

# FSA Factsheet

## Stakeholder pensions and decision trees

This factsheet is for you if:

- you want to know about stakeholder pensions; and
- you're considering whether a stakeholder pension is a good choice for you.



## What is a stakeholder pension?

It is a type of private pension to help people save for their retirement.

Pages 6 to 9 tell you more about what a stakeholder pension is and how it works.

## What are decision trees?

Decision trees are a process of questions and answers designed to help you decide if a stakeholder pension would be a good way for you to save for retirement. Read the notes (starting on page 6) and then work through the relevant set of trees for you.

The FSA's consumer publications aim to give you general information to help you make financial decisions. The information does not constitute financial or other professional advice; for advice about your own circumstances, you should consult a professional adviser.

## How do I choose between stakeholder pensions?

**Don't assume that the first advert you spot, or salesperson you talk to, has the best deal.  
Shop around and find out what else is on offer.**

## Where can I get a stakeholder pension?

You can buy one privately by contacting a financial adviser, or a firm that sells stakeholder pensions. You will see stakeholder pensions advertised widely, for example in the newspapers, or at your local bank or building society.

A full list of registered stakeholder pension schemes is available from the Pensions Regulator website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

Or call the Pensions Regulator Customer Support on 0870 606 3636 available from 9am to 5pm, Monday to Friday.

If you are employed, you might be able to join a pension scheme at work, so please read the section on page 3.

- The FSA's Comparative Tables can help you compare stakeholder pension providers. The tables can be found at [www.fsa.gov.uk/tables](http://www.fsa.gov.uk/tables)
- Look at independent surveys published in personal finance magazines. Many are available in your local library, or on sale in newsagents.
- Contact several firms selling stakeholder pensions and ask them for a brochure or a Key Features Document. This sets out important details about that firm's particular stakeholder pension.

All firms that sell stakeholder pensions are regulated by the FSA and by the Pensions Regulator. And all stakeholder pensions must meet minimum standards set by the Government (see page 17).

Some firms selling stakeholder pensions might offer better terms than the Government standards. For example:

## ■ Charges

Some stakeholder pensions might charge less than 1.5% a year. Shop around, as charges can have a major effect on your pension, particularly if you hope to build up a substantial amount of money in your fund over the years.

## ■ Investment choice

All stakeholder pensions have to offer what's called a 'default' investment option. If you do not want to choose a particular investment fund when you take out your stakeholder pension, your contributions will be invested automatically in the 'default' fund. If you want more choice in how your contributions are invested, look at stakeholder pensions that have a wide range of funds. There's more about this under "Investments" on page 17.

## What if I already have a personal pension?

Whether or not you are currently making payments into your personal pension, contact your pension company or financial adviser to find out how the annual charges of your existing personal pension compare with a stakeholder pension. You also need to check if there would be any charges or benefits for switching.

Although stakeholder pensions are designed to be cheaper to run than most personal pensions, you shouldn't switch to a stakeholder pension without getting advice.

## Does your employer have a company pension scheme?

If your employer already has a pension scheme for employees and you haven't joined it, check out your employer's scheme before you do anything else. In the majority of cases, joining your employer's scheme is usually the best way to save for your retirement – especially if your employer contributes.

## What does my employer have to do?

Employers normally have to provide access to a stakeholder pension if they have five or more employees, and do not have any other pension scheme arrangement for their staff.

**Employer's contributions:** If your employer provides access to a stakeholder pension, ask if they intend to make a regular contribution for employees. If so, it is usually a good idea to join their stakeholder pension.

## ■ What rights do I have?

All firms that sell stakeholder pensions must give you a copy of their **Key Features Document** before you sign up. This sets out basic information about the product, such as the charges and the investment choices available, and will help you compare stakeholder pensions. Please read and keep it.

When you have signed up to a stakeholder pension, the stakeholder pension company will give you written details of whether you have a right to change your mind and cancel the contract. This will happen either before or immediately after you enter into the contract. If you have a right to cancel the contract, it lasts for 30 days. After this you can only get access to your money when you draw the benefits.

## FSA publications

You can order FSA publications free from the FSA Consumer Helpline by calling 0845 606 1234. The line is open between 8am to 8pm. Or you can download or order publications from our website: [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

You can also work through an on-line interactive version of the Stakeholder Pension Decision Trees on the FSA website: [www.fsa.gov.uk/consumer/decision\\_trees/index.html](http://www.fsa.gov.uk/consumer/decision_trees/index.html)

Some titles you might find useful include:

- FSA guide to pensions 1: Starting a pension
- FSA guide to pensions 2: Reviewing your pensions
- FSA guide to pensions 3: Annuities and other retirement options
- FSA guide to the risks of occupational pension transfers
- FSA guide to financial advice.

For help with shopping around, see the 'Shop Around' section on the FSA's Consumer information webpages ([www.fsa.gov.uk/consumer/02\\_HOW/shop\\_around/mn\\_index.html](http://www.fsa.gov.uk/consumer/02_HOW/shop_around/mn_index.html)). They give information about all the main financial products, with top tips on the right questions to ask.

You can also compare stakeholder pension providers on the FSA's Comparative Tables at [www.fsa.gov.uk/tables](http://www.fsa.gov.uk/tables)

## DWP publications

You can get copies by calling the DWP on 0845 731 3233. The line is open 24 hours. Or see the DWP website: [www.dwp.gov.uk](http://www.dwp.gov.uk)

- A guide to your pension options (PM1)
- State Pensions – Your guide (PM2)
- Occupational Pensions – Your guide (PM3)
- Personal Pensions – Your guide (PM4)
- Pensions for the self-employed – Your guide (PM5)
- Pensions for women – Your guide (PM6)
- Contracted-out pensions – Your guide (PM7)
- Stakeholder pensions – Your guide (PM8)
- State pensions for carers and parents (PM9)

## Stakeholder Enquiries Helpline

If you have any questions about stakeholder pensions, please contact the Pensions Advisory Service helpline.

