BANK OF SCOTLAND SELF-INVESTED PERSONAL PENSION (SIPP)

HELPING YOU PREPARE FOR YOUR RETIREMENT

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Retirement is changing – it doesn't necessarily mean stopping work, and it can also bring the opportunity to do new things. Your Bank of Scotland SIPP gives you freedom and flexibility with your pension savings.

You might be getting closer to your retirement date, thinking about accessing your pension savings and considering what to do next. Or you might just be exploring to get a better idea of your plans for later life.

When you're ready, we can help you understand what you can do with your SIPP, to help achieve the lifestyle you want.

SCOTTISH WIDOWS

Our retirement partners, Scottish Widows, have more than 200 years' experience in pensions and retirement, and are part of the same group as us. Together, we've summarised your options, the things you need to consider as a SIPP customer, and the available support.

It can seem like a lot to think about. But spending a little time understanding your options as early as possible could help you make the best decisions when you're ready to retire.

Visiting **www.scottishwidowsmyretirement.co.uk** is a great place to start exploring. You can begin with the retirement basics, considering what you might need to live on and how long your pension savings will last.

YOUR PENSION OPTIONS

The earliest you can normally access your pension savings is age 55* (rising to 57 from 6 April 2028). This is called the normal minimum pension age (NMPA) and it's set by the Government. The NMPA isn't the same as your personal selected retirement age, which could be years later. Generally, the longer you can leave your SIPP intact, the better.

There's no maximum age to retire. So, although you can't keep contributing into your SIPP once you reach age 75, you can keep it invested as long as you like.

You have freedom in how to access your pension savings and, when you decide, you don't have to select just one option. You can combine these options in different ways to meet your needs, at different times.

Leave it invested

You can leave your pension savings invested and untouched for as long as you like. This might be the right option for you if you're considering your options or have other income to rely on for the time being.

Take it only when you need it

This is the most flexible option. You can take up to 25% of your savings as tax-free cash, using your remaining pension savings to enter an income drawdown. It allows you to take a flexible income as and when you need it, and leave the rest invested, with the potential to continue to grow.

Take a lump sum

You can take some, or all, of your pension as lump sums. 25% of that can be tax-free, but the rest is subject to tax. Depending on how much you take in one go, you could pay more tax compared to other options, particularly if you're still working.

Get a guaranteed regular income

You can take up to 25% of your pension as a tax-free cash lump sum. You can then use some, or all, of your remaining pension to buy an annuity, which provides a regular income until you die. This option may be good if you want to know how much you'll receive, and that it's paid for the rest of your life.

* **Ill health** - If you think there are medical reasons why you can retire earlier than the normal minimum pension age, or you receive a terminal diagnosis of 12 months or less, **please call us**. We'll explain the process and what your options are, and we can help you access money from your pension.

Click here for further information

YOUR PENSION OPTIONS (CONTINUED)

Leave it invested

Take your time and access your benefits only when you need to.

You can normally access your pension savings from age 55 (from 6 April 2028, this is changing to 57).

You should carefully consider whether accessing your benefits at this age is right for you. Generally, the longer you leave your pension untouched, the more potential it has to grow.

It's always worth regularly reviewing your SIPP and whether your current fund value, contribution levels and investment strategy are likely to meet your retirement needs.

You can change your selected retirement age at any time in 'Manage your SIPP' within Bank of Scotland Internet Banking or your Mobile Banking app.

Benefits

- ✓ Your pension stays invested, giving it more potential to grow over time; however, investments can go down in value as well as up.
- ✓ You can continue to pay into your SIPP until you're 75 and can make changes to your payments at any time.
- ✓ You can leave your SIPP intact and invested as long as you like, and only start accessing when you really need it.

YOUR PENSION OPTIONS (CONTINUED)

Take it when you need it – flexible income

Keep your pension savings invested and have flexibility over what to do with your retirement savings – taking what you need, when you need it.

You can take 25% of your retirement savings as tax-free cash up to a maximum of £268,275 (unless you have existing pension protections in place). This is known as a Pension Commencement Lump Sum (PCLS).

The remainder is held in what's called **flexi-access drawdown**.

