Support and guidance

We know that there is a lot of information available regarding the new pension options, which can be confusing. We want to make sure you are provided with the right level of support, from sources that you can trust.

Pension Portal Retirement Modeller

A Retirement Modeller is available that lets you look at a variety of things including:

- how much your DC Account may be worth at your chosen retirement date
- how much your DC Account might provide as an income if you take it as either a guaranteed income (annuity), flexible income (drawdown) or cash lump sum
- how different investment options might affect how your DC Account grows going forward.

This is available online on the Pension Portal (see below).

Review your DC choices

The Scheme offers a number of different investment options including 'LifePlan' options that aim to help you manage your DC investments in the last few years before you plan to take your benefits, based on a chosen target benefit. Your target benefit can be a guaranteed income (annuity), a flexible income (drawdown) or a cash lump sum. Please see the **Investment guide** available on the BASF Pension website http://ukpensions.basf.co.uk which explains all of the investment options available in the Scheme including these LifePlan options.

Discuss your circumstances

If you are approaching retirement and want to discuss what the options mean to you, contact Buck who will be able to explain your options in more detail and provide a retirement benefit quotation.

Call: +44 (0) 330 123 0467
Email: BASF@buck.com

Pension wise – free Guidance

The Government provides the 'Pension wise' service to give free impartial guidance to anyone with DC pension savings, aimed at anyone aged 50 or over. You can book a telephone or face to face appointment, using the website below. We recommend that you get guidance to help you with your retirement decisions.

Visit www.pensionwise.gov.uk

Pension wise

Pre-retirement Workshops

If you are still working for BASF, you can attend a Pre-retirement workshop. Full details are available on the Planning for retirement factsheet which can be found on the Scheme website http://ukpensions.basf.co.uk – look on the 'Getting ready for retirement' page

Use the Pension Portal

The Pension Portal allows you to view and change a number of details about your DC Account.

The Retirement Modeller noted above is available on the Pension Portal.

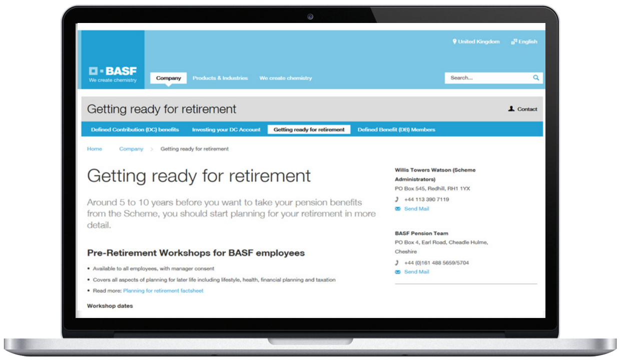
Visit https://www.buckhrsolutions.co.uk/basf

For more information see the Pension Portal factsheet.

Use the BASF pension website

The BASF UK Group Pension Scheme website is dedicated to our members and gives you a central place to go when managing your Scheme benefits.

