Origen Private Client Solutions

Planning for retirement

BASF Pension Scheme

Working together with BASF

Origen has been appointed by BASF to provide financial advice and guidance to the members of the BASF pension scheme as they approach retirement. BASF contribute to the cost of this advice.

The options at retirement can be complex and it can be difficult to know what is the best decision for you. BASF want to support their pension scheme members and have therefore asked Origen to provide an initial telephone call to discuss your options and provide guidance. The cost of this initial call will be paid for by BASF. After your initial call or face to face meeting, you can ask Origen to provide financial advice on your retirement plans and provide a written suitability report.

About Origen

At Origen our aim is to help you build a brighter financial future. We're one of the UK's leading national financial advisers, with a history of providing advice for 140 years. We have received numerous awards in recognition of our service, including Retirement Planning Advisory Firm of the Year for the past 11 consecutive years. Origen Financial Services Limited is authorised and regulated by the Financial Conduct Authority.

Next steps

Please contact Origen Financial Services on **0344 209 3915** or email **BASF@Origenfs.co.uk** or you can complete the 'Retirement Solutions Financial Questionnaire' and 'Medical Questionnaire' and return them in the pre-paid envelope provided. Calls are charged at your phone company's basic rate. All calls are recorded for business purposes.

If you have any queries relating to your pension scheme benefits, please contact the BASF pension scheme administrators on **0330 123 0647** or email at **BASF@buck.com**.

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Your BASF pension

From the contributions that you and your employer have made, you have built up a pension fund which is held in your pension account.

Your fund may be split if some of the fund relates to contributions before 6 April 1997 (known as 'pre-97'). Different terms and conditions and annuity options will apply for pre-97 and post 97 benefits.

Your pension fund may also provide benefits for a financial dependant, who can be anyone who does not have sufficient independent income or means to support themselves in the event of your death.

For example, a spouse, civil partner, partner or children may be considered as financially dependent.

Guaranteed Minimum Pension (GMP)

Your BASF pension may have a Guaranteed Minimum Pension (GMP), if you were contracted-out of SERPS/the State Second Pension while you were an active member of the BASF scheme. By contracting-out, you would have paid a lower rate of National Insurance contributions and built up a GMP within the scheme. This GMP is broadly equivalent to the pension you would have built up in the State Second Pension.

Your pension statement and retirement illustration provided by Buck will show if you have any GMP included within your plan.

GMP benefits are payable from age 60 for women and 65 for men. When you take your benefits, your plan must provide income at least equal to the GMP. If your pension fund value cannot provide the level of income of the GMP benefits, you may not be able to take the benefits before GMP age. The GMP must be provided before any tax free cash lump sum is paid, so this may reduce the tax free cash lump sum that you can take.

How your pension fund will increase

If you are no longer making contributions into the pension fund, known as a deferred member, or you are already receiving your pension from the scheme, depending on the terms and conditions that apply to your fund, your benefits may increase in line with inflation.

The basis for the increase may be:

1. Consumer Price Index (CPI)

The Consumer Price Index is the average measure of the change in the price of goods and services bought for the purpose of consumption by the average household in the UK. It is compiled and published monthly. The CPI does not include the costs of housing (mortgage interest costs and Council Tax for example)

2. Retail Price Index (RPI)

The Retail Price Index is also compiled and published monthly. RPI includes the costs of housing (mortgage interest costs and Council Tax for example).

It is important to note however, that the goods and services included in CPI and RPI might not reflect the spending patterns of a retired individual.

3. Limited Price Indexation (LPI)

If you select this option, your annuity income will increase each year in line with the Retail Price Index up to a maximum of 5%.

Helping you to consider your annuity options

The 'Open Market' is the term used to describe the range of UK providers currently active in the annuity market. An 'Open Market Option' is your right to secure the best terms available from these providers. These annuity providers will make an offer of income in exchange for your pension fund.

Deferral risk describes the risk that delaying purchasing an annuity may not provide a higher income. The decision to delay starting an annuity should be weighed up against assumptions on the prevailing market conditions and lower annuity rates due to increases in life expectancy.

If you have questions about your BASF pension, please contact either the pension scheme administrators or Origen Financial Services using the contact details on page 2.

