Employee Pensions

2018

NW BROWN
EMPLOYEE BENEFITS

Pension Jargon Buster - Understanding some important pensions language

Annuity: a product that allows you to convert your pension savings into a regular guaranteed income.

Capped Drawdown: previously the most popular form of income drawdown and was available before 6 April 2015. Those already using capped drawdown will continue under its existing rules as long, but if they exceed the drawdown 'cap' the tax relief they can get on future pension savings is reduced.

Defined benefit pension: a pension in which your benefits are normally related to earnings when leaving the scheme or retiring, and the length of service. Otherwise known as 'final salary' or 'salary-related' pensions.

Defined contributions pension: a pension in which your benefits are determined by the value of the pension savings at retirement. The value of the savings, in turn, is determined by the contributions paid and investment returns. Also known as a money purchase pension.

Enhanced annuity: an annuity under which income payments are increased if you are suffering from certain medical conditions.

Final salary pension: an alternative name for a defined benefit pension.

Fixed term annuity: where part or all of your pension savings are converted into a guaranteed income for a limited period.

Flexi-access drawdown: introduced from April 2015 and a new type of income drawdown under which there is a greater flexibility over the timing and amounts of income taken.

Guidance guarantee: delivered through Pension Wise, a government policy to provider everyone who has defined contribution savings access to a free and impartial guidance service.

Income drawdown: a way in which you can take an income from your pension savings whilst they remain invested. Also known as flexi-access drawdown or pension fund withdrawal.

Lifetime annuity: a secure income for life from your pension savings. You can choose to buy a single or joint life annuity and decide whether you wish the annuity to be paid on a level basis or for increase each year.

Money purchase pension: an alternative name for a defined contribution pension.

Open market option (OMO): the open market option allows you to shop around for an annuity so that you do not need to secure your retirement income from your existing pension provider if there is a better option elsewhere.

Personal pension: a pension under which you make regular lump sum payments to your chosen pension provider. If you have an employer they may choose to contribute.

Private pension: a pension that is arranged privately between you and your pension provider with no employer involvement.

Single Tier State Pension: This provides a single pension for those reaching State Pension Age on or after 6 April 2016. It replaces the Basic State Pension, SERPS and Additional State Pension. Those who were entitled to more than the maximum Single Tier Pension at 6 April 2016 have that entitlement preserved.

State Earnings Related Pension Scheme (SERPS): a government arranged pension dependent on the amount of earnings accrued whilst working. SERPS pensions were replaced in 2002 by the State Second Pension. It only applies directly to those who reached State Pension Age before 6 April 2016, though you may have existing entitlement preserved under the new State pension.

State Pension Age: the earliest age at which someone can draw their basic state pension.

Value protected annuity: an annuity that returns a lump sum to your beneficiaries if you die without having received the full value of your pension savings.

Workplace pension: a way of saving for your retirement that's arranged by your employer. Some workplace pensions are called 'work based' 'qualifying workplace pension scheme' 'company'.

For more information, please call us on 01223 720 324 or email info@nwbrown.co.uk

The value of an investment and the income from it can fall as well as rise. You may receive back less than the original amount invested.

Past performance is not a reliable indicator of future returns.

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