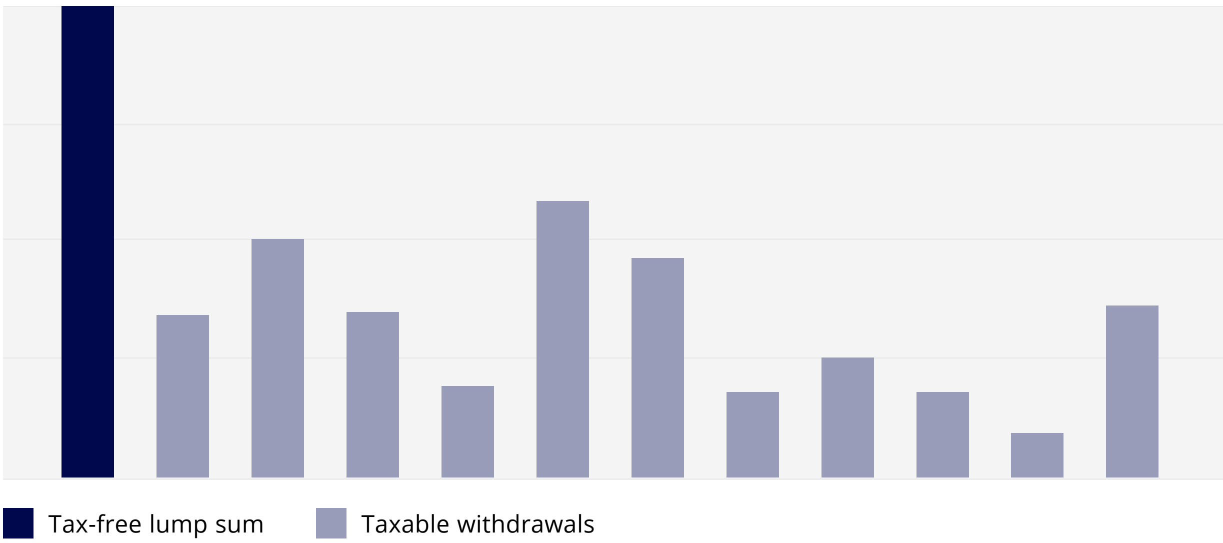
You need to decide how you want to invest your drawdown pension savings and action your trade request accordingly. There's lots of useful information, market research and tools available online at **www.investments.bankofscotland.co.uk** to help you choose investments that are right for you. You can choose to:

- invest in the same, or similar, investments you had before retirement
- invest in something completely new; or
- if you're unsure how to achieve your drawdown goals you could pick one of four pre-packaged investment pathway funds.

You can set up a regular income (or 'withdrawals') when you're ready, or you can take lump sums when you need them. Or this could be a combination of the two. These will all be taxed as income.

The Money Purchase Annual Allowance (MPAA) limit only applies once you start taking withdrawals from your drawdown. The MPAA limits impacts the amount you can pay into your pension in the future without incurring a tax charge. This limit is currently £10,000 each tax year (although the Government may change this in future).

Important note: You'll need to sell enough of your investments into cash first, so we can pay out your PCLS, and any initial income. It's your responsibility to make sure there's enough uninvested cash in your SIPP in time to cover any ongoing one-off, or regular income payments. Your benefit payments will be delayed if not.



This graph shows how with flexi-access drawdown, your tax-free lump sum can all be taken at the outset with any future withdrawals being taxable.

YOUR PENSION OPTIONS (CONTINUED)

Take it when you need it – flexible income (continued)

Benefits

- ✓ Your SIPP has the potential to grow; however, investments can go down in value as well as up.
- ✓ Drawdown gives you the most flexibility over what to do with your retirement savings – taking what you need, when you need it.
- ✓ You can take this option, but still decide to buy a guaranteed income for life (annuity) later if you feel that's right for you.
- ✓ You can continue to pay into your SIPP until the age of 75. Depending on how you access your savings, the MPAA may apply.
- ✓ If you die before you reach age 75, what's left will normally be paid tax-free to your beneficiaries. They can then decide to take it as an annuity, a lump sum, or through a beneficiary's drawdown.
- ✓ If you die after you reach age 75, your beneficiaries have the same options, but these will be subject to tax.

Risks

- Unlike an annuity, any payments will come directly from your pension savings until they run out. This means it doesn't pay you a guaranteed income for life.
- You could run out of money if you take too much out or if your SIPP investments perform poorly. You should check the value of your investment regularly and make changes if necessary.