The Origen advice service will be able to guide you through your retirement options and provide advice recommendations to suit your circumstances and financial needs. Whichever option you choose, Origen can review the market place to secure the best terms available from the product providers to meet your financial needs.

Planning for retirement

During your working life, you earn income from employment, but when you retire, you need to have saved enough to enable you to enjoy the lifestyle in retirement you want. When planning for retirement, you need to review savings and set your goals so you can plan ahead with confidence.

What do you need to consider?

As you are likely to spend about one third of your life in retirement, it is important to start thinking about what money you need to support you when you retire.

There is plenty to think about and it can be a challenge to find the time to do this by yourself. Origen can provide you with financial advice in order to help you make an informed decision. Here are some things to consider, so you can start planning ahead:

Lifestyle – What are you planning to do in retirement? How do you want to spend your time?

Age – When do you plan to retire? This will provide a timeframe for building the retirement income you need.

Income needs – How much income will you need in retirement? Will you have enough to cover essentials, as well as any larger planned expenditure, e.g. holidays, car purchases, property?

Income sources – What income will you receive in retirement, such as your State Pension, other pension plans or other investments?

Your health – How long do you expect to live in retirement? This will determine how long your income will need to last. Have you considered the health of your parents or the age when they died?

Risk – Are you prepared to take some risk with your retirement income, or are you looking for a guaranteed income for the rest of your life?

Getting the full picture

Before you get advice, it is important that you take time to gather information about any investments or other pension savings which you have. You also need to understand when you can receive these benefits. It is important to gather as much information as possible so that we can review your whole situation and provide the best advice for your circumstances.

1. For personal pensions the earliest you can receive your benefits is age 55. However, the earlier you start to take your benefits, the longer your retirement fund will need to last. The government confirmed that from 2028, the minimum age at which individuals can access their pension will increase from 55 to 57.
2. The State Pension Age is 66 and is gradually increasing for men and women and will reach 67 by 2028. You can obtain a State Pension forecast, which will show you what you might receive and when these payments may start, online at **www.yourpension.gov.uk** or by phoning the Future Pension Centre helpline on: **0800 731 0175** (Monday to Friday, 8am to 6pm).

Providing retirement income

Retirement income may come from many different sources, but you need to gather the information to estimate how much income you may have in retirement. It is also important to recognise that some income sources cannot be guaranteed, such as an inheritance, as you may not receive this until you are in retirement or you may not receive what you expected.

You may have a workplace pension through your current employer, as employers have to provide access to a workplace pension scheme. Don't forget that you may also have other pension benefits from previous employment, known as deferred benefits which you will be entitled to receive at retirement age.

Workplace pension benefits can be either defined contribution (DC) or defined benefit (DB). In defined contribution plans, you build up a pot of money that you can choose how to spend when you come to retire. A defined benefit plan, commonly known as a final salary pension, promises to pay you a specified income for life. When you die it will usually then continue to pay an income to your spouse, civil partner or potentially your dependants.