### Call 0845 601 2923

- The Pensions Advisory Service is a non-profit making company which can help with queries or problems about company or personal pension schemes.
- The helpline can offer you guidance and information on stakeholder pensions but cannot give you individual, professional financial advice. Nor does it sell stakeholder pensions.
- The information is free, and is available from 9.00am to 5.00pm, Monday to Friday.
- Website: [www.stakeholderhelpline.org.uk](http://www.stakeholderhelpline.org.uk)

# Stakeholder pension decision trees

Decision trees provide information and help you to answer the question:  
"Would a stakeholder pension be a good choice for me as part of my financial planning for retirement?"

Decision trees are intended to help you make your own choice about your pension arrangements. They do not give you financial or professional advice and you should not regard them as doing so.



**You need to read the following notes before using the decision tree flowcharts. There is also more information starting on page 16 that you can refer to at any stage.**

## What is a stakeholder pension?

A stakeholder pension is a *private pension* – it's *not a State pension*. It must meet minimum standards laid down by the Government about charges, flexibility and the regular information you must be given. The standards are designed to help ensure that all stakeholder pensions give good basic value. There's more about this in the "Further information" section on page 17.

With a stakeholder pension, you can pay regular contributions, and you can also make lump-sum contributions whenever you like. Your employer can also make contributions. You will benefit from tax relief on your own contributions – there's more about the tax advantages in the "Further information" section on page 17.

Your contributions are invested to build up your own pension fund. The amount of your fund when you come to retire is not guaranteed and depends on how much has been paid in, the type of investment fund you choose, how those investments perform, and the level of charges. A stakeholder pension scheme will usually offer you a range of investment funds, with differing degrees of investment risk and potential investment growth.

You do not need to retire to draw your stakeholder pension benefits. You can take benefits at any time from a certain minimum age. The minimum age is increasing from 50 to 55, and this will happen by April 2010 at the latest. The precise timing of this increase may vary between different stakeholder pension schemes.

You will need to bear this in mind when deciding on your retirement plans. You can't withdraw any money from your pension fund before you reach the minimum retirement age.

When you take benefits, you can choose to take up to 25% (a quarter) of your pension fund as a tax-free lump sum. And you can use the rest of your pension fund (or all of it, if you decide against a tax-free lump sum) to buy an "annuity". An annuity will pay you a regular income during your retirement. That income will depend on the size of your pension fund and annuity rates at the time you take your pension. You may have to pay tax on your annuity income.

## Is a stakeholder pension a good choice for me?

You can contribute to a stakeholder pension whether you are in employment, a fixed-contract worker, self-employed, or even not working. You can get one from a range of providers including a bank, building society, insurance company, investment company, or through a financial adviser.

Stakeholder pensions suit a wide range of people. But they are likely to be particularly attractive to people who have no existing pension provision apart from the State pensions, such as the self-employed or any employee whose employer does not contribute to a workplace-based pension scheme. Stakeholder pensions can be used to top up the benefits provided by an employer's own scheme. But if your employer offers to match any additional voluntary contributions (AVCs) that you choose to make to his scheme, this is likely to be a better way of topping-up than through your own separate stakeholder pension.

Stakeholder pensions have many advantages for many people, but they may not be the right choice for everyone. These decision trees are intended to help you decide what would be a good choice for you.

# Do I need to save for my retirement through a stakeholder pension?

To answer this question, you must make your own judgment. Will your State pensions, any existing private pensions, any employer-sponsored pensions and any other sources of income be enough for you to live on when you retire? You need to think about the standard of living you want to enjoy when you retire and the income you'll need to support it.

Ask yourself these seven questions:

## ■ **Roughly how much will I need to live on when I retire?**

Try to work out how much money you will need to live on when you have retired to afford the things you'll want and the things you'll want to do.

## ■ **Will I qualify for the full basic State Pension?**

You cannot get your basic State Pension until you reach State pension age (currently 65 for men and 60 for women). Details of how the State Pension age for women is changing are on page 19.

You can get a basic State Pension by building up enough qualifying years before State Pension age. A qualifying year is a tax year in which you have enough earnings on which you have paid, are treated as having paid or have been credited with, National Insurance (NI) contributions. Men normally need 44 qualifying years to get the full basic State Pension; women currently normally need 39 qualifying years to get the full basic State Pension. In 2020, when State Pension age for women is raised from 60 to 65, the normal requirement will increase to 44 qualifying years for the full basic State Pension.

To check the amount you will receive, you can get a State Pension forecast – see the details on page 18.

The Government reviews the amount of the basic State Pension every year. The current rates are shown in a table under “Further information” on page 18.

## ■ **Will I qualify for an additional pension through the State Second Pension (formerly State Earnings Related Pension Scheme – SERPS)?**

The State Second Pension is payable when you reach State Pension age, on top of the basic State Pension. The amount depends on your earnings while you were in employment and the National Insurance contributions you paid. Since April 2002, you may also qualify for an additional State Pension if you are a carer or have a long-term illness or disability.

**Self-employed people do not qualify for the State Second Pension (formerly SERPS).**

Those employees who were “contracted-out” of the State Second Pension will not qualify for the additional pension for the period when they were contracted out. Some people will be contracted out through an employer’s occupational pension scheme and some through private pension arrangements. Check with your employer or pension provider if you are not sure.

## ■ **Does my current employer provide a pension scheme and how much will that give me?**

Check with your employer if you are not sure about membership. If you are a member of an employer’s scheme, you should get regular statements setting out what your benefits may be when you retire. If you cannot find these statements, check with your employer.

## ■ **Am I already contributing to a personal pension scheme or a stakeholder pension? If so, how much income will they give me?**

If you are already contributing to a personal pension or stakeholder pension, you need to find out what retirement income they might provide.