YOUR PENSION OPTIONS (CONTINUED)

Take it when you need it – flexible income (continued)

More information on Investment Pathways

Once you've received your tax-free lump sum (PCLS), and any first income payment, you'll need to choose how to invest your flex-access drawdown savings and action the relevant trades.

As someone who is comfortable making their own investment decisions, you may already know how you want to invest. However, Investment Pathways are also available if you choose. These were introduced by the Financial Conduct Authority (FCA) to help make investment decisions for flexi-access drawdown easier.

Investment Pathways are pre-set strategies that give you a simple choice from the four common ways that people choose to take their retirement savings – basically, they are about what you want to do with your money over the next 5 years and the level of investment risk you're prepared to take.

There are four Investment Pathway options, and each one has a level of investment risk attached to it on a scale of 1 – 7 (7 being the riskiest):

1

4 RISK LEVEL

Save it

This investment pathway is designed for people who have no plans to touch their money in the next five years.

Click here for more information

2

4 RISK LEVEL

Guaranteed income (annuity)

This investment pathway is designed for people who plan to use their money to set up a guaranteed income within the next five years.

Click here for more information

3

4 RISK LEVEL

Flexible income (drawdown)

This investment pathway is designed for people who plan to start taking their money as a long-term income within the next five years.

Click here for more information

4

1 RISK LEVEL

Withdraw it

This investment pathway is designed for people who plan to take out all of their money within the next five years.

Click here for more information

Important note: If you choose to invest in a pathway, it's important to review this regularly. Especially if your retirement goals change over time.

YOUR PENSION OPTIONS (CONTINUED)

Take a lump sum

Uncrystallised Funds Pension Lump Sum (UFPLS).

With this option, you can take a lump sum and leave the rest of your pension uncrystallised. It's treated as though it hasn't been accessed.

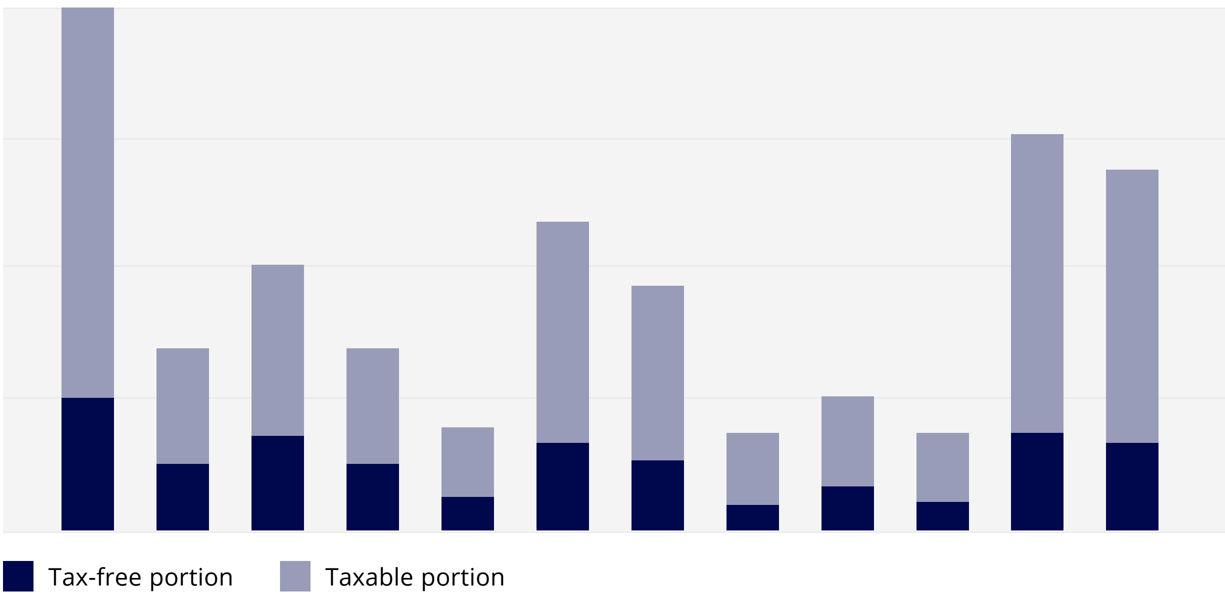
The first 25% of the lump sum is tax-free, but the rest is taxed as ordinary income. This depends on the rate of income tax you're paying at the time.

