



ST. JAMES'S PLACE
WEALTH MANAGEMENT



Pre-Retirement Planning

PARTNERS IN MANAGING YOUR WEALTH

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“I suppose that I shall have to die beyond my means.”

Oscar Wilde

Planning your future now

Today, we all lead very busy lives and, unsurprisingly, focus our attention on the here and now. But it is more important than ever to look carefully at the future too.

Sooner or later, you will retire. But the decisions you make today are the ones that will dictate the standard of living you will enjoy tomorrow.

And the time to begin planning is now. As you will see as you read this brochure, the earlier you make a start, the easier it will be to have the lifestyle you deserve when you retire.

These days, people are living longer than ever before. This is great news, but means that when you retire your money has to last for longer. As State provision falls and annuity rates reflect increasing longevity, you need to accumulate more during your working life to meet the extra costs of living longer. The alternative doesn't bear thinking about.

In simple terms, retirement is like a holiday. Indeed, it could last 20, 30 or even 40 years - you could spend longer in retirement than you did working. And every one of those retirement years needs to be paid for.

Over recent years, the cost of providing an adequate retirement income has increased significantly. Why?

- Annuity rates have reduced considerably, because interest rates have fallen and people are living longer. This means you need a larger pension fund to provide the same retirement income
- State benefits are falling and many are means tested
- Employers are moving away from the high cost of providing Final Salary benefits.

This means that we must all take responsibility for our own retirement planning. Put simply, we must save more or risk being poor when we stop working. What are the risks? In 2004, the Government-sponsored Turner Report estimated there was a £57 billion gap between what we are currently saving as a nation, and what we need to save in order to look forward to a comfortable retirement.



How pensions work

Pensions can sometimes seem a confusing subject, full of financial jargon and complicated rules. So, let's start with the basics. Starting a private pension is simply a way of building up a tax efficient sum

of money to provide an income when you retire. The tax benefits of a pension will depend on your personal circumstances and tax rules, both of which can change.

Types of pensions

The Basic State Pension

This is paid subject to your National Insurance (NI) contributions record (how many years you have paid NI on your earnings).

It currently pays £95.25 a week for a single person and £152.30 for a couple based on a full contribution record (44 years for men and for women born after 6 April 1955). This contribution period will be reducing to 30 years from 6 April 2010. If you don't have enough contributions or credits, your State Pension will be less.

The State Second Pension (formerly SERPS)

As well as the State Pension, employees may also be entitled to this additional State Pension, which is related to your earnings while you have been employed. You can obtain a pension forecast (known as a BR19) of what you will get from the State, which includes both your Basic Pension and any additional State Pension entitlements. To get a forecast, you can:

- apply online at www.thepensionsservice.gov.uk
- print out form BR19 at www.thepensionsservice.gov.uk and post it
- call 0845 300 0168 and request a form.

Starting a St. James's Place Retirement Plan

The pension you choose and the level of contribution you make will depend on your individual circumstances and a recommendation from your St. James's Place Partner. A good starting point, though, might be to ask yourself these key questions:

Do I believe the State Pension will give me enough income to maintain my current lifestyle?

If you believe you will need more than the pension available from the State, you need to establish your private pension sooner rather than later.

Does my employer have a pension scheme and will they contribute to my pension?

You should certainly consider this, particularly if your employer will contribute. You can still establish a private pension plan in addition to any employer's arrangement.

Is there currently a pension scheme in place for me?

You could be a member of your employer's Occupational arrangement or Group Personal Pension, for example. Alternatively if you already have a Personal or Stakeholder pension, you can still contribute to a St. James's Place Retirement Plan in addition to your existing plans, or you may consider transferring accrued benefits to St. James's Place.

How much will I need in retirement?

Your life in retirement is likely to be very different from your working one, both personally and financially. You will probably have lower outgoings as debts and mortgages will have been cleared, however, you might want to spend more on leisure activities like holidays, travelling and hobbies. And you may choose semi-retirement, maintaining some level of employment while you are still happy to work.

When you work out how much income you need in retirement remember to allow for inflation. Let's assume you are 40 and you want an annual income of £30,000 when you retire at age 65. As a rule of thumb, you should apply a multiple of 25 to the £30,000 and consequently you are going to need a retirement fund of £750,000 to help achieve the desired level of income for your retirement.

Do all private pensions receive tax relief?

Usually, any payments that you make into a private pension plan qualify for tax relief. So, effectively, the taxman 'tops up' your pension.

Basic rate tax payers

If, for example, you make a net payment of £800 a month to your St. James's Place Retirement Plan, HM Revenue and Customs will top it up with an additional payment of £200 (basic rate tax relief). You now have £1,000 a month (gross) going into your pension plan.



What you pay	£800
Add tax relief	£200
Total going in to your pension	£1,000

Higher rate tax payers

In his Budget on 22 April 2009, Alistair Darling announced that the Government is to make changes for higher rate tax payers from 6 April 2011. At the same time the Government introduced new, transitional rules that restrict the higher rate tax relief on high earners to prevent them from taking the opportunity to increase their pension contributions during the next two years.

The new transitional rules can be summarised as follows:

- Higher rate tax relief is still available on pension contributions for anyone with income of less than £150,000
- Individuals with income of £150,000 or more who have not made any pension provision will continue to receive higher rate tax relief on contributions of up to £20,000 pa.

If, for example your contribution qualifies for higher rate tax relief and you pay the same £800 you will get the same automatic £200 top up. You then claim the difference between basic and higher rate tax relief in your self-assessment tax return. This is currently £200, so your £1,000 gross payment effectively only costs you £600 under current tax rules.

