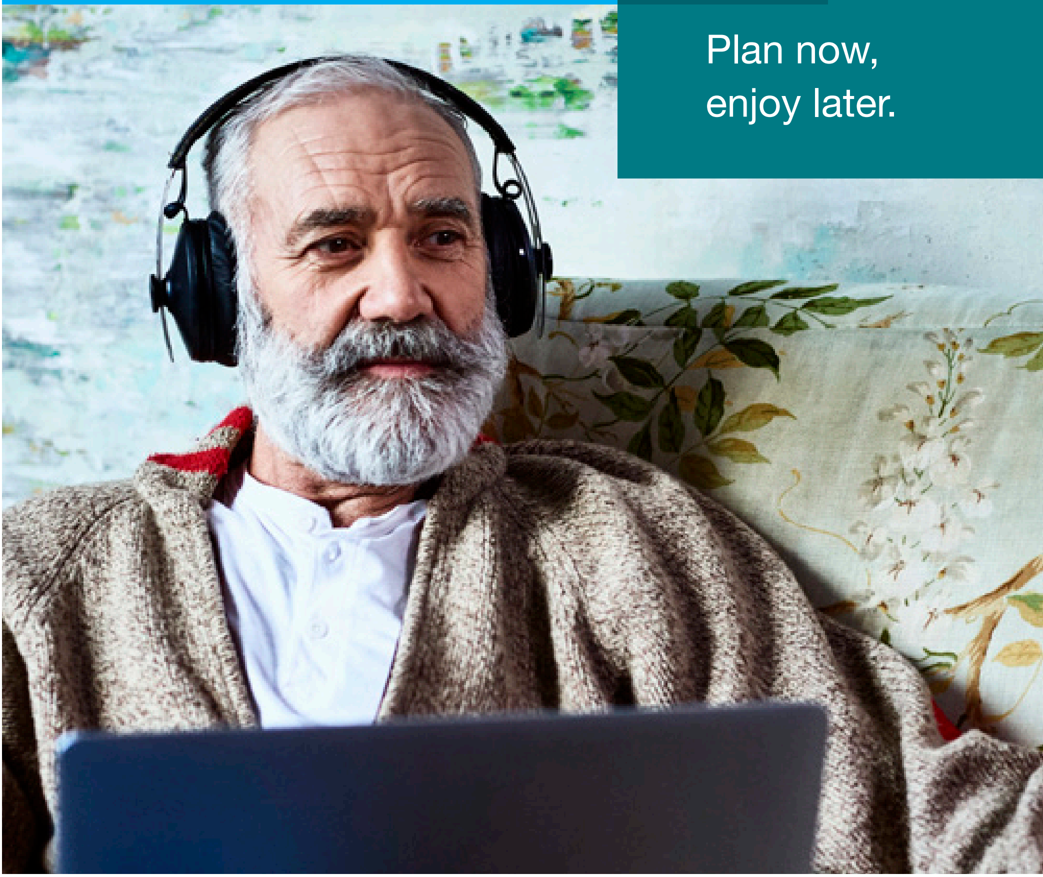
What will your ideal retirement look like?

Plan now, enjoy later.



SKIPTON BUILDING SOCIETY Since 1853

Financial Planning & Advice

More than a number

Retirement isn't an age. It's a lifestyle. And it's never too soon to start saving and planning for how you'd like yours to look. So, whether you're starting from scratch, starting a bit late, or just want to check the plans you've already made, we're here to help.

A conversation with us, is a good place to start.

Practical help

- ✓ Our service is designed to get your savings, investments and pensions working together.
- ✓ We do that with straightforward advice and no jargon. You won't have to pay a thing if you decide not to go ahead with the plan we create for you.

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The BIG question

Let's start with the one thing everyone wants to know.

How much money do you need to live on when you retire?

