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BASF Financial Awareness

Questions and Answers

Frequently
Asked
Questions

Your questions, answered! (March 2024 sessions)

In our March 2024 Financial Awareness sessions, hosted by Origen Financial Services and the BASF In-House Pension Team, our employees raised various questions that we have taken away and answered in the table below.

Questions	Answers
Is there a minimum age for lifetime ISAs (LISAs)?	Age 18-40 to open a lifetime ISA, you can contribute to age 50.
Does the annual income you desire on retirement affect how much you are taxed on that income on drawdown (i.e. are the income tax bands still relevant)?	Any taxable income taken from Drawdown pension plans is taxable as earned income and therefore subject to income tax at your marginal rate.
Is the death in service payment based on the salary before pension contributions are deducted or after?	Pensionable Salary is used <u>before</u> contributions are deducted.
With the expression of wishes does the percentages make a difference - should we include children on this, e.g. Husband 90%, Children 5% each (two children)?	The Trustee has discretion where any death benefits are paid. However, it would make it easier for them say, if a couple died together, that children have a nominal amount on the expression of wish as this confirms who you would want the funds to go to. It's important to keep your Expression of Wish up to date on the Pension Portal .
Can you take the 25% tax-free amount as one lump sum, or multiple amounts (up to 25%) when needed?	You do not have to take the lump sum all at once, you can draw it down over a phased period, meaning that under drawdown if the funds are invested, and it grows (not guaranteed), that you can create extra Tax-Free Cash from growth. The value of the 25% is calculated at the time of the taking of the benefits, not calculated as 25% of when you access the funds. If anyone wants more information on this, I'm happy to have a call/teams meeting to discuss as this is a very complex area of financial planning.
Is the Pension portal app now "Orion+", not the "Buck pension portal"?	Orion+ is the technology partner for Buck.
If a child inherited, e.g. a 10% share of a house, does it exclude them from getting a LISA?	If an individual inherits a share of a property, they will no longer be a first-time buyer for LISA purposes, irrespective of whether they live there or rent it out. However, if they were to receive cash in lieu of the property (or the property was sold by the executors and the beneficiary received the proceeds) this would prevent them from being caught by these rules.
What tax rate is the pension pot taxed at when you take it out, 20% or 40%?	Any taxable income taken from Drawdown pension plans is taxable as earned income and therefore subject to income tax at your marginal rate, for basic rate taxpayers this is 20%, and for higher rate currently 40%, subject to change. Income is only taxable to the tax payable of the tax band that the income falls into, for instance you can pay 20% and 40% if income straddles the higher rate threshold.
You showed some rough incomes needed for different retirement levels (comfortable, etc.). Are these figures before or after tax. I am guessing after tax, right?	Correct, after tax

This Q&A will be updated after each Financial Awareness session, so keep checking back for more updates.

Questions	Answers
For budgeting what are the management costs likely to be annually for drawdown?	This is only a very rough guide, for all investors I see I quote approximately 1.7% per annum, which includes Adviser Charges, Investment Management costs, and associated product costs, however it is very much variable and dependent on the style of investment management whether this is more costly, for example Discretionary managed services and reduced volatile funds will cost more, whereas passive funds (with very little investment management) cost much lower.
Based on your comments re: the LTA, then is max tax-free lump sum £268k?	Yes, £268,275 is the maximum tax-free lump sum that can currently be taken, 25% of lifetime allowance, unless you have any personal protections in place.
You mentioned critical illness insurance. What policy is this covered by?	The company provides Private Medical cover and ill health income protection (depending on your employer). BASF don't offer Critical Illness cover.



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