The first time you take a lump sum, we may use an emergency tax code. This could mean that you pay a different level of tax than you're used to. Tax treatment depends on your individual circumstances, and your circumstances and tax rules may change in the future.

The Money Purchase Annual Allowance (MPAA) will apply, which impacts how much you can pay into your pension in the future without incurring a tax charge. If you take a UFPLS, the total amount you or anyone else can pay into your other pensions, without paying a tax charge, is currently £10,000 each tax year (although the Government may change this in future).

You must tell us each time you want to take a lump sum in this way.

Important note: You'll need to sell enough of your investments into cash first, so we can pay out your lump sum. Your benefit payments will be delayed if not.



This graph shows how with UFPLS you can spread your tax-free allowance (25% of the total value of your pension) across all the lump-sum withdrawals you make. This can help you manage the income tax you pay each year.

YOUR PENSION OPTIONS (CONTINUED)

Take a lump sum (continued)

Benefits

- ✓ Your SIPP has the potential to grow; however, investments can go down in value as well as up.
- ✓ It gives you time to consider what to do with the rest of your retirement savings.
- ✓ You can take this option, but still decide to buy a guaranteed income for life (annuity) later if you feel that's right for you.
- ✓ You can continue to pay into your pension until the age of 75. Depending on how you access your savings, MPAA may apply.
- ✓ If you die before you reach age 75, what's left will normally be paid tax-free to your beneficiaries. They can then choose to take it as an annuity, a lump sum or through beneficiary's drawdown.
- ✓ If you die after you reach age 75, your beneficiaries have the same options, but these will be subject to tax.

Risks

- Unlike an annuity, any payments will come directly from your pension savings until they run out. So, it doesn't pay a guaranteed income for life.
- You could run out of money if you take too much out or if your SIPP investments perform poorly. You should check the value of your investments regularly and make changes if necessary.
- For UFPLS, there may be a minimum amount you can withdraw each time. There may also be a limit on the number of withdrawals you can make each year.
- If you're made insolvent or bankrupt, and take all your savings as cash, you lose the protection that savings in pensions have against your creditors (people you owe money to).

Small pot lump sum

You might decide to take a full lump sum if your SIPP value is less than £10,000, and you think the pot isn't large enough to provide you with an income in retirement.

For personal pensions, you can only take a maximum of three pots as small pot lump sums in your lifetime. Whether you can do this depends on HM Revenue & Customs (HMRC) rules and your personal circumstances.

25% is tax-free; the remainder will be taxable as ordinary income in the tax year of payment.

Taking money this way doesn't trigger the Money Purchase Annual Allowance (MPAA).

YOUR PENSION OPTIONS (CONTINUED)

A guaranteed regular income

Certainty on the income you receive for the rest of your life

You can normally take up to 25% of your retirement savings as a tax-free cash lump sum and use the rest to buy a guaranteed income for life (an annuity). The income you receive from an annuity will be taxable income.

The amount of regular income you'll receive depends on your age and where you live. It can also depend on several different factors, including your health and lifestyle (for example, if you're married, or a smoker, or have a health condition).

If you want your annuity to be paid to a dependant after your death or to be guaranteed for a set period, then the income you receive will be lower. The starting level of income will also be lower if you want your annuity to increase each year.

Please note: An annuity is not currently offered as part of your SIPP. If this is your preferred option, when the time is right, we'll explain how to transfer your pension savings to another provider that offers this.

Benefits

- ✓ An annuity provides you with certainty of the income you'll receive for the rest of your life.
- ✓ You can select an annuity with a guaranteed period or a joint annuity, so you can continue to provide for your loved ones.
- ✓ You may set up your annuity payments to stay the same each year, or to increase each year.

Risks

- Once you buy an annuity, you can't change your mind even if your circumstances change.
- If you don't select joint life or guaranteed period features, an annuity will end at your death and won't be passed to your beneficiaries.
- If you select additional features such as a joint annuity, this will result in a lower income.
- The total amount of income you receive could be less than the cost of buying the annuity.

YOUR RETIREMENT CHECKLIST

Some things to consider as you approach retirement.