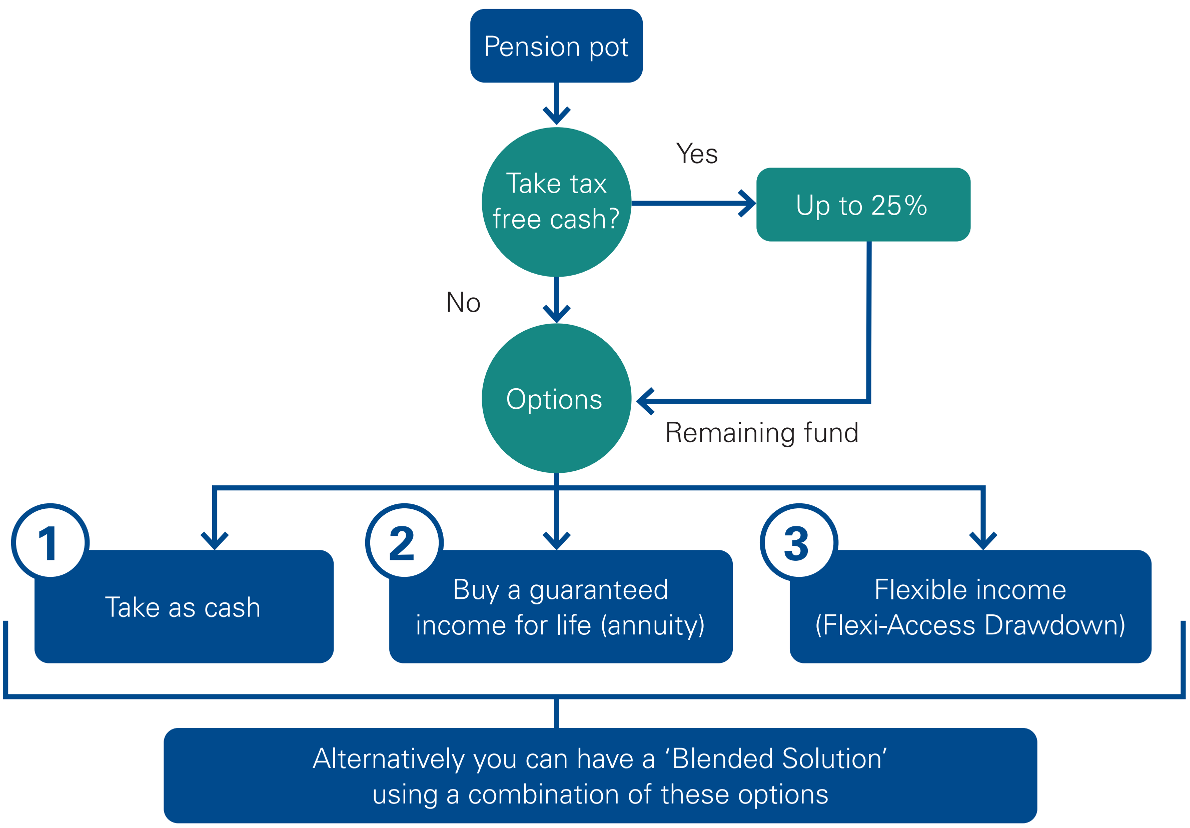
Your pension statement shows the benefits available within your plan. If you are unsure about your pension benefits, please contact the pension scheme administrators or Origen Financial Services.

Getting the best out of your retirement savings

Nowadays most retirement savings are defined contribution, which means that regular contributions build up a retirement fund which can then be used to provide an income and a lump sum in retirement.

What pension benefits can you receive from DC retirement savings?

Since the Freedom and Choice pension legislation in April 2015, you now have full access to your pension funds from age 55, although this is due to increase to age 57 in 2028. However, if you delay taking pension benefits, your retirement savings have more opportunity to grow.



You can make withdrawals from the pension fund using any of the three options or a combination of these options:

1. Take as cash
2. Buy a guaranteed income for life
3. Flexible income

Any withdrawals from the remaining pension fund, after taking any tax free lump sum, will be subject to Income Tax. If you want to take the maximum 25% tax free lump sum, you must take it when you access your retirement benefits, as you cannot use this option at a later date.

You may choose to delay taking your pension benefits and leave it invested so that the pension fund has the potential for additional growth. Alternatively, you may choose to take benefits from some of your retirement savings, known as phased retirement, leaving the rest invested and you can therefore access additional tax free cash in the future.

The benefit of taking advice on your retirement options

To help you decide how to use your pension fund, you should consider:

- When do you plan to retire?
- Do you need a lump sum? If so, how much? For example, are you planning to repay your mortgage or do you have a large planned expense?
- Do you need an income? If so, how much and for how long?

We can help by preparing a financial cash flow model which will show how much income and capital you will need in retirement and can take into account your retirement income from all sources including your pension funds, State Pension and other financial assets. This cash flow model will give you a much clearer picture of how your finances may look in the future and we can then help you to identify any shortfalls and build a retirement plan.

It is important that your investments both inside and outside of your pension, suit your retirement goals. The investments also need to match your attitude to risk.

There are many options available, but financial advice helps to ensure that you make informed choices so you use your pension savings effectively during your retirement.