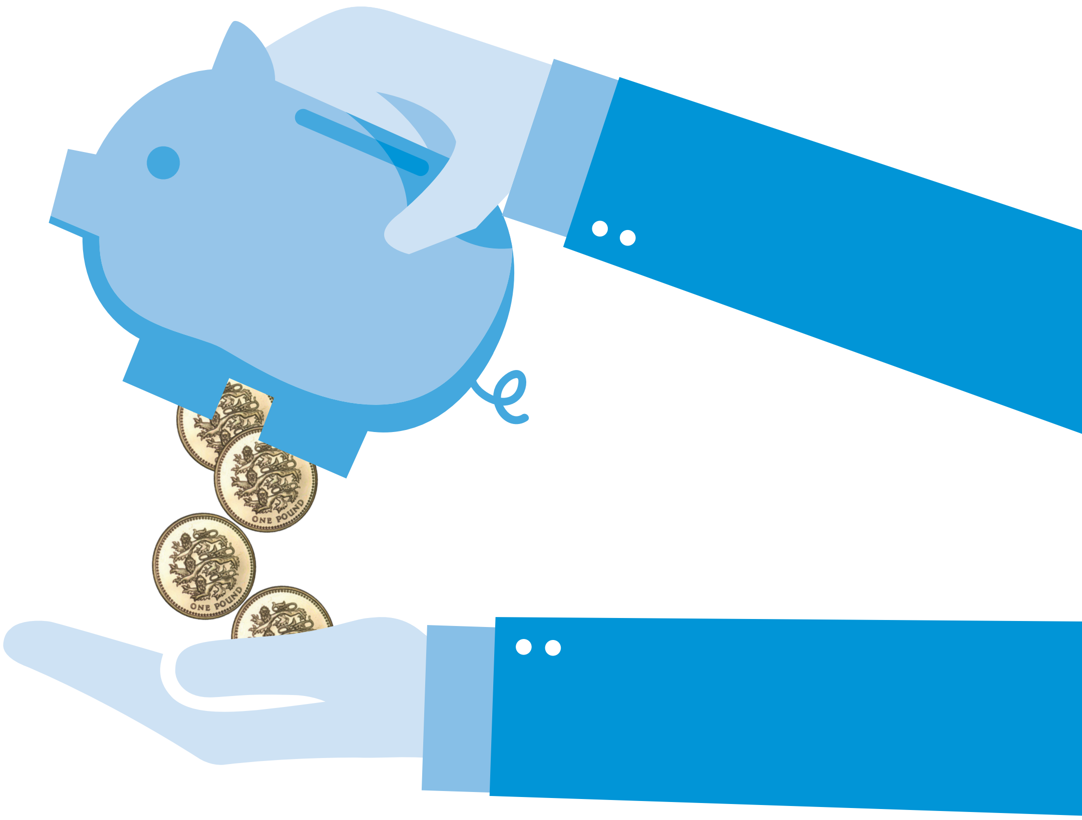
Visit http://ukpensions.basf.co.uk



Use the Independent Financial Advice Service for DC Members

See the "Planning for Retirement" Factsheet on the pension website for more information.

BASF UK Group Pension Scheme
("the Scheme")



Accessing your DC pension savings

This leaflet explains the retirement income options available for your defined contribution (DC) pension savings in the Scheme.

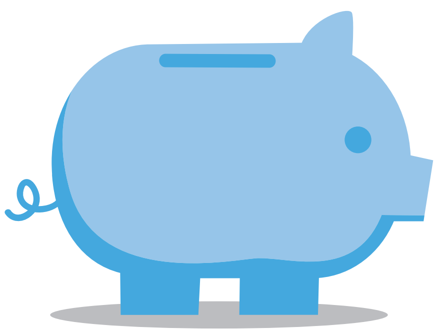
March 2015 - updated Oct 19 - Factsheet 4

DC retirement income options and flexibility

The retirement income options explained below apply from age 55* onwards, for your DC Account in the Scheme. They also apply to Scheme Additional Voluntary Contributions (AVCs) invested with an external provider, e.g. Prudential.

What options are generally available?	Can I take this option from the Scheme?
1. Guaranteed Income (annuity) You can use DC pension savings to buy a pension (annuity) that pays you a regular income for the rest of your life. If you want to, you can take up to 25% of DC pension savings as a tax-free cash lump sum and use the balance to buy an annuity.	**Yes** You can also buy other types of annuity, for example, that pays income for a fixed period of time.
2. Cash lump sum You can take all DC pension savings as a single cash lump sum or a series of lump sums. The first 25% of each lump sum would be tax free and the balance would be subject to income tax for the relevant tax year.	**Yes** You can take the whole of your DC Account as a single cash lump sum (the first 25% tax free, the rest subject to income tax). If your DC Account is **worth more than £5,000**, you can choose to take it in two cash lump sums over two consecutive tax years (25% of each payment tax free, the rest subject to income tax).
3. Flexible income (drawdown) You can leave DC pension savings invested and draw out money as and when you need it. If you want to, you can take up to 25% of DC pension savings as a tax-free cash lump sum and use the balance for a flexible income (drawdown). Alternatively, if you don't take a tax-free cash lump sum initially, each time you draw out money, 25% of it will be tax-free.	**No** A flexible income (drawdown) is not available directly from the Scheme. However, you can transfer your DC Account out of the Scheme into a flexible drawdown product or other arrangement that facilitates drawdown.

You can choose some combinations of these options if you wish; see the examples opposite.



* The minimum retirement age is expected to increase from age 55 to age 57 by 2028. You don't have to take your benefits from age 55; you can take them at any time after this, but no later than age 75.

Please note: Restrictions may apply to your benefit options if you have a Guaranteed Minimum Pension underpin. All benefit options are subject to changes in legislation.

It really is flexible

We want you to be able to use your DC Account in a way that suits your circumstances. So, you can choose some combinations of the different options available. Here are some examples of how members can take their benefits:

Jenny

Jenny already has a pension that covers her regular outgoings. She wants to use some of her DC Account to pay off a loan and use the rest to spend flexibly.

Jenny chooses to:

Transfer her DC Account to a flexible drawdown product so that (once it's transferred) she can:

- Take 25% of her DC Account as a tax-free cash lump sum;
- Take 25% as a taxed cash lump sum; and
- Take the final 50% as a flexible income, as and when needed in the future.