Six months before retirement

- ✓ View your SIPP value in your online account.
- ✓ Consider getting financial advice or free guidance before you decide what to do with your pension savings. You could try Pension Wise from MoneyHelper. This free, impartial service helps you understand your options for using your pension savings.
- ✓ Take time to shop around with other companies to make sure you get the best retirement deal for you.
- ✓ Decide what's going to work best for you – will you keep working, keep topping up to maximise your pension pot, or do you want some money now and take some later?
- ✓ Think about how much income you need and when you need it. Also include any income from your State Pension (this won't be payable until your late sixties) and consider any other pension savings you may have with different providers. To see how much State Pension you're due to get and when, use the Government's calculator: **www.gov.uk/state-pension-age**
- ✓ Consider consolidating any old pensions into your SIPP if you haven't already done so – this could make it easier when deciding how to access your benefits as you then just deal with one provider rather than many.
- ✓ Track down any lost pensions, visit **www.gov.uk/find-lost-pension** for more information.
- ✓ Think about making or updating your will.
- ✓ Make sure to update your beneficiaries on your SIPP to reflect your current circumstances and wishes.
- ✓ If you're planning on accessing your money through flexi-access drawdown, start to think about your investment options.

Six weeks before retirement

If you haven't already done so:

- ✓ Go to **www.scottishwidowsmyretirement.co.uk** to understand all your options and choose how you want to access your SIPP benefits on your selected retirement date.
- ✓ Once you've decided, complete the Getting in Touch form on this site. We'll then email to you the relevant paperwork to complete.
- ✓ Remember, you don't need to retire or take your benefits now. You can choose a later date if you prefer – just let us know.
- ✓ You can still contribute into your SIPP up until age 75, including transferring in old pensions.

WHAT DO YOU NEED TO CONSIDER?

Depending on what you want to achieve in retirement, you should consider what you have and how your SIPP works. Our website, **www.scottishwidowsmyretirement.co.uk**, is a great starting point, and these are some key things you should be considering:

Why is it important to shop around?

It's important to shop around if you're looking for a guaranteed income for life (annuity) or want to access your retirement savings more flexibly.

When you shop around, you'll need to consider several things, including:

- The value of all your retirement savings.
- Whether you'll be taking a tax-free cash lump sum.
- Your personal circumstances – are you married, have a partner, or a dependant? If you smoke or have medical conditions that may affect your choices.
- Would you like your income to increase over time to reduce the possible impact of inflation on it? Remember, this will only apply if you choose a guaranteed income for life (an annuity).

Will this be your only source of income?

As you've got flexibility in how you can take your retirement savings, it's a good idea to work out what you may need to live on and whether you can afford to retire.

That's why the Pensions and Lifetime Savings Association have developed Retirement Living Standards, helping you picture what kind of lifestyle you could have in retirement.

The standards show you what life in retirement can look like at three different levels (minimum, moderate and comfortable). This includes what a range of common goods and services would cost for each level. Use our pension calculator to see how much you could have when you come to retire.

Remember, these figures aren't set in stone. Use them as a guide to help you work out what you may need for your own retirement. Remember to consider what you may get from your private and State Pension versus your retirement costs.

Do you have any other private or company pensions?

If you have other pensions, or if you're already taking an income from a pension, you might want to consider how much they are worth before deciding what to do.

State Pension and benefits

The State Pension comes from the Government and is the main source of retirement income for a lot of people in the UK. But remember, this won't be payable until your late sixties. The amount you're entitled to (once you reach State Pension age) depends on how much you've paid in National Insurance Contributions during your working life.

You can choose to defer receiving the State Pension to a later date.

To see how much State Pension you're due to get, use the Government's calculator: **www.gov.uk/state-pension-age**

If you receive state assisted benefits and you start taking income or a lump sum from your pension savings it may affect these benefits. You should check this before you take any pension benefits.

What's the Lump Sum Allowance?

From 6 April 2024, the Lifetime Allowance (LTA) limit of the sum of personal pensions you hold was abolished. The LTA was replaced with the Lump Sum Allowance (LSA) and the Lump Sum Death Benefit Allowance (LSDBA), which is explained later. When you take your benefits, your tax-free Pension Commencement Lump Sum (PCLS) will be limited to the current limit of 25% of your pension value. This is up to a maximum of the LSA of £268,275 unless you have existing pension protections in place. The value will be reduced by pension benefits already taken through Relevant Benefit Crystallisation Events (RBCEs) – PCLS, UFPLS or Standalone lump sum (SALS).

The excess will be taxed at your marginal income tax rate.

