

# Risks at Retirement

Check the risks with your retirement options

## **Additional information on your retirement options**

We are required to give you more information on your available retirement options and the risks associated with them.

You still have the opportunity to change your mind, until the paperwork is completed and we receive your retirement savings from the Investment Manager.

The following is generic information and may or may not apply to you, but we strongly encourage you to read it in case it highlights areas you have not considered, or been unaware of.

### **Contents**

**Click on a section:**

**Secure Incomes**

**Flexible Incomes**

**Taking your savings as cash in stages**

**Taking all your savings as cash in one go**

**Pension Scams**

**Pension flexibilities and State benefits**

**Contact us**

## Buying a secure income (an annuity)

Areas to be aware of:

- **Health.** People with medical conditions, are in poor health, smoke or are overweight, may be able to get a significantly higher income by taking an 'enhanced annuity'. These people should consider completing additional health and lifestyle questions; these questions must be answered honestly.
- **Inheritance planning.** This option has the possibility to provide for loved ones after you die, depending on which annuity you buy – a single or joint annuity.
- **Impact of inflation.** Annuities which never increase, start with a higher income than those which increase each year. However, the purchasing power of the income reduces over time, due to inflation.
- **Compare prices.** Different providers will offer different levels of income so you should shop around, not rush into a decision and remember an annuity is for life.

## Flexible Income Areas

to be aware of:

- **Value of savings.** Like every investment, the risk is the value of your savings can go down. It is important you know how much you want to take every year and how long the money should last. If too much is taken too quickly, the retirement income could fall drastically or even run out, especially if stock markets fall.
- **Charges.** Some providers and schemes make ongoing charges on undrawn money. It's important to consider the impact of charges, as they can significantly reduce your savings. If you plan to invest somewhere else, check what the charges are before you cash in your account.
- **Different flexible income options.** Different providers and schemes offer varying types of flexible retirement income. You should consider the mixture of options, the charges and conditions. An FCA regulated independent financial adviser will be able to help with this.

## Taking your savings as cash in stages

### Areas to be aware of:

- **Tax.** In most cases, a person can have 25% of their pension savings as tax-free cash and can then draw down on the rest in a tax efficient manner by staging their payments. It's important to consider your personal tax circumstances, and the impact of taking a taxable lump sum on the tax you pay. Depending on the amount withdrawn, this could include paying a higher rate of tax than normal. By spreading payments over different tax years, you may be able to avoid paying higher rates of tax.
- **Risk.** Like all investments, there's risk the value of your savings can go down. It is important you know how much income you want to take every year and how long the money should last.
- **Charges.** It is vital to check if any charges or reductions are taken from your retirement savings when lump sums are withdrawn, as this can reduce the amount you receive. You should also consider the charges that continue to be taken from money left in your account. If you plan to take the cash to invest elsewhere, check what the charges are before cashing in your pension.
- **Debt and benefits.** Cash withdrawals may have implications for people with debt or who are entitled to means-tested benefits. Those concerned about this should [contact Moneyhelper](#).

## Taking your whole retirement savings as cash in one go

Areas to be aware of:

- **Making money last.** On average, people aged 55 today will live to their mid-to-late 80s. It's essential not to underestimate your life expectancy. People considering this option should think about how to use the money to [provide an income throughout retirement](#).
- **Tax.** Taking your entire retirement savings as cash in one go has tax implications. In most cases, a quarter is tax-free. Personal tax circumstances should be considered and the impact of taking a taxable lump sum on the tax paid – this could include paying a higher rate of tax than normal. Some providers and schemes may have charges for taking your savings as cash, so check this before acting. And if you plan to take the cash to invest somewhere else, check what the charges are before cashing in your pension. Savings held in a pension normally benefit from tax free growth, not all savings and investment products provide this benefit, particularly for large investments.
- **Debt and benefits.** Cash withdrawals may have implications for people with debt or who are entitled to means-tested benefits. Those concerned about this should contact Pension Wise, the Citizens Advice Bureau or the Money Advice Service.

## Pension Scams

Be aware that scammers operate in these markets, especially if you are thinking of taking a lump sum from your savings to invest elsewhere, or take income drawdown. We have provided a leaflet specifically about scams, please read it.

## Pension flexibilities and State benefits

How and when you take your pension benefits could have an effect on the amount of any State benefits you receive, or become entitled to. If you need further financial advice, you can find one on [Moneyhelper, here.](#)

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