That all depends on you. The full state pension for the 2023/24 tax year is £10,600 per year. Imagine if that was your only income right now. Would it cover your current lifestyle? Would you mind if it didn't? Deciding how much is enough for you is a useful starting point for your plans.

The Which? table below shows how much income a couple might need to achieve different types of lifestyle in retirement*.

Retirement type		
Essential	Comfortable	Luxury
	Amount per year	
£18,000	**£28,000**	**£45,000**
	What it will cover	
Utilities, transport, housing costs	European holidays and leisure activities	Long-haul trips and a new car every five years

*Source: https://www.which.co.uk/money/pensions-and-retirement/starting-to-plan-your-retirement/how-much-will-you-need-to-retire-aNmlv7V7sVe9

Working it out

Finding out how much you might need starts with basic budgeting. You'll want to think in terms of future-you, who might have paid off the mortgage and have more time for hobbies and holidays. When you're budgeting, consider how your income and outgoings might look in the future, rather than how they look right now.

Knowledge is power when it comes to your money. Get the latest insights straight to your inbox at **skipton.co.uk/sign-up**.

Pension primed and prepped

Pensions offer attractive tax benefits. So, when you're planning your retirement income, it can be useful to understand what part your pensions will play and if you're taking full advantage of the benefits available. Here are some of the basics.

Top tax tips

- Any growth in your pension fund is free from income and capital gains tax.
- Basic rate taxpayers receive a £20 for every £80 they contribute.
- Higher rate and additional taxpayers can claim an extra 20% or 25% tax relief through self-assessment.
- Typically, you can contribute up to 100% of your earnings – up to £60,000 each year.
- When you decide to take your pension, tax rules will apply at that time.

State pension

This is the government pension scheme.

To receive state pension, you need to have paid, or been credited with, National Insurance contributions for a certain number of years.

Visit gov.uk/state-pension to see if you're eligible and to find out how much you could receive if you are.

Workplace pension

All employers have to offer a workplace pension. In most cases your employer will also make contributions to the scheme providing you meet the minimum funding level.

It's worth seeing if you're contributing the full amount, because if you increase your contribution, your employer might increase theirs too.

These can be either defined contribution or defined benefit pensions.

Tax relief adds an additional 20%, and if you pay tax at higher and additional rates, extra tax relief will be available.

Personal pension

A personal pension is one you arrange yourself through a pension provider.

When you open a personal pension, your money is invested.

You can either select a default fund through the pension provider or select individual funds available through the scheme.

They can be useful if you're self-employed or want to try and supplement your existing pension schemes.

These are defined contribution pensions.

Like a workplace pension, tax relief adds 20%, and if you pay tax at higher and additional rates, extra tax relief will be available through self assessment.

Do you know the difference?

A **defined contribution** pension is based on how much is paid in. The value when you retire will depend on how much you've contributed and how well your investments have performed.

A defined benefit pension is a type of workplace pension. The income you receive in retirement will depend on your salary and length of membership of that pension scheme.

Other ways to save for retirement

While pensions might be the most tax-efficient way to fund your retirement, they're not the only way. As part of your overall financial planning, it can be good to explore all the options available.

Individual Savings Account (ISA)

When you save in an ISA, you don't have to pay any tax on the interest / dividends you earn and on any capital growth should this be invested. It offers a tax-free way to save that could be a useful addition to your retirement pot.

Lifetime ISA (LISA)

Another type of ISA is the LISA. It has two purposes – to save towards a first home or for retirement. You can only open one if you're aged between 18 and 39 and you can save up to your Lifetime ISA allowance (£4,000 in the current tax year) each tax year before your 50th birthday. You also receive a 25% government bonus, up to a maximum of £1,000 a year. Any withdrawals within the first 12 months of your first payment into a Lifetime ISA will incur a 25% government charge, which would mean you would get back less than you paid in. After this, if you access your LISA savings before you turn 60 for any reason other than to buy your first home, you will incur the 25% government withdrawal charge. Lifetime ISA allowance forms part of your overall £20,000 annual ISA allowance.
Visit skipton.co.uk and search 'LISA' for more information.