Origen Financial Services can provide advice or guidance on your pension options. You can also get further information on your pension options from PensionWise, a free service established by the government at **www.pensionwise.gov.uk.**

Taking your pension fund as cash

For a lump sum, known as an Uncrystallised Funds Pension Lump Sum (UFPLS), 25% of each payment is tax free and the remainder is taxed at your marginal rate of Income Tax. You can choose to use all or just part of your pension fund.

This is best explained with an example:

Mr Green has other sources of income totalling **£12,570** (this uses up his Income Tax personal allowance) and a pension pot worth **£200,000.**

Taking a part withdrawal:

He makes a **£15,000** withdrawal from his retirement savings and leaves the remainder invested for the future. He will receive 25% (£3,750) tax free and the remaining **£11,250** is subject to his marginal rate of Income Tax. As a basic rate taxpayer (at 20%), he would have to pay tax of **£2,250** so he will receive **£12,750** in total.

Total tax bill: £2,250

Taking the full fund:

If Mr Green decided to take his entire pension pot as cash, he would face a much greater tax bill. While **£50,000** would be tax free, **£150,000** would be liable to Income Tax, leaving him with a tax bill of **£59,359.50**. He also loses personal allowance for earnings over **£100,000**, which dramatically increases his effective marginal rate of tax.

Total tax bill: £59,359.50

For most people it is more effective to take income from their pension pot over several tax years. However, you should also check with the pension scheme and the provider to see if they place any restrictions on taking withdrawals.

Things to consider

- If you take some of your retirement savings as a lump sum, you will have a smaller remaining fund which means that you will receive a lower retirement income
- Taking all your retirement savings as a lump sum will mean that you need to provide income from other sources for the rest of your retirement
- When you take any Uncrystallised Fund Pension Lump Sum (UFPLS) you will trigger the Money Purchase Annual Allowance, which restricts the amount you can save into a defined contribution pension to £10,000 per year, a big reduction from the standard £60,000 annual allowance
- If you keep the lump sum as an investment or in a bank account, it will be treated as part of your estate when you die and therefore subject to Inheritance Tax. Whereas retirement savings held in a pension fund are treated as outside of your estate and therefore are not usually subject to Inheritance Tax.

Guaranteed income for life (annuity)

You can choose to provide a secure and regular income in retirement by buying an annuity.

An annuity pays a guaranteed lifetime income. You decide at the outset how the income will be paid, but once set it cannot be changed.

If you choose an annuity, you have several things to consider:

Joint life: For a single life annuity, payments will stop when you die. You can choose to set up a dependant's pension (normally for your spouse or civil partner) which will be paid when you die provided that the dependant is still alive.

Guarantee: If you die before the end of the guarantee period, payments will continue until the end of the guarantee period to your estate. A longer guarantee period will cost more which will mean your income is lower.

Increasing payments: Level payments will mean that your income will have less purchasing power in the future as inflation will make goods and services more expensive. You can choose to increase payments by either a set percentage or in line with inflation, such as the Retail Price Index (RPI). If you choose increasing payments, your starting income will be much lower than the income from a level annuity to reflect the annual increases in the future.

You can combine any of these to suit your needs, but selecting joint life, guarantees or increases will reduce your starting income.

This is best explained with an example:

Mrs Brown is aged 65 and has a pension pot worth **£200,000**.

She decides to use her retirement fund and takes the maximum tax free lump sum of **£50,000.** She uses her remaining fund, **£150,000**, to buy a guaranteed lifetime income through an annuity. If she chooses to provide no dependant pension and no guarantee but asks for payments to increase in line with inflation, as measured by the Retail Price Index, her starting income is around **£6,550** in the first year, which will be subject to Income Tax.

If she chose to provide a five year guarantee and a 50% dependant's pension, also with annual increases in line with RPI, her starting income would be lower at around **£6,200** in the first year, also subject to Income Tax.

Source - Origen Financial Services Comparison Report, March 2024

How much will you get from your retirement savings?

The 'Open Market' is the term used to describe the range of UK providers currently active in the annuity market. An 'Open Market Option' is your right to secure the best terms available from these providers. These annuity providers will make an offer of income in exchange for your pension fund.