Look at the most recent benefit statements you have been sent, or check with your pension plan provider.

■ **Have I any old pensions, maybe from previous employers' schemes or from personal pension schemes? If so, how much income will they give me?**

Check on the pension plans you have contributed to in the past but no longer pay into today. You need to have some idea of the retirement income you may get from them.

To check on the value of old pension plans, look at the most recent benefit statements you have been sent. If you cannot find any statements, contact your pension plan provider, for example the insurance company or the employer that offered the pension to you.

■ **Will the Government's Pension Credit make a difference to me?**

Pension Credit is designed to make sure that people aged 60 and over have a minimum income and that those aged 65 and over with modest savings get some credit for having saved. These savings could, for example, be in the form of an employer's pension, a stakeholder or other personal pension, or the State Second Pension. This is not a complete list, and you could have other savings that will count.

For most people, it will pay to save in a pension or some other vehicle, even with the effect of Pension Credit. For a limited group of people, however, the decision will not be so clear-cut, and these people will have to think carefully about their personal circumstances. In particular, people in their fifties and over who have not been able to save much and have only a limited ability to save as they approach retirement should seek expert advice before they take out a stakeholder pension. See "Where to get more help" on page 16.

You need to bear in mind that governments can change the rules for State pensions and benefits at any time. So it may be unwise to rely on any particular type or level of benefit being available when you retire.

There's more information about getting a forecast of your State pension (page 18) and how to track down pensions provided by any former employers or personal pensions (page 19).

If the income you expect in retirement is less than you want, you need to think about saving more to make up the difference. A stakeholder pension is one of your options. But before you decide anything, you need to think about your priorities.

## **What else should I think about before contributing to a stakeholder pension?**

You may have other financial commitments that will affect what you can afford to contribute to a stakeholder pension. Or you may feel that other financial needs must come first. For example, ask yourself:

■ **What are my other financial commitments?**

For example, mortgage repayments, rent, life assurance, and credit cards. Make sure you do your sums before thinking about a stakeholder scheme and that you would still be able to afford your other commitments.

■ **Would I be prepared, if necessary, to give up anything so that I can pay into a stakeholder pension?**

Remember that saving through a pension scheme is a long-term commitment. Any change in how you spend your money may need to last for a long time.

## ■ Should I be thinking of other things first?

For example, you may want to consider life assurance protection for you and your family, or building up some “rainy-day” cash savings before thinking about a stakeholder pension.

If you are a member of your current employer’s pension scheme, it may make sense to pay additional voluntary contributions to that scheme rather than contribute to a stakeholder scheme. And if you are currently contributing to a personal pension or stakeholder pension, it may make sense to increase your contributions to that scheme rather than start a separate stakeholder pension, especially if you have a stakeholder pension that has kept to the original 1% limit on charges. There’s more about charges under “Further information” on page 17.

## How much should I contribute to my stakeholder pension?

Contributions to stakeholder pensions can be as low as £20. But, even a regular monthly contribution of £20 over several years will not give you a large pension when you retire. And the older you are when you start saving, the less time there is for your pension fund to grow to something worthwhile.

## Estimated pensions in the Pension Table

The Pension Table later on will give you a fair idea of the pension income you could get, depending on your age and contributions. **But please remember that the figures in the table are only estimates and are not guaranteed. You may get less, or you may get more.**

The pension figures are also shown before income tax. When you receive your pension during retirement you may be taxed on it.

The estimated pensions are based on the stakeholder pension charge limit of 1.5% for the first 10 years (if the stakeholder pension scheme has kept to the original 1% charge limit on the fund, then the estimated pension figures in the Pensions Table will be higher). There’s more about charges under “Further information” on page 17.

**The figures in the table are calculated on the basis of the following assumptions:**

### Before you retire

Your monthly contributions increase in line with inflation	2.5% a year
Before charges, your fund grows by	7% a year
Charges deducted from your fund	1.5% of fund a year for 10 years, then reducing to 1%

### When you retire

Your entire fund is used to buy an annuity, and you do not take any tax-free lump sum.

Annuity rates assume that the investment return after retirement is	0.6% a year in excess of inflation
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Your pension increases in line with inflation.

Your spouse will receive half your pension on your death.

