



# How will you spend your retirement savings?

From April 2015 the pension rules are changing.  
And so are your investment options.



# Freedom to use your retirement savings as you want

The Government has introduced more flexibility and choice at retirement, so that you can take your retirement savings in the way you want – as an annuity, as a one-off cash sum, or as a series of cash withdrawals over time (drawdown).

The changes are mainly aimed at people with defined contribution (DC) pension arrangements – so, people like you, saving for retirement through our BlackRock Plan.

The Government has said that everyone with a DC pension will get free guidance at the point of retirement, but you should consider speaking to an independent financial adviser well before then, to make sure your BlackRock pension is aligned with your retirement plans.

Please read Part 1 of this leaflet, which gives you an overview of the pension changes. If you have also built up a final salary/defined benefit (DB) pension, please also read Part 2.



When you decide you want to start taking your BlackRock retirement savings – whether or not you stop working – you should contact Pension Wise (or your financial adviser) to ensure you understand your options. Once you have decided which option to take, you should contact BlackRock.



## Part 1

### Annuity

This is the option that is currently used by most DC members, and it will still appeal to many people as it provides a guaranteed income for the rest of your life.

### Full withdrawal

From April 2015, you can take your entire pension account as a one-off cash sum.

### Flexible withdrawal

From April 2015, you can withdraw money from your pension account as and when you need it. This is called 'drawdown'.

### New retirement products?

It's likely that pension providers will launch new retirement products in response to the new flexibilities.

Whatever option you choose, you will still (under current tax rules) be able to take 25% of your pension account as tax-free cash (up to a limit, currently £312,500). You will have to pay tax on the rest, as if it was income.

Before you make a final decision on how to use your pension account, make sure you've considered all the options available at the time. A financial adviser will be able to help you.

Once you start to take any benefits from a DC plan, your Annual Allowance will drop from £40,000 a year to £10,000 a year. This means that the amount you can pay tax-free into your pension in future will be restricted.

## Part 2

### If you have a DB pension, you have the option to consider transferring the value of that pension into a DC arrangement.

We are telling you about this because it will give you the same options as in Part 1 above. However, under the new regulations, you will have to pay for advice from an FCA-authorized adviser before a transfer can go ahead, if your DB pension is valued at more than £30,000.

If you have a small DB pension (roughly less than £500 a year), you may also have the option to take it as a one-off lump sum. From April 2015, the age at which you can do this reduced from 60 to 55.

Before transferring a DB pension into a DC arrangement you should make sure you understand all of the risks involved.

# Changes to your investment options

**To reflect the greater choice you will have of how you spend your retirement savings, we are changing the default investment fund. This is where most of our members' pension accounts are invested.**

If you are invested in the current default fund you will be automatically switched to the new default fund. If you don't want to be switched to the new default investment fund you can opt to choose how your account is invested.

BlackRock will write to you with full details and we have summarised the key points here:

## New default investment fund



The current default fund works by assuming that you will take 25% of your pension account as tax-free cash and use the rest of it to buy an annuity. Because of the pension rule changes, we expect that some of our members won't want to buy an annuity when they retire – so this investment approach may no longer be suitable for everyone.

As a result, we are introducing a new default investment fund called the BlackRock LifePath Flexi Fund. Like the current default fund, the new one will automatically change the investment mix as you get closer to your Target Retirement Age. By the time you reach that age you will have a mix of 40% equities and 60% bonds.

The new default fund may be appropriate if you plan to keep your savings invested after you retire and drawdown an income. However, if you plan to take all of your retirement savings as a one-off cash sum or plan to buy an annuity, the new investment funds on the next page may be more appropriate.

If you are invested in the current default fund you will be automatically switched to the LifePath Flexi Fund in July. If you don't want to be switched into this fund you can opt to choose any of the other investment funds.

NB: If you are already within 10 years of your Target Retirement Age, please read the important section on page 6.

## New investment funds

From July we are introducing two new investment funds – the BlackRock LifePath Capital Fund and the BlackRock LifePath Retirement Fund. Until 10 years before your Target Retirement Age both of these funds work in exactly the same way as the BlackRock LifePath Flexi Fund (the new default investment fund) – however, for the 10 years up to your Target Retirement Age they have a different investment approach depending on how you plan to use your retirement savings.

### **BlackRock LifePath Capital Fund**

If you plan to take all of your savings as a one-off cash sum, then you may decide to choose this investment approach. From 10 years prior to your Target Retirement Age your investments will gradually switch to 100% in the Cash Fund.

### **BlackRock LifePath Retirement Fund**

If you plan to take 25% of your retirement savings as a tax-free cash sum and use the remainder to buy an annuity, you may decide to choose this investment approach. From 10 years prior to your Target Retirement Age your investments will gradually switch to 25% invested in the Cash Fund and 75% in the Fixed Income Fund (known as the Pre-Retirement Fund).

If you decide that the new default investment fund is not right for you, you can opt to choose any of the other investment funds, including these two new funds.

**BlackRock will shortly be writing to you with further information about the investment changes.**





## Are you already within 10 years of your Target Retirement Age?

If you are already within 10 years of your Target Retirement Age and your pension account is invested in the current default fund, your investments will have already started gradually switching to the Cash Fund and Pre-Retirement Fund. As a result, when the new investment default fund is introduced in July, you will be automatically moved to the **BlackRock LifePath Retirement Fund**. This will apply to all future contributions as well as your existing investments.

If this is not appropriate (because you plan to take it all as a one-off cash sum or use drawdown), you should contact BlackRock to choose one of the other investment approaches (for example the Capital Fund or the Flexi Fund).

### Free guidance



The Government has promised that everyone with a DC pension will be able to receive free, independent financial guidance when they retire, to help them understand their options. This service is known as 'Pension Wise' and is delivered by Citizens Advice and The Pensions Advisory Service.

[www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

# What's the best option for you?

It's easy not to make a decision and just use the default fund – but it really is worth taking a few minutes to consider your financial plans in retirement and whether the default investment option will help you achieve your aims.

BlackRock will contact you 16 years before your Target Retirement Age – so from 49, if your Target Retirement Age is 65. They will then get in touch with you every year, to encourage you to think about how you plan to use your retirement savings and therefore what the appropriate investment approach would be for the last 10 years.

**We strongly recommend that you take financial advice when deciding how to invest your retirement savings.**



# More information

The information in this leaflet is in summary form and based on our understanding and interpretation of published legislation as at March 2015. For more detailed information please refer to the following websites:

## [www.xeroxretirementchoices.co.uk](http://www.xeroxretirementchoices.co.uk)

Visit our dedicated microsite to find out more about the pension changes described in this leaflet.



## [www.blackrock.com/pension-planning](http://www.blackrock.com/pension-planning)

BlackRock has set up a dedicated website to help you with pension planning. It includes a video that explains the new options, as well as some useful tools to help you plan for retirement in the new world. If you are thinking of taking the whole of your pot as a lump sum, there is a tool to help you calculate how much tax you will pay on it. If you are planning on drawdown, the 'decumulation' modeller can help you understand the income you might be able to drawdown.

## [www.blackrock.co.uk/targetplan](http://www.blackrock.co.uk/targetplan)

This is where you can view your pension account, make changes to your investments and see how much has been paid in.

## [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

This is an excellent website that provides helpful general information on your new options – not just for people wanting to take up the offer of free financial guidance.

## [www.unbiased.co.uk](http://www.unbiased.co.uk)

This site can help you find a local independent financial adviser.



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