We can use our experience and get the best annuity rate by exercising the 'Open Market Option', by looking at all annuity rates in the market, rather than purchasing an annuity from your current pension provider. Our advisers can review your circumstances and help you to achieve the best income using an annuity based on your circumstances and your health.

You may be eligible for an increased annuity, which is based on a number of factors including your age, health, lifestyle and in some cases your postcode area.

Enhanced annuity rates may be available for a range of medical conditions including high cholesterol, heart conditions, diabetes, cancer, stroke and lung disease. You may be asked to complete a medical questionnaire.

Things to consider

- Your income is guaranteed for your lifetime, so you know what you will receive but you do not have the flexibility to adjust your income levels
- The options you select at the outset, i.e. any increase, dependant benefits or guarantees cannot be changed in the future
- Once you have bought the annuity, there is no investment risk
- If you choose to have no increase in annuity payments, you need to bear in mind that inflation will reduce the purchasing power of the income you receive from your annuity in the future
- If you decide to delay purchasing an annuity, it may not provide a higher income. The decision to delay starting an annuity should be weighed up against assumptions on the prevailing market conditions and future annuity rates.

A flexible income (Flexi-Access Drawdown)

Drawdown can offer more flexibility as you can choose the level of income you withdraw from your pension fund to suit your needs. Your pension fund remains invested in your selected funds, so it is exposed to investment risk, which means your fund value can fall, but also has the potential for growth. The income is not guaranteed and will only be paid while you have money left in your drawdown plan.

You choose how much income you want to withdraw, but if you do not need the income you do not have to take anything at all. Drawdown is unlikely to be suitable if you have a pension pot of under £100,000, especially if you do not have access to other forms of secure income in retirement.

This is best explained with an example:

Mrs White has other sources of income totalling **£12,570** (this uses up her Income Tax personal allowance) and a pension pot worth **£200,000**. She enters drawdown and decides to just take her **£50,000** tax free lump sum. She will pay no tax on this withdrawal and can choose how her remaining **£150,000** fund is invested.

The following year she would like to take out **£10,000.** As she has taken her full tax free cash entitlement in the previous year, she will need to withdraw these funds as income. Assuming that she is a basic rate taxpayer, she will need to withdraw **£12,500** as 20% (£2,500) will be payable as Income Tax.

You should remember that you have a personal allowance of £12,570, which will mean that income up to this allowance will not be subject to Income Tax. However, you should also be aware that taking additional income may take you into a higher rate tax band.

Things to consider

- If the funds you are invested in fall in value or if you make large withdrawals, you risk running out of money.
- You can use remaining retirement savings to buy an annuity in the future. However, there is no guarantee that annuity rates will have improved.
- If you take any taxable income through drawdown, you will be subject to the Money Purchase Annual Allowance (MPAA), which restricts the amount you can save into a defined contribution pension to £10,000 per year, a big reduction from the standard £60,000 annual allowance. However, if you only take a tax free lump sum, then the MPAA will not be triggered.
- On death before age 75, any remaining money within your drawdown plan can be passed on to a beneficiary or beneficiaries of your choice free of Income Tax and Inheritance Tax. On death after age 75, payments to your beneficiaries will be subject to their marginal rate of Income Tax.

What options do you have with a Defined Benefit pension plan?

Some of your workplace pensions may be defined benefits, where the income and lump sum pension benefits are determined by a number of elements. Typically these are the length of time you worked for the employer, your salary at retirement and the accrual rate (the proportion of earnings you'll get as a pension for each year you are an active member of the scheme).

If you have Defined Benefit (DB) pension benefits, you can:

1. Leave your pension in the DB scheme until you wish to take it
2. Take your pension early, if you are over the minimum pension age (usually 55) and your pension scheme allows it. The minimum pension age is due to increase from age 55 to 57 in April 2028. Your pension is likely to be lower than the full income available at your scheme's normal retirement age
3. Transfer all or part of your pension to a defined contribution pension, if the scheme allows. If your DB pension benefits are valued at more than £30,000, you will be required to receive financial advice before the Trustees will allow you to transfer.