This doesn't include any State Pension, State Pension credit or dependant's pension you may be entitled to.

WHAT DO YOU NEED TO CONSIDER? (CONTINUED)

What about tax?

Most people still need to pay tax when they retire. You can normally take up to 25% of your retirement savings tax-free. Once you've had your tax-free amount, any money taken from your retirement savings is added to any other income you get in the tax year you take it.

This includes paid work, taxable income from any other sources including pensions and your State Pension. If at the end of the tax year, you've either under or overpaid on tax, you'll need to contact HMRC to discuss your options.

Remember, your tax treatment depends on your individual circumstances. Your circumstances and tax rules may change in the future.

Check out **www.scottishwidowsmyretirement.co.uk/things-to-think-about/tax-and-your-pension** for more information.

Think about your dependants – what happens with your pension savings if you die?

If you die before you've taken everything from your pension, its value will normally be paid to your beneficiaries. We'll write to your beneficiaries setting out their available options. They can normally choose to receive the benefits

as a cash lump sum, a guaranteed yearly income (by transferring the benefits to an annuity with another provider), or as a flexible income as a drawdown pension.

The tax treatment of death benefits depends on a range of factors at the time of your death.

If you die before age 75, death benefits are normally paid free of tax if they are within the LSDBA of £1,073,100. This is providing the payment occurs within two years of the notification of your death.

If you die over age 75, your beneficiaries normally pay income tax at their own rates on all types of death benefit.

If you have previous protections, these will still apply. The LSDBA will be reduced by Relevant Benefit Crystallisation Events (RBCEs) – effectively, withdrawals already taken from your pension prior to death. Small pot pensions do not use up LSDBA.

If you haven't done so already, let us know who you want to leave your pension to in the event of your death. You can do this yourself in 'Manage Your SIPP' within **Bank of Scotland** Internet Banking or your Mobile Banking app. Or you can call us on **0345 835 5357** (Monday to Friday 9am to 5pm).

It's important to keep this information up to date as your circumstances change.

PENSION SCAMS

Pension scams are increasing in the UK and are a threat to your retirement savings. If you're scammed, you could lose your entire pension fund, which would be very difficult to get back.

There are a few simple signs that will help you to spot a scam and avoid being ripped off:

- You're contacted out of the blue.
- You receive an offer that's too good to be true.
- Offering access to your pension before the age of 55.
- You're expected to invest in an unusual asset.
- You're asked to withdraw the money first.
- You're told to act quickly for the best deal.

We'd like to reassure you that we have processes in place to help identify where we think pension fraud is being committed.

MoneyHelper, the Financial Conduct Authority and several other organisations have joined forces to help tackle the growing problem of pension fraud.

You can find more information at **www.fca.org.uk/scamsmart** and in the online leaflet **www.fca.org.uk/publication/fca/pensions-scams-leaflet-print.pdf** as well as **www.moneyhelper.org.uk** and searching 'how to spot pension scams'.

If you're worried you may be the target for attempted fraud, please contact Action Fraud on **0300 123 2040**.

HELP IS AT HAND

Impartial guidance

Pension Wise from MoneyHelper – the Government's free guidance service – can offer personalised guidance about the available options and any tax implications. It also gives tips for shopping around for the best deal. Further details are enclosed or you can go online at **www.moneyhelper.org.uk/pensions**

Support from our trusted retirement partner

Visit the Scottish Widows retirement website at **www.scottishwidowsmyretirement.co.uk** to get further information on the basics of pensions, tax, and retirement, along with your available options.

Independent advice

For advice that will be personalised to your own circumstances, you can speak to a financial adviser. They'll normally charge you for any advice they give. If you don't have a financial adviser, you can visit **www.unbiased.co.uk** or **www.vouchedfor.co.uk** to find a list of advisers near you.

If you need extra help

You can find extra help and support at **www.scottishwidowsmyretirement.co.uk** or contact us on **0345 835 5357**. Available Monday to Friday 9am to 5pm. Calls may be recorded for training purposes.

If you'd like a braille, large print, or audio version of this document, please contact us.

If you have a hearing or speech impairment, you can contact us using the Relay UK Service. This is available 24 hours a day, 7 days a week.

Data Privacy

Your privacy is important to us. To understand how the personal information you give us is used, please read our Privacy Statement, which you can find at **www.embarkgroup.co.uk/bank-of-scotland-privacy-notice**

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