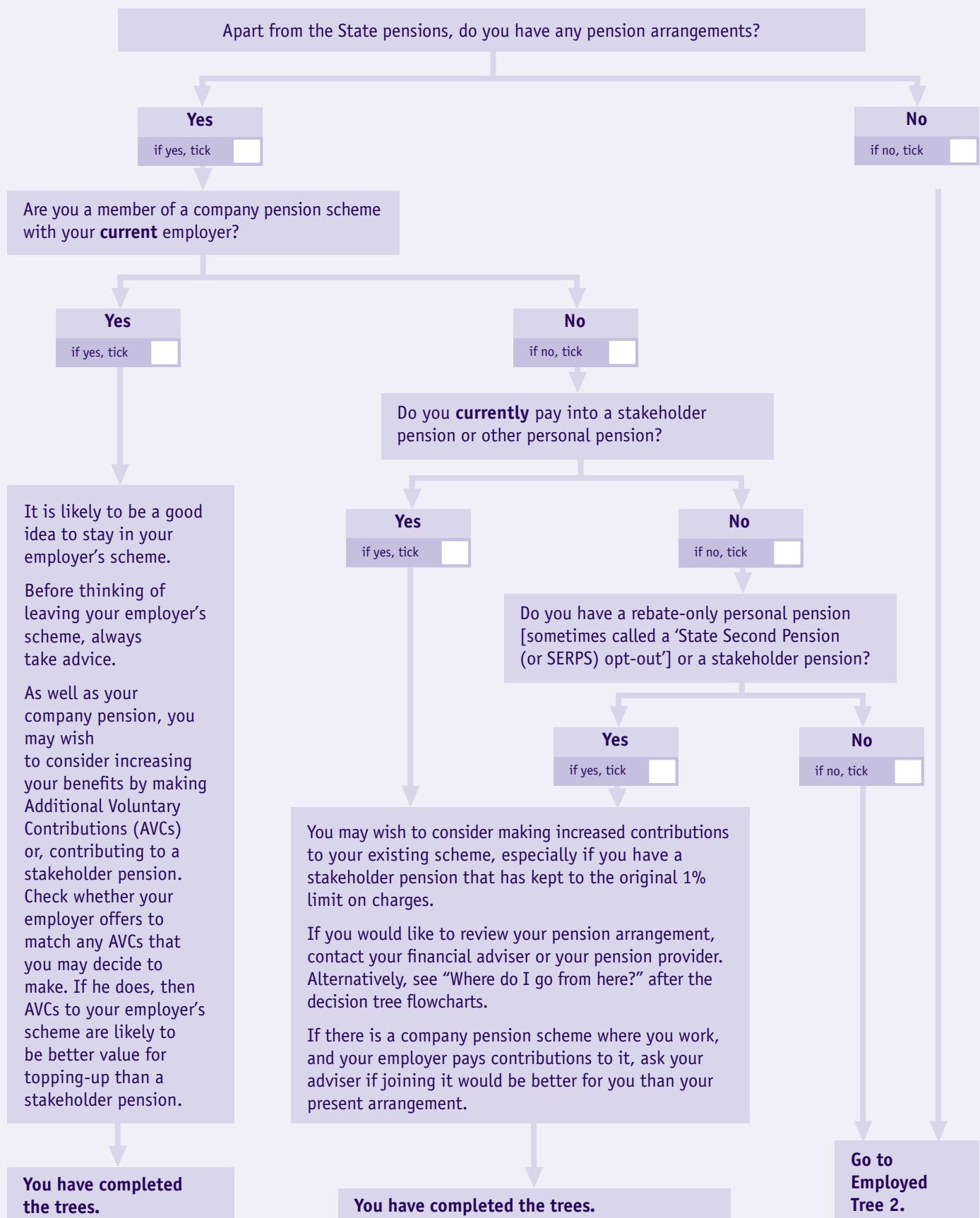
## How do I use the decision trees?

- These decision trees have been designed to help you decide whether a stakeholder pension would be a good choice for you. Please take the time to read and use them carefully, giving accurate answers to the questions. Because the decision trees do not give personalised advice, any decision you take is your own responsibility.
- There are separate decision trees for:
  - Employed people
  - Self-employed people
  - People who are not employed
- When you have found the right decision tree, work through the questions from the top of the page and tick the box for each question you answer.
- If the tree asks you about your present pension arrangements and you are not sure of the correct answer, find out the right information – don't guess.
- If the tree recommends you take advice, or if you are not sure what is right for you, then you should seek advice. You may have to pay for this advice.
- After the decision trees, you'll find further information about what to do next.

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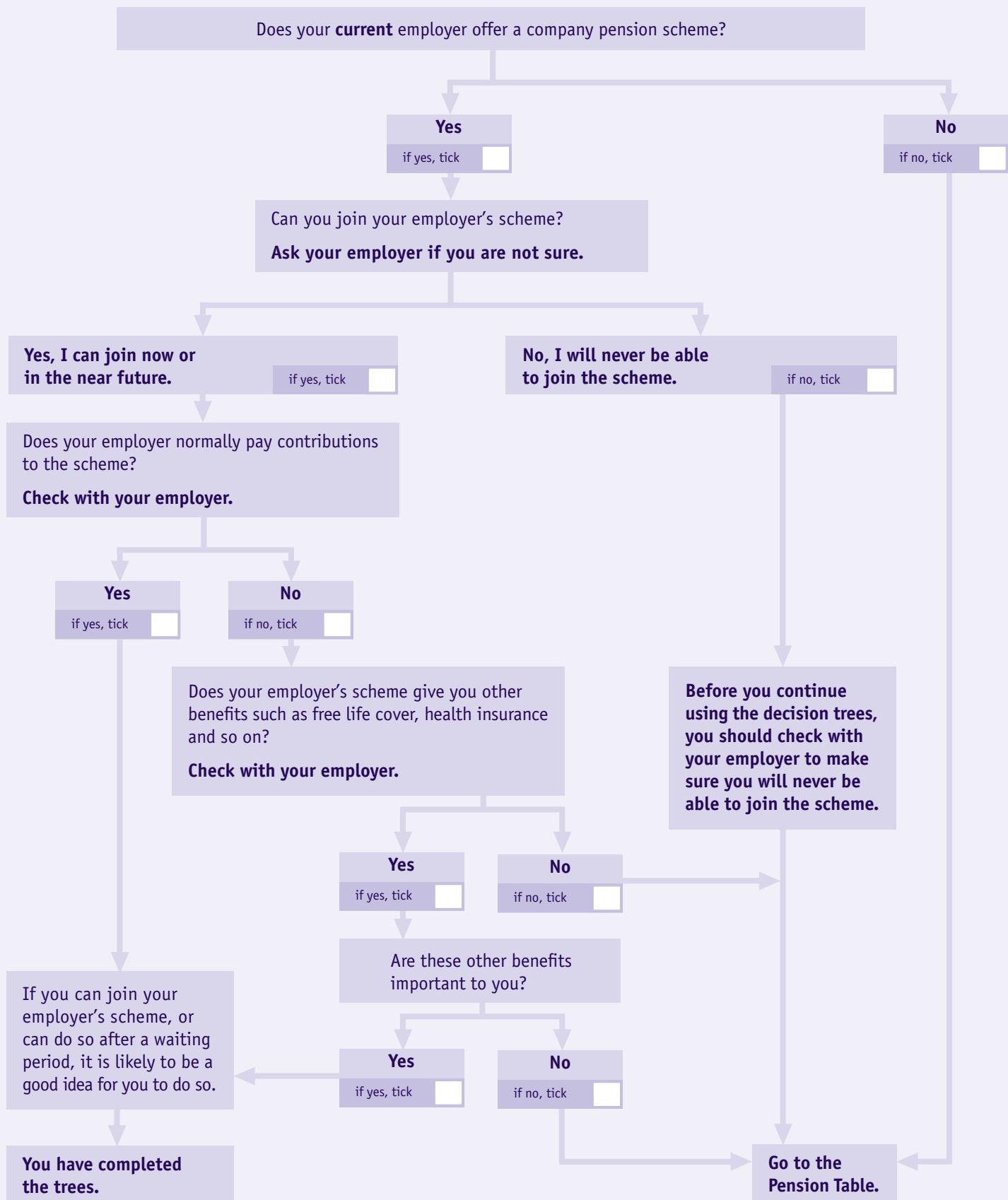
This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.