Simon

Simon wants the security of a regular monthly income, but he also wants to take some cash to be able to visit family abroad.

Simon chooses to:

- Use 70% of his DC Account to buy a guaranteed income (annuity);
- Take 25% as a tax-free cash lump sum; and
- Take the remaining 5% as a taxed cash lump sum.

William

William has built up a large DB pension in the Scheme and has a small DC Account, so he wants to take all of his DC Account as cash.

William chooses to:

- Take his DC Account as a cash lump sum over two consecutive tax years. 25% of each cash lump sum payment is tax free and the remaining 75% is subject to income tax.
- Start his DB pension later (see below) – when he reaches age 65 in two years' time.

A new lower Annual Allowance (£4,000 in the 2019/20 tax year) may apply to you for any future DC pension savings, if you take your DC Account as a benefit from the Scheme. For further details visit **www.gov.uk/tax-on-your-private-pension/annual-allowance**

If you want to take your Scheme benefits and carry on working for BASF, please see Factsheet 19 – Flexible Retirement, which can be found on the Scheme website **http://ukpensions.basf.co.uk.**

How does this affect members with Defined Benefits (DB) in the Scheme?

If you are a member of the Group DB or BPP Hybrid Section, these new options are only available for your DC benefits – your DC Account and any AVCs you have in the Scheme that are invested with an external provider (e.g. Prudential).

You have the option of taking your DC benefits and your DB benefits together or at separate times, except if your only DC benefits are AVCs invested with an external provider, they must be taken before or at the same time as your DB benefits.

- If you take your DB and DC benefits separately, you will be able to take up to 25% of your DC Account as tax-free cash and when you separately take your DB benefits you will be able to exchange up to 25% of the value of your DB pension for a tax-free cash lump sum.
- If you take your total DC and DB benefits at the same time, in some circumstances you can currently use more than 25% of your DC Account towards the overall maximum tax-free cash you want to take, which means you exchange less of your DB benefits for cash. If you take your DC and DB benefits at different dates you will lose this option (if applicable to you).

If you felt that transferring out your DB benefits to take advantage of the new flexibility could give you more suitable options for your personal circumstances, you can do so:

- You will need to take independent financial advice (from a Financial Conduct Authority authorised adviser) before you can transfer out your DB benefits, where the transfer value is £30,000 or more, although the Trustee would recommend that you take appropriate financial advice in all cases. This is a legal requirement that the Government introduced to ensure pension scheme members are making the best choices for their personal circumstances.
- Please note that it's not possible to transfer your DB benefits into the DC Section of the Scheme – you would need to transfer your DB benefits to another registered pension arrangement.
- Please read the factsheet "Transferring-out DB Benefits to access a flexible income (drawdown) for further information.

Ten questions to ask before you spend your DC retirement savings

Now you can take your DC retirement savings as and when you like from age 55. The chance to take money and spend it on a holiday, buy a car or pay off debt could be very tempting but you may well be better off leaving your savings in your pension plan and using them to live on in your old age.

Here are ten simple questions to ask yourself which could stop you making a decision you may later regret, put together by the Society of Pension Professionals

1. How long will my money have to last?

People tend to live much longer than ever before. An average 65 year old in good health is expected to live for another 24 years and one in four people could now live to see their 95th birthday.

Your retirement savings are going to have to last you for a long time - perhaps 30 years or more. Leaving them where they are for longer could make a big difference to your lifestyle in old age.

2. How much will my State Pension be?

Most people will be entitled to an old age pension provided by the State. The amount of this pension is not the same for everyone and will depend on your employment history and when you were born. The easiest way to find out how much your State pension will be is to contact the Government's Future Pension Centre and ask for your free personal statement(**https://www.gov.uk/future-pension-centre** or Telephone: 0800 731 0175).

Remember the State pension is designed only to cover a very basic standard of living without any luxuries.

3. What other savings do I have?

As well as savings in pension plans you may have other types of savings, for example bank saving accounts, premium bonds or ISAs. It may be better for you to take money from other savings first before drawing from your pension plan.

If you own your home you might be thinking about selling or renting it out to fund your retirement but remember you will still need somewhere to live.

4. What are my future financial needs and how are they going to change?

Think about your living expenses, such as housing costs, the financial needs of other family members and how these will change over the next 10, 20 and 30 years. Remember to budget for treats such as holidays and also unexpected expenses such as car and house repairs.

If you have debts then you may decide to use some of your retirement savings to pay them off, particularly if you are paying high rates of interest.

Your financial needs are likely to reduce as you get older and become less active but then your ability to work also reduces. Bear in mind that in later years costs could increase as you may need to pay towards long term care for you or your spouse.

