



Retirement planning for the self-employed

Danske Bank
Pensions Awareness Day 15.09.2021



MoneyHelper is here to help, so you can move on with life.

Here to cut through the jargon and complexity, explain what you need to do and how you can do it. Here to put you in control, with free, impartial help that's quick to find, easy to use and backed by government.

Whatever your circumstances or plans, MoneyHelper is on your side. Online and over the phone, you'll get clear money and pension guidance. We can also point you to trusted services, if you need more support.

Open to everyone, MoneyHelper is helping people to clear their debts, reduce spending and make the most of their income. To support loved ones, plan ahead for major purchases and find out about entitlements. To build up savings and pensions, and know their options.

For money help all in one place that's free to use, just search for MoneyHelper.

moneyhelper.org.uk

What we'll focus on today

- How much money will you need in retirement?
- The State Pension
- Why are pensions important?
- Pension options for the self-employed
- How much can you pay into a pension?
- You and your money – start planning for retirement
- You and your work
- Your family and health
- Considering financial advice?
- Pension scams and how to spot them
- Speak to us



How will you fund your retirement?

It's never too early to start planning.....

How much money will you need?

The answer to this question differs for everyone and will depend on your circumstances. Research published in 2018 set out three suggested levels of expenditure in retirement:

	Single person	Couple
Minimum – covers basic needs, maybe some left over for ‘fun’	£10,200	£15,700
Moderate – allows for financial security and flexibility	£20,200	£29,100
Maximum – more financial freedom and luxuries	£33,000	£47,500

Read more here: retirementlivingstandards.org.uk/

See what you're on track to get from just your pensions using our calculator:
moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator

The State Pension

The full New State Pension is currently £179.60 a week (£9,339 per year)

You'll need at least 35 years of qualifying NI contributions to receive the full State Pension

Self-employed individuals usually pay NI contributions via self-assessment but it'll depend on the level of your profits

You can find out your own State Pension Age here: gov.uk/state-pension-age. For example, a 30-year-old can't expect to receive their State Pension until their 68th birthday

You can request a State Pension forecast online to see your current position (*a Government Gateway or Gov.uk.verify account is required*): gov.uk/check-state-pension

If there are any gaps in your NI record, then you may be able to pay voluntary NI contributions to top up your State Pension

Why is it important to look after your pension?

Did you know?

- The State Pension alone is unlikely to be enough for many people.
- A private pension can be accessed much earlier than your State Pension.
- You receive tax relief on the money you pay into a pension, so some of the money that would've gone to the government as tax goes into your pension instead.
- Employer contributions to a pension are deductible for corporation tax purposes.
- You can often take up to 25% of your pension pot as a tax-free lump sum.
- Pensions can also help with inheritance tax planning because death benefits paid from some pension schemes are often not counted as part of your Estate.



What type of pensions are there?

Defined Benefit (DB)	Defined Contribution (DC)
Gives you a guaranteed income for life.	A pot of money that is built up and invested.
Pays a regular pension income usually with the option of a tax-free lump sum and a reduced income.	Up to 25% of the pension pot can usually be paid as a tax-free lump sum.
Can normally be accessed after reaching age 55, but the pension is likely to be reduced for early payment.	There are a flexible range of options for drawing money out of the pot after reaching age 55.
Find out more on Defined Benefit pensions here .	Find out more on Defined Contribution pensions here .

Pension options for the self-employed

A **personal pension** where you can choose where you want your contributions to be invested from a range of funds the provider offers.

How much you get back depends on how much is paid in, how well your savings perform and the level of charges you pay.

There are three types of personal pension:

Ordinary **personal pension**, **stakeholder pension** and **self-invested personal pension (SIPP)**

You may also be able to use NEST (National Employment Savings Trust). Created by the government, it's run as a trust by the NEST Corporation. This means there are no shareholders or owners, and it's run for the benefit of its members.

Making the most of your pension pot

Starting early could more than double your pension pot:

Start saving at age	Your contribution per month	Government adds tax relief *	Pension pot at 68
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30	£100	£25	£112,000
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40	£100	£25	£68,000
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50	£100	£25	£36,000
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Starting to save earlier on gives you more time:

- to contribute to your savings before retirement
- to benefit from tax relief
- for your savings to grow

How much can you pay into your pension each year?

- You and/or your company can save as much as you like towards your pension each tax year. But there's a limit on the amount that will get tax relief, the 'annual allowance'.
- The annual allowance is currently £40,000 for most people but high earners or those who have accessed money from a DC pension already may face a reduction.
- Tax relief on personal contributions you make are limited to 100% of your gross earnings but the employer contribution isn't limited by this (but the annual allowance does apply).
- Sometimes you can contribute more than your annual allowance and still benefit from tax relief by using unused allowance from up to the three previous tax years. This is known as carry forward.
- Company contributions will be treated as an allowable business expense, providing they're incurred wholly and exclusively for the purposes of the employer's trade or profession.
- Read more here: moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/the-annual-allowance

What does a DC pension offer at retirement?