## Current pensions

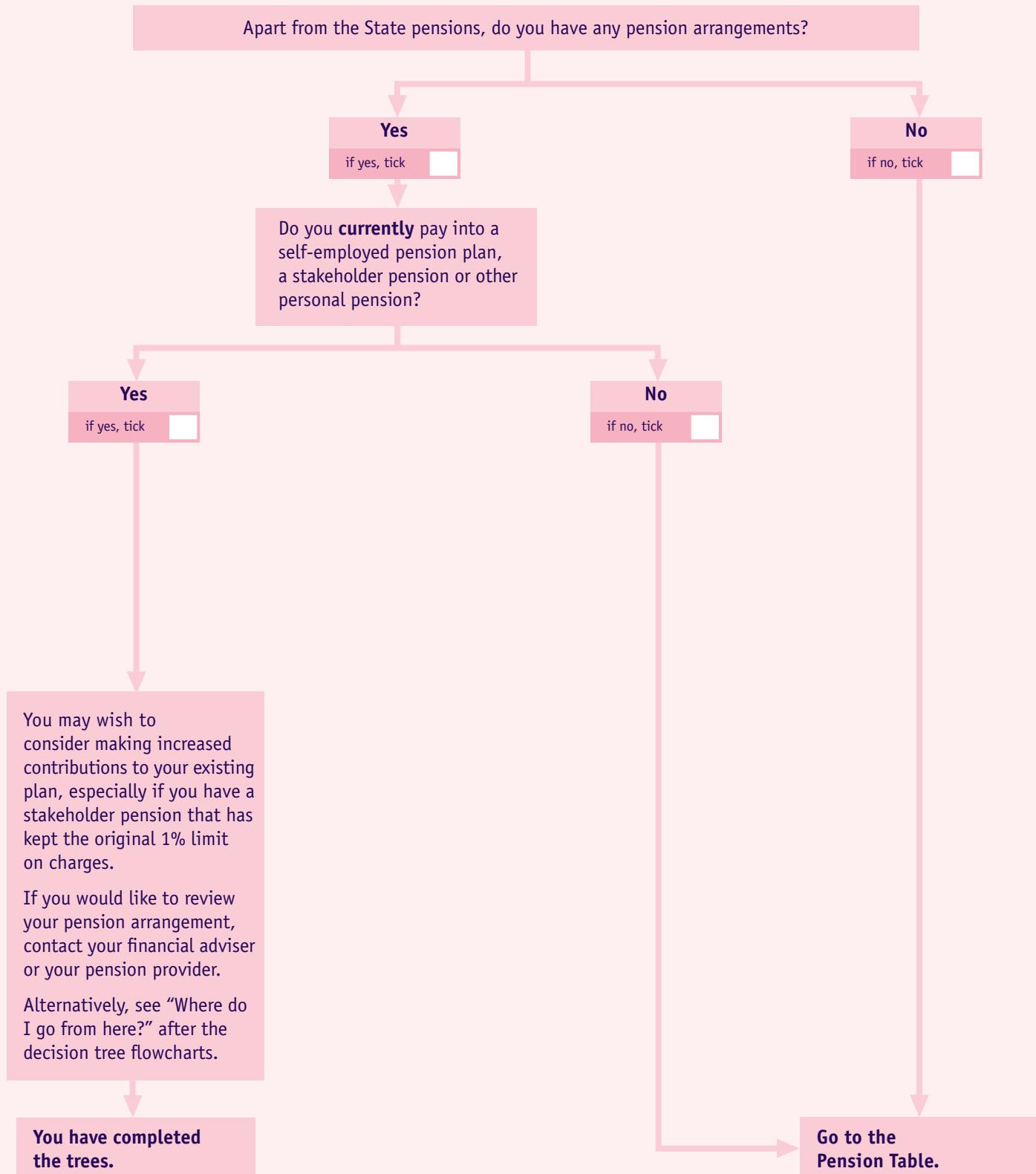


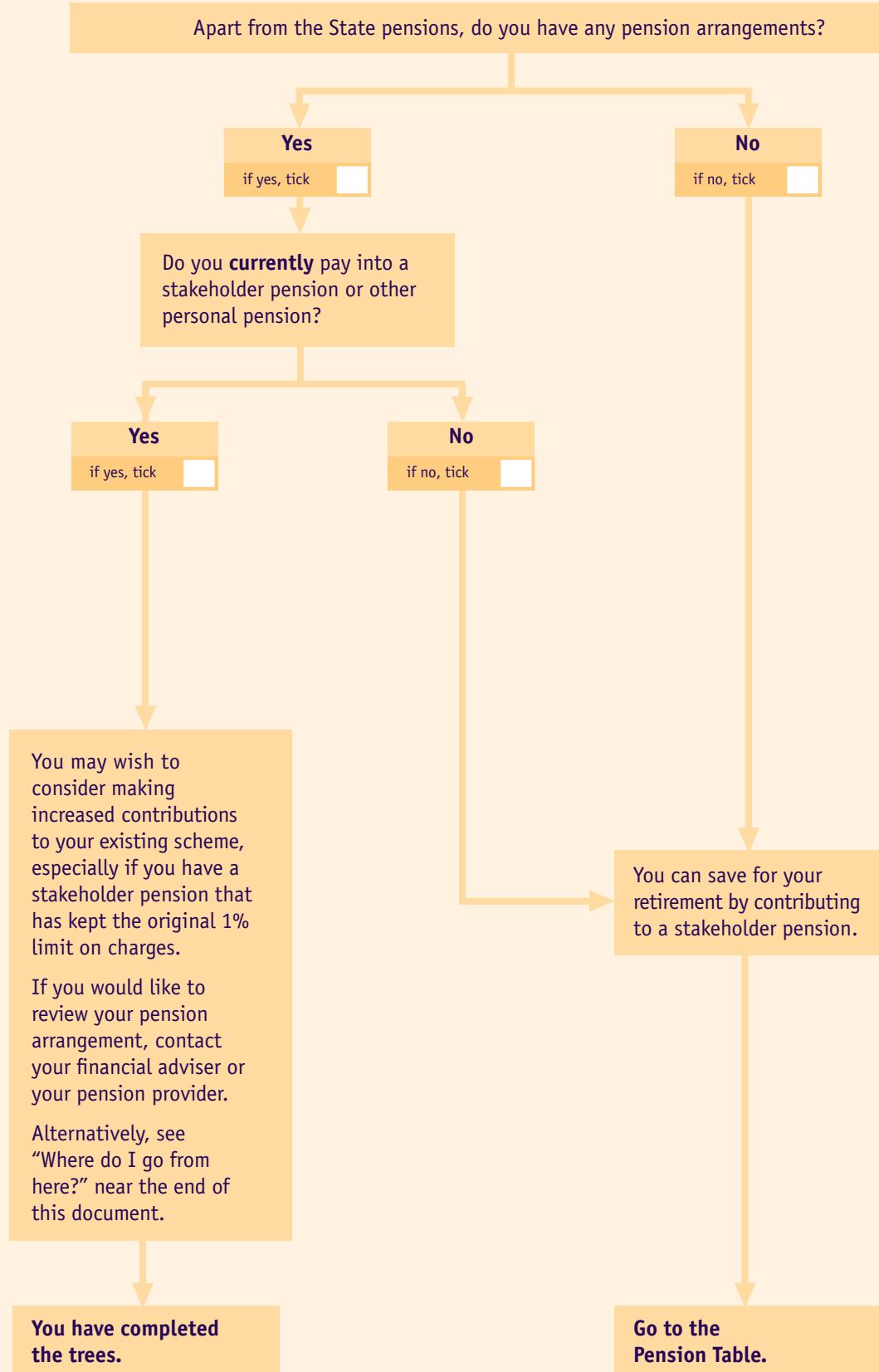
This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.

### No current pension



This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.





# Pension Table

This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.

## How much should I save towards a pension?

### THIS IS AN IMPORTANT DECISION

Most people save every month. It is better if you can keep up your monthly contributions.

The following table shows the **estimated monthly pension**, at today's prices, that you would get for different **regular monthly contributions**. The contribution shown is assumed to **increase each year in line with inflation**. The Government will also add tax rebates to increase the actual amounts paid into your stakeholder pension (although all tax breaks are subject to change). The estimated pension figures include this tax rebate. They also assume that your pension will increase in line with inflation.

**Remember: these estimates are not guaranteed – you could get more or less than the amounts shown.  
A stakeholder pension would be on top of any State pensions you are entitled to.**

The table gives you an idea of how much you need to pay now – as a regular monthly contribution – to receive the monthly pension you want when you retire. First look down the left-hand column to find the age closest to your age now. Then look across to find the monthly contribution you want to pay and the age at which you want to retire.

Your approximate age now	What you pay per month for the first year (tax rebates will be added to this amount)							
	£20		£50		£100		£200	
	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60
