



# POT OF DREAMS

Many of us dream of spending our retirement jetting off to exotic and beautiful countries and lapping up the luscious weather that comes with it. By making the most of the new pension rules your dream could become a reality, suggests **Karl Hartey**

**P**ension freedoms have transformed the pension landscape, giving more choice than ever before in shaping retirement plans to best meet our individual needs and circumstances.

**Why a pension?** Contributing to pensions still makes sense due to the tax relief available on contributions. The funds grow in a tax-efficient environment and there are some Inheritance Tax Planning opportunities if the funds are not needed.

The Pension Reforms provide significantly increased flexibility as once you are over the minimum age (currently 55) you can draw as much or as little of the pension pot as you wish.

However, with this flexibility comes complications: funds can be drawn as tax-free cash (if not already taken) or at the pension holder's marginal rate of tax; there may be guarantees that attach to the funds that need to be taken into account; income requirements for life need to be considered in order that the pension holder does not run out of funds; short term decisions need to

be taken as to whether pension pot funds are used or other investments drawn on first.

**What is a pension pot?** 'Pension pot' refers to a type of pension you build up with pension contributions you and/or your employer make. You'll have one if you have a 'defined contribution' pension which includes workplace, personal and stakeholder pension schemes.

If you're planning to retire in the next couple of years or are thinking about beginning to start drawing your pension so you can reduce your working hours then you'll be aware that there are some major choices to be made. We recommend seeking the advice of a professional. ■

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