Investing

Savings accounts can be really good for your short-term priorities, like buying a new car or going on holiday. However, with savings accounts there's a limit to how much your money can grow. If you're looking at the chance of returns over the longer term, and you're happy to accept a level of risk to your money, investing might be the next logical step for you.

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What are your options at retirement?

Thanks to the 'pension freedom' rules that were in introduced in 2015, you may now have more option in how you access funds from your defined contribution pension schemes. The current minimum age to access your pension is 55 (rising to 57 from 2028).

You normally have several options when claiming your pension. You can buy an annuity, take income drawdown or withdraw all of your funds (subject to income tax). Below we give a brief overview of income drawdown and annuity.

Income drawdown

Drawdown is when you leave some of your money invested in your pension and take the rest as and when you need it. You can take up to 25% of the overall pot tax free (up to a maximum of £268,275), although the rest is treated as your earned income and may be subject to income tax.

You'll need to pace yourself, though. You don't want to withdraw too much too soon and leave yourself short.

Because your money stays invested with drawdown, it has the chance to grow. On the other hand, it has the potential to lose value too, depending on how

Annuity

Annuities are sold by insurance companies. You hand over some or all of your pension to the company and they'll pay you an income for life or an agreed length of time. You could choose to add dependants' pensions or inflation proofing. This might provide you with a secure income throughout your lifetime

Arranging a lifetime annuity is a once in a lifetime decision. You are unable to reverse that decision in the future, so it's important to know what your options are. And it's vital that you shop around to get the best annuity rate, as you could miss out on a boost to your income if you fail to do so. That's why it might be a good idea to seek financial advice.

We can help you decide how to access your pension in a way that will suit your circumstances – not just now – but in the future too. We'll weigh-up the pros and cons, look at the tax implications and all the other things you'll want to consider before making a decision.

How our service works

To receive financial advice from Skipton Building Society on planning your retirement you need to have at least £50,000 invested in pensions. If you have a lower amount than this and are looking for guidance, the government's Pension Wise service might be able to help you. Visit www.moneyhelper.org.uk/en/pensions-and-retirement to find out more.

We'll talk about you

We'll discuss your goals and aspirations. We'll work out what income or capital you might need. If we both agree you might benefit from financial advice we'll get an appointment booked. In a branch, at home or via video link.

Getting to know you

Your adviser will build a picture of your current lifestyle and financial situation. We'll discuss how you feel about risk and reward and ensure your plan matches this.

Your personalised plan

Our technical experts research the market to create a panel of approved funds. Your adviser will work to build a plan that is tailored to your needs. Your adviser will take you through it step by step.

Bringing your plan to life

Once you're happy with your plan, we'll work with you to make it happen.

No pressure promise

Customers are under no obligation to take our advice, nor do they have to pay to hear it. A fee will only apply if they choose a recommendation.

A pension is a long term investment and your Capital is at Risk. Your fund value can go down as well as up and you could get back less than you paid in.

The tax treatment of pensions is dependent on your personal circumstances and prevailing legislation which may change in the future. Your eventual income will depend upon factors such as the size of your fund at retirement, future interest rates and tax legislation. With income drawdown, if you take too much income too quickly, your fund could be depleted or run out altogether.

What would you like to do next?

If you think you might need help with your retirement plans and would benefit from financial advice from one of our experts:

Call us on **0345 607 9803**

Go online **skipton.co.uk/advice**

Important information: stock market based investments are not like Building Society accounts as your capital is at risk and you may get back less than you invested. The value of your investments and any income from them may fall as well as rise.

If you'd like this booklet in large print, braille or audio please ask in branch or call 0800 055 6898.

*To help maintain service and quality, some calls may be recorded and monitored. Calls are free from a BT landline, costs from other networks and mobiles may vary.

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