

Taking benefits from your SSAS: what you should know



You can flexibly access your pension benefits in a number of ways. Your *SSAS Member Trustee Guide* gives full details of your options. Before making important and potentially life-changing decisions, talk to your financial adviser.

You don't have an adviser?

You can find an FCA-registered adviser at www.unbiased.co.uk. They will be able to give you details of a financial adviser in your area and if they have specialist pensions qualifications.

You don't want an adviser?

In this case, we urge you contact **Pension Wise**, the free impartial guidance service set up by the government. They can explain your retirement options but cannot advise. You can access Pension Wise in the following ways:

- **online:** at www.gov.uk/pensionwise;
- **face-to-face/by phone:** book an appointment by calling 030 0330 1001 (local telephone charges apply). Phone appointments are with The Pensions Advisory Service and face-to-face appointments are with Citizens Advice.

The Money Advice Service also provides information at www.moneyadvice.service.org.uk.

Are there risks to taking benefits?

- **You may run out of money!** Taking your benefits carries risks. Your pension fund is not bottomless and the more you take from it the less will remain for the future – you may risk running out of money just when you need it most (e.g. to cover care needs in older age).
- **Tax!** Taking income or lump sums might lead to significantly higher rate of income tax for you. This is a complex area and is why it's so important to talk to a financial adviser.

- **Impact on any means-tested benefits:** receiving income from a pension could lead to a reduction in your benefits. Also, taking tax free cash (often called a pension commencement lump sum) could increase your capital for means-tested benefits.

Taking benefits: options and tax

Depending on the benefits you take, some will be taxable and some will be tax free. Below we've explained your options at retirement and how they're taxed. Each option has different features, different rates of payment, different charges and different tax implications.

If you're already taking benefits in some form or you need to know about death benefits in more detail, please see your SSAS Member Trustee Guide or contact us. Our website also gives information about past and current tax rates.

In this section we refer to 'crystallised' and 'uncrystallised' funds. This refers to whether you've taken some benefits ('crystallised') or not ('uncrystallised').

- **Annuities:** These can either be payable for life or for a shorter term and there are new variations being developed by insurance companies. Annuities are taxed as income and the rate of tax that applies will depend on the amount of income you receive from other sources. Xafinity does not provide annuities.
- **Capped drawdown:** Under capped drawdown the maximum amount of income you can take from your fund each year is subject to a maximum, based on rates determined by the Government Actuary Department. From April 2015 this form of drawdown is no longer available. But if you are already receiving some benefits under capped drawdown then you can continue to receive it. You can also crystallise additional funds now and put these into capped drawdown as well, provided that all the funds are in the same arrangement.

Alternatively you can convert your capped drawdown benefits to flexi-access drawdown.

Capped drawdown payments are taxed as income and the rate of tax that applies will depend on the amount of income that you receive from other sources. Capped drawdown benefits can be subsequently transferred to another arrangement.

- **Flexi-access drawdown:** This form of drawdown allows you to take as much or as little as you want. However, if you use this option your Annual Allowance (the amount you can contribute to your pension without incurring tax charges) will reduce once an income payment has been taken. This is known as the Money Purchase Annual Allowance and more information about this is on our website. Any lump sums you take are tax free (up to 25%) and the drawdown payments are taxed as income and the rate of tax that applies will depend on the amount of income that you receive from other sources.
- **Uncrystallised funds pension lump sum:** This allows you to take some or all of your pension pot as a lump sum (or series of lump sums). If you access funds in this way your Annual Allowance (the amount you can contribute to your pension without incurring tax charges) will reduce to the Money Purchase Annual Allowance, details can be found on our website. Normally 25% of each payment will be tax free and the remaining amount will be taxed as income and the rate of tax that applies will depend on the amount of income you receive from other sources.
- **Small pots (crystallised or uncrystallised):** If your pension fund is worth less than £10,000 you can take this as a lump sum. You can take this from crystallised or uncrystallised funds.

A small pot lump sum from uncrystallised funds is 25% tax free and the rest is taxed at your normal income tax rate. If you take the payment from crystallised benefits the whole amount will be taxed at your normal rate of income tax. To be eligible to take this lump from a SSAS you must not have transferred any funds out of the pension scheme in the last three years; you must not be a controlling director of the sponsoring or participating employer and if you belong to more than one company or public sector pension for the same job your total pension pots are worth £10,000 or less.

- **Transfer to another provider:** You can transfer your benefits to one or more other pension providers. Different pension providers may offer different flexible pension options, including the option to select an annuity. Any retirement benefit we give you will include an estimate of the amount that you could transfer from the scheme.

A word about “pension fraud”

Fraudsters are targeting the unwary. Their aim is to get you to invest in scam investments or to access benefits before age 55. Sometimes they may offer a ‘free pension review’, spectacular returns or a ‘fee rebate’.

However, if you take your pension before 55, you can incur large tax penalties and scam investments can reduce your pension fund to nothing. As a responsible company, we’ll only transfer funds to a pension scheme that’s registered with HMRC, which doesn’t aim to release funds early and which does not appear to be involved in investment scams. We’ll investigate and report any schemes we spot to the relevant authorities and will refuse to make a transfer payment.

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