5. How can I minimise my tax bill?

Retirement savings held in a pension plan build up free from tax and you can take up to a quarter (25%) of these savings as a tax free lump sum. Any retirement savings taken in excess of the 25% tax free amount are treated as your income for tax purposes.

Most people enjoy a personal income tax allowance each tax year (which run from 6 April to 5 April) and this allowance usually changes each year. For the tax year starting on 6 April 2019 the allowance is £12,500 which means that you do not start to pay income tax until your income for tax purposes goes above this amount. Income for this purpose also includes earnings, the State pension and certain types of investment income. Further information is available at **https://www.gov.uk/tax-on-pension**.

You should think about taking your retirement savings in a way which makes the most of your personal tax allowance so you don't have to pay tax unnecessarily. For example if you have retirement savings in a pension plan of £30,000 and want to access them you could take a lump sum of £7,500 (25%) tax free. If you took the whole of the remaining £22,500 at once then you would pay income tax of £2,000 (20% on £10,000 - assuming you have no other income). You could reduce that tax to zero by spreading the taking of your retirement savings over a number of tax years and making use of your personal allowance each year.**

Higher rates of tax (40% and 45%) would apply if the benefits you take push you into a higher tax bracket and you may need to declare the extra tax by completing a self assessment tax return.

6. Should I buy an annuity?

An annuity is a promise by an insurance company to pay you an income for the rest of your life. You pay the insurance company to give you the certainty of income each month or year - regardless of how long you live or investment performance.

Some people will welcome the certainty of an annuity particularly those who are older and/or do not want to manage their retirement savings by drawing down funds and investing the rest.

There are a number of websites that will give you an idea of the amount of annuity you could expect to buy with your retirement savings and this will depend on your age, health and the type of income stream you want (fixed or increasing in the future to compensate for inflation). Some annuities provide for payments to be made to a surviving spouse or dependant after your death. You should check the terms of the annuity before you commit as they cannot usually be changed afterwards.

You can buy an annuity from any authorised insurance company and are not tied to any one company. It is worth shopping around different insurance companies before you buy as prices can vary.

7. Am I being scammed?

Unfortunately there are some dodgy people around who would love to get their hands on your money and some people have already lost most of their retirement savings through scammers.

Be very wary if someone is encouraging you to take your retirement savings or invest your money with them. If what they are offering seems too good to be true it almost certainly is.

If in doubt don't do it. Have a look at the guidance from the Pensions Regulator on its website if you need more information **www.the pensionsregulator.gov.uk/en/pension-scams**

* The minimum retirement age is expected to increase from age 55 to age 57 by 2028.

**Please note, this is not an option available directly from the BASF Scheme, but you can achieve this by transferring your DC Account to another arrangement that facilitates it.

8. Will taking my retirement savings impact on my welfare benefits?

If you are receiving State benefits or tax credits then taking your retirement savings could impact on the level of those benefits. This is a complicated area and one that is expected to change in the near future. Make sure you understand how your State benefits, tax credits or long term care needs would be affected before deciding to access your retirement benefits.

9. What happens when I die?

If you die before you reach 75 any money left in your pension plan will be paid to your survivors free of any tax.*** If you die after 75 money paid to your survivors may be subject to tax depending on their circumstances. Retirement savings which remain in pension plans are not normally counted for inheritance tax purposes. If you buy an annuity then the benefits payable after your death will depend on the terms of the contract with the insurer.

10. Where do I go to get more help?

Taking your retirement savings is a big decision and not one to be taken lightly. Make sure that you contact your pension plan provider for details about your options and read your plan booklet.

There are places you can go to get more information and guidance. The Government has set up Pension wise as a free guidance service and your plan provider will give you details. You may also want to pay an authorised financial adviser to give you specific personal advice - you can find an adviser local to you at **https://www.unbiased.co.uk**

**If you die whilst you are still a BASF employee, your survivors will receive your death-in-service benefits from the Scheme, which in some cases will be a spouse pension instead of the money left in your DC Account.

The above 'ten questions' were provided by The Society of Pension Professionals February 2015 (**http://the-spp.co.uk/category/publication**) updated by BASF where applicable. They and are a general summary to help people understand the importance of making informed decisions. It applies to retirement savings in defined contribution (money purchase) pension arrangements. Different rules apply to defined benefit (final salary or career average) pension arrangements offered by some employers.

This factsheet provides a brief overview of your benefit options available from the Scheme. Details of how the Scheme benefits are calculated and paid are set out in the Trust Deed and Rules, which take precedence over the content of this factsheet should there be any discrepancies. Neither the Trustee nor the Company can provide financial advice to you and nothing in this factsheet should be treated as such advice.