20	£98	£67	£245	£169	£490	£339	£980	£679
25	£79	£54	£197	£135	£395	£270	£790	£540
30	£62	£42	£157	£105	£314	£210	£628	£421
35	£49	£32	£122	£80	£245	£160	£490	£320
40	£40	£23	£101	£58	£202	£117	£404	£234
45	£27	£16	£68	£40	£136	£80	£273	£161
50	£18	£9	£47	£24	£94	£49	£188	£98
55	£11	£4	£28	£11	£57	£23	£114	£46
60	£5		£13		£26		£53	

Have you found the level of monthly pension that you need in the table and can you afford the monthly contribution?

Yes, I've found the pension I need and can afford the monthly contribution.

if yes, tick

No, I can't find the pension I need or I can't afford the contribution.

if no, tick

Consider starting a stakeholder pension or restart making contributions to a stakeholder pension. If you are employed, check if your employer offers workplace access to a particular stakeholder pension and if he offers a contribution to it. If in doubt seek help from an expert adviser. See "Where do I go from here?" on the next page.

You have completed the trees.

For details of where to get further help, see "Where do I go from here?" on the next page.

# Where do I go from here?

You've worked your way through the decision trees and now need to make some decisions. You may be confident that contributing to a stakeholder pension would be a good choice for you, or you may want more help before reaching a decision on what to do.

## Have you decided that a stakeholder pension is a good choice for you?

If so, it is a good idea to contact several firms selling stakeholder pensions and ask them for a brochure or a Key Features Document, so that you can compare products. The Key Features Document sets out important details about that particular firm's stakeholder pension product.

