telephone meetings,  
tailored to your preferences and  
schedule.



**INVESTORS IN PEOPLE®**  
We invest in people Gold