What you pay	£800
Add automatic tax relief	£200
Total going in to your pension	£1,000
What you pay	£800
Subtract additional tax relief you reclaim	£200
Net cost to you	£600

This is equivalent to a 67% increase on your net contribution.

The way in which these transitional rules work are complex and it is important that you seek advice from your St. James's Place Partner.

Is there a limit to how much I can pay in?

There is no absolute limit on the payments that can be made to your St. James's Place Retirement Plan each year.

However, an Annual Allowance applies to the amount of payments made to your pension plans each year. If these payments exceed the Annual Allowance, you will be liable to pay a tax charge on the excess. The Annual Allowance is set each year by the Government. For the 2009/10 tax year, it is £245,000. It will increase to £255,000 in 2010/11 and will be reviewed every five years. HM Revenue and Customs have confirmed that the level of the Annual Allowance will remain at £255,000 from tax years 2011/12 to 2015/16. There is no Annual Allowance limit applied to payments made to a

pension plan in the year in which all benefits are taken from that plan.

If you are an individual with an income of £150,000 or more in this or either of the previous two tax years, you will receive higher rate tax relief on contributions of up to the Special Annual Allowance. Contributions in excess of the Special Annual Allowance may be subject to the Special Annual Allowance Charge, which would reduce personal tax relief to 20%. Your St. James's Place Partner can provide you with an explanation of how the Special Annual Allowance is calculated.

A Lifetime Allowance, also set by the Government, applies to the total value of pension benefits you can receive from all of your pension plans. A tax charge must normally be deducted from any benefits that exceed the Lifetime Allowance before they can be paid. The Lifetime Allowance for 2009/10 tax year is set at £1.75 million. It will increase to £1.8 million in 2010/11. HM Revenue and Customs have confirmed that the level of the Lifetime Allowance will remain at £1.8 million from tax years 2011/12 to 2015/16.

The above information is based on current tax rules as at May 2009 – these may change in the future.

St. James's Place Retirement Plan tax relief

The tax relief available to pensions is unique and remains extremely generous and attractive:

- Employer contributions are a deductible business expense
- Employer contributions are tax free for the employee, where they do not exceed the Annual Allowance or, if applicable, the Special Annual Allowance
- Contributions you make are relievably against your income tax
- Pension funds are free of all UK income and capital gains (although they are unable to recover the dividend tax credit)

- Generous tax free cash sums of 25% are available on retirement and even more generous tax free benefits are available to dependants upon your death before retirement.

The tax relief currently available to pension schemes is subject to change by HM Revenue and Customs and is not guaranteed.



My pension plan's performance

Your St. James's Place Partner will keep you informed about the performance of your St. James's Place Retirement Plan. In addition, you will receive an Annual Statement from us every May.



Taking your pension when you retire

At the moment, you can decide to take your personal or stakeholder pension benefits any time between age 50 and 75, even if you're still working. From 6 April 2010, the Government will raise

the minimum age at which you can normally start taking your pension from 50 to 55.

What will I get when I take my pension?

At your Retirement Age, you have a number of options to choose from. You don't have to make these decisions until you are approaching retirement, when you may want to discuss the options with your St. James's Place Partner.

- You can use your fund to provide a taxable pension, giving you an income for life. This involves buying an annuity
- You can normally take up to 25% of your 'pension pot' as a tax free cash sum, using the balance to provide a (reduced) taxable pension for life
- You can give up part of your pension, to provide a taxable pension for your husband, wife, registered civil partner or other dependant after you die
- You can choose whether you want your pension to remain level throughout your life or to increase automatically each year
- You can delay buying your pension, but still take a taxable income by moving to a St. James's Place Drawdown Plan.



ST. JAMES'S PLACE WEALTH MANAGEMENT

Partners in managing your wealth

St. James's Place is a leading company in the expanding wealth management market. We are a FTSE 250 business with funds under management of over £16.9 billion.

We specialise in meeting the financial needs of people who have created significant capital, or who earn higher incomes, and whose circumstances are therefore more complicated than most.

We put our clients first

Our advisers, members of the St. James's Place Partnership, build relationships with clients that last. All our advice is face to face and focused on the personal needs of each individual client,

as we recognise that no one client's objectives or circumstances are the same as another. This approach, combined with the average of 17 years' experience of our advisers, ensures the relationships we build are founded on trust.



Focused on protecting and growing our clients' investments

We do not employ in-house fund managers because we believe that no single external investment house has a monopoly of investment expertise. We therefore carefully select a number of external managers to manage our range of funds.

The cornerstone of this approach is the Investment Committee, who 'manage the fund managers' on behalf of our clients. We retain an independent investment consulting firm, Stamford Associates, who play a crucial role in selection and management.

Stamford's only business is advising large pension funds - and us - on the selection of fund managers. This approach gives us both the flexibility to respond to market conditions as they occur, and also the certainty that we are employing the best fund managers for our clients.

In other areas such as life assurance, trust and estate planning, we have carefully selected products from other providers, which we believe represent the 'best of breed' in their respected categories.



Our Guarantee

The St. James's Place Wealth Management Group guarantees the advice given by its representatives when recommending any of the products or services provided by companies in the Group.

What to do next

As an expert in wealth management, your St. James's Place Partner can talk you through the full range of retirement options and create a bespoke income solution for you. If you are interested in discussing your options in more detail, contact your St. James's Place Partner.

For further information, please contact your St. James's Place Partner, call St. James's Place on 0800 0138 137 or visit www.sjp.co.uk





ST. JAMES'S PLACE
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Members of the St. James's Place Wealth Management Group are authorised and regulated by the Financial Services Authority.
The St. James's Place Partnership and the title 'Partner' are the marketing terms used to describe St. James's Place representatives.

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