Option	Tax free element	Overview	Income for life?
Leave it untouched	-	You don't have to start taking money from your pension pot when you reach your selected retirement age.	-
Guaranteed income	25% of the pot	You can use your pension pot to buy an insurance policy that gives you a guaranteed income for the rest of your life. This is called an annuity.	Yes
Adjustable income	25% of the pot	You can get an income from your pension pot that's adjustable. This means you get a regular income but can change it or take cash sums if you need to.	Maybe
Cash in chunks	25% of each withdrawal	You can take smaller sums of cash from your pension pot until it runs out. How much you take and when you take it is up to you.	No
Take the whole pot	25% of withdrawal	You can take your whole pension pot as cash.	No
A mix of some of these	Depends on choice	You can mix the pension options, eg use some of your pot to get an adjustable income and some to buy an annuity.	Depends on choice

A free Government Pension Wise appointment is available for anyone over age 50 with a DC pension to discuss these options in more detail



Pension Wise is a government service from MoneyHelper that offers free, impartial guidance to over 50s about their defined contribution pension options. No matter how large or small their pension pot may be.

Explore your pension options on our website, or have an hour long appointment with one of our highly trained specialists over the phone (in the comfort of your own home).

Book a Pension Wise appointment by calling **0800 138 3944** or visit moneyhelper.org.uk/pensionwise.



96% of our customers would recommend Pension Wise to friends and family.

During an appointment you'll get clear and simple guidance on:

- the options for taking your pension money
- how each option is taxed
- next steps to take
- questions to ask your provider.

How can you start to plan?

Think about:

You and your money

You and your work

You and your health

You and your family

Your money

How much
do I need for
retirement?

Can I afford
to pay
more?

Other savings
options?

There are plenty of things you can do now to stay on top of your pension.

- Stay in touch with existing pension providers – know how much is in your pension and what it's due to pay you in retirement.
- Use our [pension calculator](#) to see how much you're likely to need in retirement, what you're on track to get when you retire and what would happen if you paid more into your pension.
- Trace any lost pensions using the Government's tracing service: gov.uk/find-pension-contact-details
- Get a State Pension forecast: gov.uk/check-state-pension
- Budget plan: moneyhelper.org.uk/budget-planner

If you're over 50 with a Defined Contribution pension remember you can book a free Pension Wise appointment, to discuss your options: **0800 138 3944**

For other questions, or if you just want to have a chat about your current pension situation, call our pensions helpline: **0800 011 3797**



Your Work

- Is income from the business a viable retirement plan or will it lose value (or cease entirely) if you're no longer at the helm/working ?
- Are you going to work beyond State Pension Age? Is that feasible considering health/nature of what you do?
- Do you have an exit strategy from your business? Will you have a company or assets that you can sell? Are you handing over the business to family?
- Do you employ others? Family members? Are you familiar with the automatic enrolment rules and how they impact family businesses?

Your family and health

Health

- Have a plan in case you get sick
- Remember a pension can be taken early if you suffer ill health
- Your pension might go to a dependant if you died
- Remember to complete a nomination form
- Do you need any income protection insurance?

Family

- If you're having kids, look at your financial goals too
- Should a relationship change, your finances will always need looking at
- Have you got a Will?



What happens to your pension when you die?

- The value of your pension pot can usually be paid free of income tax to your beneficiary(ies) if you die before the age of 75
- On death after age 75, your beneficiaries will pay income tax on any money received
- Payments to beneficiaries are usually free of Inheritance Tax

It is important to complete a **NOMINATION FORM** to say who you would like to receive any money from your pot – your provider will take this into account but they are not bound by it



Considering Financial Advice?

Looking to invest?
Want to buy a financial product?
Help with long term planning?
Recommendations for your pension?

Whether or not you need financial advice will depend on a number of factors, including:

- what product you're looking for
- how complicated your finances and personal circumstances are
- your short and long-term goals.

- ✓ Financial advisers are regulated so you're protected if things go wrong.
- ✓ They can choose products from a wide range of providers.
- ✓ They can recommend a course of action that is personal to you and help you avoid making expensive mistakes
- ✓ They'll charge a fee for their services

Visit our retirement adviser directory to find an adviser who can help:
moneyhelper.org.uk/retirement-adviser-directory

Pension scams and how to spot them

- Contacted out of the blue
- Illegal to do so (report to ICO)
- Applying pressure to make quick decision
- Guaranteeing high investment returns
- Access pensions before 55
- Offer of one-off investments , time-limited offers, upfront cash incentives, free pensions reviews, legal loopholes or government initiative
- IF IT SOUNDS TOO GOOD TO BE TRUE IT USUALLY IS

Speak to us:

Looking for pension guidance?

Phone: **0800 011 3797**

Webchat: moneyhelper.org.uk/pensionschat

Or, if you're over 50 with a defined contribution pension, use our Pension Wise service to discuss your options:

Phone: **0800 138 3944**

Online: moneyhelper.org.uk/pensionwise

Looking for money guidance?

Phone: **0800 138 7777**

Webchat: moneyhelper.org.uk/moneychat



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