You can compare different stakeholder pension and personal pension schemes by using the FSA's *Comparative Tables*, which you can find at [www.fsa.gov.uk/tables](http://www.fsa.gov.uk/tables). You can also look at a register of stakeholder schemes published by The Pensions Regulator at [www.thepensionsregulator.gov.uk/stakeholderpensions](http://www.thepensionsregulator.gov.uk/stakeholderpensions).

You can also contact an adviser to help you choose a particular stakeholder provider. See 'Where to get more help'.

## Do you need more help?

You may need to get more help before making a decision, particularly if you are in one or more of the following situations:

- You already have a pension arrangement but want to know if you should save more.
- Your personal circumstances do not seem to fit the questions in the decision trees.
- You wish to get advice that takes account of all your personal circumstances.
- You are not sure how to answer some of the questions in the decision trees.
- You are not sure if you are making the right decision.

- You feel you cannot afford to save for retirement.

You should consider getting advice if:

- you are not sure that saving through a pension plan is a good idea for you; or
- you want to look at other ways of saving and investing for the long term.

Some organisations that may be able to help you are listed below.

## Where to get more help

You could contact the Pensions Advisory Service helpline on 0845 6012923. Their information is free but call charges may vary. You can also visit their website at [www.stakeholderhelpline.org.uk](http://www.stakeholderhelpline.org.uk)

If you already have a financial adviser, you may want to speak to them about your retirement needs. If you do not have a financial adviser but want to talk to one, the following organisations can help:

- IFA Promotions: 0800 085 3250 or at [www.unbiased.co.uk](http://www.unbiased.co.uk)
- Institute of Financial Planning: 0117 945 2470 or at [www.financialplanning.org.uk](http://www.financialplanning.org.uk)
- The Personal Finance Society: at [www.thepfs.org/findanadviser](http://www.thepfs.org/findanadviser)
- Solicitors for Independent Financial Advice: 01372 721172 or at [www.sifa.co.uk](http://www.sifa.co.uk)

Alternatively, contact the pension provider of your choice.

Remember that advisers may charge for any help or advice they give you, so check first on how much you would have to pay.

The next section gives further detailed information about stakeholder pensions, State pensions and how to track down old pension schemes.

# Further information

## The minimum standards

Stakeholder pensions must meet the standards laid down by the Government.

The standards include:

### Charges

Providers of stakeholder pensions usually charge for managing your money. There is an upper limit of 1.5% of the value of your fund each year for the first 10 years (so on a fund value of £10,000, the maximum charge is £150 a year), which then reduces to 1%.

But if you started your stakeholder pension before 6 April 2005, the maximum that you can be charged is 1%. If you took out a stakeholder pension before 6 April 2005, it may be cheaper to continue contributing to it rather than take out a new stakeholder pension.

### Flexibility

You can contribute regularly or occasionally. It is always best to make regular weekly or monthly contributions but you can change the amount. You can pay in as little as £20, and you can stop paying in without having to pay any penalty, and restart later.

If you are employed and your employer provides a stakeholder pension, they may, if you wish, deduct your contributions direct from your pay and put them into your pension fund.

You can take your stakeholder pension with you when you change jobs. You can switch to another stakeholder pension at any time if you want to, without having to pay any charges for the transfer.

### Information

Your stakeholder pension provider must give you regular information about your fund. This will include an annual statement to let you know how much you have paid in and how your fund is

growing. It will also include a forecast of how much your pension could be in today's prices. Look out for this forecast – it's called a Statutory Money Purchase Illustration – which is updated each year and will help you decide whether you are making enough provision for your retirement.

### Investments

But one thing you must understand is that the **minimum standards do not necessarily mean that your money is protected**. The performance of your stakeholder pension depends on the type of investment fund you choose and how those investments perform. Remember that investments linked to the stock market can fall as well as rise.

You don't have to make decisions about how your contributions are to be invested. Stakeholder pensions must provide what is called "**lifestyling**" for anyone who does not want to make a choice. Lifestyling means that at least five years before retirement your pension savings will start to be moved into less risky investments. This will help to guard against falls in investment value as retirement approaches. You can, however, choose to turn off the lifestyling before it begins.

### Tax relief

Everybody who contributes to a stakeholder pension will get tax relief on their contributions.

Under present tax arrangements, for each £1 you pay into your stakeholder pension fund, HM Revenue and Customs will pay an extra 28p into your fund, even if you don't normally pay income tax.

**Example** – If you pay in £50 a month, income tax relief will increase your contribution to £64.10.

The Government has simplified the tax rules for pensions since April 2006. Under the new tax rules, you can pay as much as you like into a stakeholder pension, **but there are limits on the amount of tax relief given**. You will receive tax relief on yearly contributions made by and for you in any year up to:

- £2,808; or

- 100% of your UK earnings;

whichever is more.

Most people can contribute up to £3,600 to a stakeholder pension in any tax year, including basic-rate tax relief. This means you could pay in £2,808 and the income tax relief would increase your contribution to £3,600.

If you pay income tax at the higher rate, you will be able to claim back the extra tax from HM Revenue and Customs at the end of each tax year.

Even if you have no form of paid employment, you can set up a stakeholder pension. You can then benefit from tax relief on your contributions, even if you don't pay any income tax.

There is however a maximum "annual allowance" – set at £215,000 for tax year 2006/07 – which applies to all contributions made by you and on your behalf (including from an employer). If the contributions made by and for you in any year exceed the annual allowance, the contributions above the annual allowance will still attract tax relief, but you will have to pay a 40% tax charge on any contributions which exceed the annual allowance.

There is also an overall "lifetime allowance" on the total amount of money you can save in your pension free of any tax charge when you come to draw your benefits. This is set at £1.5 million for tax year 2006/07, rising in stages to £1.8 million by tax year 2010/11. It includes the value of all the other current or old pension schemes you may have from previous jobs. There is information on how to get details of your old pension plans on page 19.