Your DB scheme may have other options to consider when drawing benefits. For example, some schemes allow you to take a higher pension before your State Pension commences or take a higher initial pension in exchange for reduced future increases.

Transferring a DB pension is likely to not be suitable if:

- this is your main or only pension - you will rely on this income throughout your retirement
- the DB pension meets your needs, so you do not need to take investment risk
- you prefer to provide your dependants with features such as a guaranteed income rather than a lump sum.

Our regulator, the Financial Conduct Authority (FCA), is clear that we should start by assuming that a transfer from a DB pension will not be suitable.

Managing your retirement savings within the allowances

The limit on making pension contributions

You can save up to 100% of your income each year into a pension and receive tax relief on your contributions, so long as you don't exceed your annual allowance.

You can make pension contributions through your employer's workplace pension scheme or into your own pension plan, both of which benefit from tax relief on your contributions. If you have used all of your annual allowance, it is possible to 'carry forward' any unused annual allowances from the three previous tax years so long as you were a member of a pension scheme for those years.

	Annual allowance	Financial planning considerations
Annual allowance	£60,000	If you are a higher earner or already taking pension income using drawdown, then your annual allowance may be reduced. The adjusted income level where the annual allowance starts to reduce is £260,000. The annual allowance can be reduced to a minimum level of £10,000.

The limit on all retirement savings

In the UK, between 2006 and 2023, there was a lifetime limit on the pension benefits you could accrue without paying an additional tax charge. It was announced in March 2023 that the lifetime allowance (LTA) would be abolished from 6 April 2024 onwards. The lifetime allowance has been replaced by two new allowances - the Lump Sum Allowance and Lump Sum and Death Benefit Allowance.

The Lump Sum Allowance (LSA) is a limit on the amount of tax free lump sum you can take from your pension during your lifetime. You can still take 25% of your pension fund as a tax free lump sum, up to a maximum of £268,275.

The Lump Sum and Death Benefit Allowance (LSDBA) is a limit on total amounts that can be paid as tax free lump sums during your lifetime and also as tax free lump sums on death. The LSDBA is set at £1,073,100.

The LTA had historically moved up and down with Government intervention. Some individuals were able to apply to protect a higher LTA and those with LTA protection can used their protected LTA when determining their LSA and LSDBA. The rules around LTA protection, the LSA and the LSDBA are complex and we strongly recommend those affected seek our advice.

What happens next?

The type of benefits you choose and who provides them will depend entirely on your own circumstances.

To help you decide, you have the option of receiving financial advice from Origen Financial Services – a service facilitated by BASF. This service includes a phone call or face to face meeting with an Origen adviser.

Please contact Origen Financial Services by phone or email or alternatively complete the 'Retirement Solutions Financial Questionnaire' and 'Medical Questionnaire' and return them in the pre-paid envelope provided.

The Origen adviser will assess your personal circumstances, provide appropriate guidance and search the market on your behalf and provide advice recommendations to suit your needs and circumstances.

BASF pays for this service but if you do wish to transfer your defined contribution retirement savings to another pension arrangement there will usually be additional costs that you must meet yourself. Your Origen adviser will discuss and explain any costs you may be required to pay, before proceeding with their advice recommendations.

You may of course use another financial adviser or make your own retirement decisions. However, you will be responsible for any costs incurred.

If you do require financial advice on any other aspects of your planning, our Origen Private Client Solutions advisers can provide:

- Investment planning
- Family protection in the event of illness and medical expenses
- Financial counselling for senior executives, business partners and owner managers
- Pre retirement planning, including tax efficient pension and investment advice
- At retirement planning, including advice on annuities and unsecured pensions
- Estate planning including long term care, Inheritance Tax and Trusts
- Mortgage advice, equity release and Wills available through specialist partners.

We will be happy to discuss your needs and discuss how we can help you and your family with your financial goals.

Get in touch

To arrange a call to discuss your options with an Origen adviser, please call our Client Services Team on:

Call us: **0344 209 3915***

Email us: **BASF@origenfs.co.uk**

Visit us: **www.origenfs.co.uk**

*Calls are charged at your phone company's basic rate.
All calls are recorded for business purposes.

Keep up to date with the latest news through our social channels.

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