PRUDENTIAL

Why you need a Personal Pension

A pension can be the cornerstone of your retirement planning and could help you achieve the retirement you want. Below are a number of things you may not have known about pensions and how they could help you.

The state pension is probably not going to be enough

The current full basic state pension is £102.15. What you actually receive is dependant on your National Insurance contributions. How does £102.15 per week compare to what you take home today? If you retired today would it be enough to cover your expenditure? The UK government also provides a benefit known as Pension Credit. What you receive will depend on your individual circumstances.

If you have little or no other retirement provision, the pension you receive from this plan could reduce the benefit you receive from the Pension Credit. The exact effect will depend on the rules in place when you retire. For further information about Pension Credit please see your financial adviser.

The tax man helps you to save

Contributions to your Personal Pension qualify for tax relief. Currently for every £80 you pay into your pension your provider claims back 20% tax relief from the UK government. This means your actual contributions invested are £100. If you are a higher rate tax payer, you may be able to claim an extra 20% tax relief by writing to HM Revenue & Customs or through your tax return forms, subject to HMRC limits and confirmation. Keep in mind, that pension income you receive will be taxed as earned income.

Allow your pension to grow largely tax free

Investments in pension funds are given some tax benefits. Any rise in the value of your pension between what you put in and what it is finally worth will be largely tax free.

You may need to pay more if you delay payments

You may think it's quite early to consider investing in a pension. It's never too early!! The longer you leave it, the more money you may have to pay into your pension at a later date to get the lifestyle you want for retirement. Will you be able to afford these higher contributions later on in life?

You may be able to stop working when you want to

Just over 870,000 people are already working past the state pension age* . It's likely that some of these people are being forced to work longer because they haven't made adequate provision for retirement.

continued overleaf

People are generally living longer

By 2034 it's expected that 23% of the UK population will be of pensionable age**. At the same time the amount of people who are 85 or older, is expected to reach 3.5 million, an increase of 2.1 million from recent figures. People are living longer, which means they may have to consider funding for their retirement longer. Your retirement could now last over 30 years from the day you retire. Plan now for your retirement before it's too late.

25% tax free lump sum cash

When you retire you have the option to take up to 25% of your pension fund as tax free cash. What better way to start your retirement?

Pensions are flexible, giving you control

You can be in control of where your pension fund invests. You can also take a break from contributing, or increase/decrease your regular contributions, however this could impact the amount of pension you get. It's your pension fund, and it gives you control. You can also access your pension from age 55, bringing flexibility to your retirement options.

Take care of your family if you die before you take your pension

Your dependants, family members or nominated beneficiary should benefit from all of your fund, as a lump sum or a pension, if you die before you take your retirement benefits. If you leave them with no financial help are you sure they will cope?

The amount they receive will depend on what you have paid into your plan and your pension should not be considered as a form of life cover.

Inheritance Tax may be payable on death, if you think you will be subject to a tax charge please speak to your financial adviser.

The information contained in this document is based on our current understanding, as at February 2011, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

The value of your investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.

* Figures from the Office for National Statistics March 2011

** Figures from the Office for National Statistics, June 2010

Prudential offer a range of retirement and investment solutions. To find out more about pensions and investing in a pension with Prudential please speak to your financial adviser. Alternatively log on to **www.pru.co.uk** for more retirement information.

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