## State pensions

Rates of State pensions and benefits change every year. The following table shows the current rates of basic State Pension (assuming a full National Insurance contribution record) and the minimum income provided by Pension Credit.

You can get a forecast of your State pensions by calling the Retirement Pension Forecasting Team on 0845 3000 168, or if you have hearing or speech

**The basic State Pension and Pension Credit rates given here are those announced by the Government as applying in the tax year 2006/07.**

	Weekly	Monthly equivalent
<b>BASIC STATE PENSION from age 65 (men) or 60 (women)</b>		
One person with a full NI contribution record	£84.25	£365.08
Full rate based on a spouse's NI contribution record	£134.75	£583.92
Couples who have <i>both</i> paid full National Insurance contribution	£84.25 each	£365.08 each
<b>PENSION CREDIT guarantees a minimum income from age 60 of at least:</b>		
Single person	£114.05	£494.22
Couple	£174.05	£754.22

difficulties and have a textphone, on textphone 0845 3000 169. Lines are open from 8am to 8pm Monday to Friday and 9am to 1pm on Saturday. You can complete an application form over the phone or ask for the forecast form BR19 to be sent to you. Or you can write to:

Retirement Pension Forecasting Team  
The Pension Service  
Room TB001  
Tyneview Park  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA

You can also complete the form on the Internet using the Pension Service website, [www.thepensionservice.gov.uk/resourcecentre/e-services/home.asp](http://www.thepensionservice.gov.uk/resourcecentre/e-services/home.asp) then print it out and post it in the normal way.

There are changes to the State Pension age which affect women born on or after 6 April 1950. The State Pension age for women will be increased gradually over a ten-year period from 2010 so that by 2020 women born on or after 6 April 1955 will not get a State Pension until age 65. For more information on these changes, see the *Pension Service guide Pensions for women – Your guide* (PM6) or by using the State Pension age calculator on The Pension Service website:  
<http://www.thepensionservice.gov.uk/resourcecentre/home/statelpensioncalc.asp>

The DWP produces a series of guides that give basic information on pensions. You can get copies by calling the DWP on 0845 731 3233. The line is open 24 hours a day and call charges may vary. A textphone service is available on 0845 604 0210. You can also order copies of these information guides on the Internet at  
[www.thepensionservice.gov.uk/resourcecentre/home/downloads.asp](http://www.thepensionservice.gov.uk/resourcecentre/home/downloads.asp)

You can get more information about Pension Credit on the Pension Service's website at  
[www.thepensionservice.gov.uk/pensioncredit/home.asp](http://www.thepensionservice.gov.uk/pensioncredit/home.asp) or by telephoning 0800 99 1234.

## Old pension plans

To check on the value of old pension plans, look at the most recent benefit statements you have been sent. If you cannot find any statements, contact the pension plan provider, for example the insurance company or the employer that offered the pension to you.

Alternatively, the Pension Tracing Service can help you identify pension schemes you have belonged to in the past. The Pension Tracing Service is free and you can phone them on 0845 6002 537 and ask for a tracing request form or write to them at:

Pension Tracing Service  
The Pension Service  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA

There is also an online form available at  
[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## Using a stakeholder pension to contract out of the State Second Pension

You can use a stakeholder pension to contract-out of the State Second Pension (S2P), but it's not an easy decision.

Everyone in employment earning above the lower earnings limit (a minimum level of earnings set by the Government for State benefit purposes) is automatically included in the S2P unless they decide to leave it or are contracted-out through an employer's occupational pension scheme. Leaving the S2P is called 'contracting-out'. If you contract-out, you give up your S2P entitlement and instead build up a replacement for it in your own private pension arrangement, such as a stakeholder pension.

Whether you would be better off contracting-out of the S2P or staying in it depends on your own personal circumstances and attitude to investment risk.

An independent report written for the FSA in August 2005 says that, in purely financial terms, most people who contract-out or stay contracted-out this year are likely to get a lower pension than if they were in S2P. The report looks at recent trends and makes assumptions about future investment returns and interest rates. It also assumes that S2P will stay in its current form. The government is currently looking at pensions reform and it is difficult to predict what will happen to S2P in the future. If you have already contracted-out through a personal or stakeholder pension, you should review your decision now. Your decision is about the future but you should review it every year. It does not affect past years in which you were contracted-out. You may wish to get advice on what may be the best thing for you to do. See the 'Where to get more help' section – page 12. For more information about contracting out, read the FSA *Factsheet: The State Second Pension and contracting-out*. You can view or order this factsheet online at [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer) or from the FSA Consumer Helpline on 0845 606 1234.





# The Financial Services Authority (FSA) is the independent watchdog set up by government to regulate financial services and protect your rights.

If you have any questions about your pension fund you need to contact your pension provider. The contact details are on letters from your pension provider.

Our Consumer Helpline can answer general queries about financial products and services, tell you if a firm is authorised, and help you if you have a complaint and don't know who to contact.

We also produce a range of user-friendly factsheets and booklets available from our website and helpline. But remember that, as the regulator, we can't recommend firms or advisers or tell you whether a particular investment is right for you.

If you would like this factsheet in Braille, large print or audio format, please call our Consumer Helpline on 0845 606 1234 or Minicom/Textphone 08457 300 104 (call rates may vary).

To help us maintain and improve our service, we may record or monitor calls.

## Our website, [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer), aims to help you understand financial services and get a fair deal.

### Use the site to:

- shop around with our comparative tables – including mortgages, pensions and ISAs;
- check a firm is authorised by the FSA, or is the agent of an authorised firm. If they are not authorised you will not have access to complaints procedures and compensation schemes if things go wrong;
- order any of our wide range of consumer publications;
- report any misleading financial advertising;
- see explanations of financial products in plain English;
- read recent alerts that we have issued.