



How will you spend your retirement savings?

From April 2015 the pension rules are changing.
And so are your investment options.

Freedom to use your retirement savings as you want

You no longer have to use your BlackRock pension account to buy an annuity when you retire. An annuity is an insurance product that allows you to convert your retirement savings into a regular income for the rest of your life.

You can take all the money in your pension account as cash – either as one lump sum or gradually over time (called ‘drawdown’).

You will still (under current tax rules) be able to take 25% of your retirement savings as tax-free cash (up to a limit, currently £312,500), and you will pay tax on the rest, as if it was income.

The minimum retirement age (which is the earliest you can take your retirement benefits without tax penalties) is going up – from 55 to 57 in 2028. *If you're under 40, this will affect you. The minimum retirement age will track the State Pension Age by 10 years.*

By the time you retire, there will probably be new retirement products in the market – so watch this space!

You will receive free, independent guidance when you retire, to help you understand your options.

Make the most of the new flexibilities



Pay in more... or pay in for longer

- The more money you can put aside now, the more options you will have at retirement. For example, you could aim to have enough saved up so that you can take a substantial lump sum but also buy a decent annuity. If you choose drawdown, this means you will be less at risk of running out of money in retirement.

- Tax relief on your pension contributions means every £10 you save only costs you £8 (and even less if you are a higher rate taxpayer).

- If you pay through SMART (our salary sacrifice scheme), the effective cost to you reduces even more.

- You can change your contributions whenever you want by logging in to your BlackRock account online.

- If you can't afford to pay in more, you might decide to put off your retirement date and save for longer – but remember to tell BlackRock that you have changed your Target Retirement Age.

Pension allowances

The annual allowance is a limit on the amount of tax-efficient pension contributions you can make in the course of a year. It is currently set at £40,000 a year. The lifetime allowance is the total amount of pension savings you can build up in a tax-efficient manner, from all sources (except your State pension). It is currently set at £1.25 million but the Government wants to reduce it to £1 million from April 2016.



New default investment fund

As a result of the changes, we are introducing a new default investment fund called the BlackRock LifePath Flexi Fund. Like the current default fund, the new one will automatically change the investment mix as you get closer to your Target Retirement Age. By the time you reach that age you will have a mix of 40% equities and 60% bonds.

The new default fund may be appropriate if you plan to keep your savings invested after you retire and drawdown an income. However, if you plan to take all of your retirement savings as a one-off cash sum or plan to buy an annuity, the new investment funds below may be more appropriate.

If you are invested in the current default fund you will be automatically switched to the LifePath Flexi Fund in July. If you don't want to be switched into this fund you can opt to choose any of the other investment funds.

New investment funds

From July we are introducing two new investment funds – the BlackRock LifePath Capital Fund and the BlackRock LifePath Retirement Fund. Until 10 years before your Target Retirement Age both of these funds work in exactly the same way as the BlackRock LifePath Flexi Fund (the new default investment fund) – however, for the 10 years up to your Target Retirement Age they have a different investment approach depending on how you plan to use your retirement savings. If you decide that the new default investment fund is not right for you, you can opt out and choose any of the other investment funds, including these two new funds.

BlackRock will shortly be writing to you with further information about the investment changes.

Free guidance



The Government has promised that everyone with a DC pension will be able to receive free, independent financial guidance when they retire, to help them understand their options. This service is known as 'Pension Wise' and is delivered by Citizens Advice and The Pensions Advisory Service.

www.pensionwise.gov.uk

We strongly recommend that you take independent financial advice when deciding how to invest your retirement savings.

More information

The information in this leaflet is in summary form and based on our understanding and interpretation of published legislation as at March 2015. For more detailed information please refer to the following websites:

www.xeroxretirementchoices.co.uk

Visit our dedicated microsite to find out more about the pension changes described in this leaflet.



www.blackrock.com/pension-planning

BlackRock has set up a dedicated website to help you with pension planning. It includes a video that explains the new options, as well as some useful tools to help you plan for retirement in the new world. If you are thinking of taking the whole of your pot as a lump sum, there is a tool to help you calculate how much tax you will pay on it. If you are planning on drawdown, the 'decumulation' modeller can help you understand the income you might be able to drawdown.

www.blackrock.co.uk/targetplan

This is where you can view your pension account, make changes to your investments and see how much has been paid in.

www.pensionwise.gov.uk

This is an excellent website that provides helpful general information on your new options – not just for people wanting to take up the offer of free financial guidance.

www.unbiased.co.uk

This site can help you find a local independent financial adviser.



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