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# A guide to your pension

Getting started with Company Pension @ Aviva

# Welcome

We are delighted that your employer has chosen Aviva to provide your company pension scheme.

This guide will help you understand your scheme and give you useful information about the benefits of investing through a pension.

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# “How will this guide help me?”

## Have you thought about your future?

Right now, you're working hard. One day you'll retire and have lots more free time on your hands.

You may already have some ideas about what you'd like to do; perhaps you'll take the holiday you've always dreamed of, spend more time with your family or finally redesign the garden. It's going to be completely up to you.

Whatever your plans, a few simple choices now could make a positive difference to your life in the future.

This guide will help you make those choices.

We've aimed to make the guide easy to follow but from time to time we include technical details. So you'll find words, **highlighted like this**, explained in the jargon buster at the back of the guide.

It's your future and it's your choice.

Welcome to Company Pension @ Aviva.

### How do pensions work?

Group Personal Pensions all work in much the same way:

- you save as regularly as you can (your company may also add money to the **pension fund**)
- for every £80 you save, the government will add another £20 (**basic rate tax relief**). You can claim more from your tax office if you pay tax at a higher rate
- the money is looked after in your pension fund until you retire
- it's invested, as selected by you or your employer, to give it potential for growth
- when you retire, you can normally take up to 25% of your pension fund as a **tax free cash** lump sum. The remainder is used to provide an income for the rest of your life, and you pay income tax on this.

The size of your pension fund depends on not only how well your investments perform, but also on how much you decide to pay into it. The value of your fund can go down as well as up. Please note that the information in this guide is based on current tax laws and these may change in the future.



## Company Pension @ Aviva

Your company has chosen Aviva to provide a **pension scheme** for its employees.

### But is it the right pension for me?

You may already have one or more pension schemes in place, or this may be the first time you've had an opportunity to start making plans for the future.

In either case, Company Pension @ Aviva can help build up a pot of money to fund your retirement.

### Who can join the plan?

Your employer can set eligibility conditions, such as age or how long you have worked at the company, and will tell you if you're eligible to join. You can join the plan if:

- you are **resident** in the UK, or
- you or your spouse/civil partner are a Crown servant (ie. working overseas for the UK government)

So we can make sure that your payments continue to be eligible for tax relief, you should tell us if:

- you stop being resident in the UK, or
- you stop having earnings subject to UK income tax, or
- you or your spouse or civil partner stop working for the UK Government overseas.

You should also tell us if you move abroad or start working abroad as this may affect how much you can pay in. We'll tell you more about this if this becomes relevant.

# “Why do I need to save for retirement?”

## What kind of retirement do you want?

Most of us would rather spend money than save it. That’s perfectly natural.

It’s hard to think about saving for the future when there are lots of things to pay for today. But your quality of life in retirement depends on how much money you can put away today. Let’s look at why:

### Inflation

The cost of living keeps on rising. Your income in retirement has to be able to cope with these rises. We hear a lot about inflation. It’s a way of comparing how the prices of things increase, when the money you have to buy them with stays the same. Take a look at these examples:

	1971	2001	2006
A dozen eggs	26p	£1.72	£1.81
500g back bacon	37p	£3.43	£3.77
250g cheddar cheese	13p	£1.28	£1.42

\*Source - Office of National Statistics - Social Trends No. 38, 2008 edition.

We can’t predict how much these things will cost when you retire, but Company Pension @ Aviva may help you pay for them.

### The Cost of Living

Some of your expenses may reduce as you grow older, particularly if your mortgage comes to an end or your children move away from home. But some things don’t change:

- Water Bill
- Phone Bill
- TV Licence
- Gas & Electricity
- Council Tax
- Food
- Petrol/Car Tax
- Birthdays
- Holidays
- Going out

They all still need to be paid for after you’ve retired. Can you rely on the Basic State Pension for this?

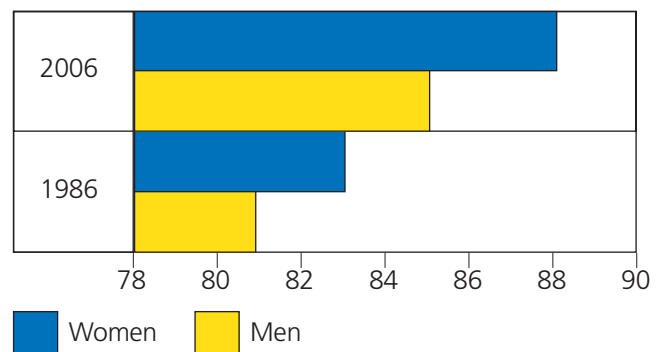
## The State Pension

If you've made enough National Insurance contributions, you will be entitled to the **Basic State Pension**. For the 2008/2009 tax year, the full Basic State Pension is £90.70 a week (roughly £4,716 a year) for a single person and £145.05 a week (roughly £7,542 a year) for a couple. You can't claim this until you're age 60 if you're a woman or 65 if you're a man (the Government will gradually increase this to age 65 for women between 2010 and 2020 and then to 68 for men and women by 2046).

### Do you think this will be enough for you to live on?

You may receive additional income from your savings or the **State Second Pension**, but it's still unlikely you could afford the kind of retirement you want by relying on these things alone, particularly when you think about the length of time you could spend in your retirement.

## We're Living Longer



Life expectancy for men and women who reach age 65 (the age that men can currently take their State Pension from, and from 2020 that will be the same for women too). Source – Government Actuary's Department, September 2008.

We're generally living longer, which means we can look forward to a longer retirement. However, this also means that it's important to think about how much money we'll need to see us through retirement, and to prepare for it by starting to put money away now.

# “What can a pension do for me?”

## The benefits of having a pension

**Do I have to have a pension?  
Do I have to put money in this one?  
How you save, and how much you save for  
your retirement is completely up to you.**

You don't have to have a pension, but if you choose Company Pension @ Aviva to plan for your retirement, you'll be taking a step towards making the most of your money's potential for growth.

### **Tax Relief**

It sounds almost too good to be true, but through tax relief on your pension payments, you will receive £20 basic rate tax relief for every £80 you pay. If you are a higher-rate tax payer, you will be able to claim back further relief through your self-assessment form or by contacting your tax office. In addition, your employer may also pay into the plan which could make your pension fund grow even faster.

### **Flexibility**

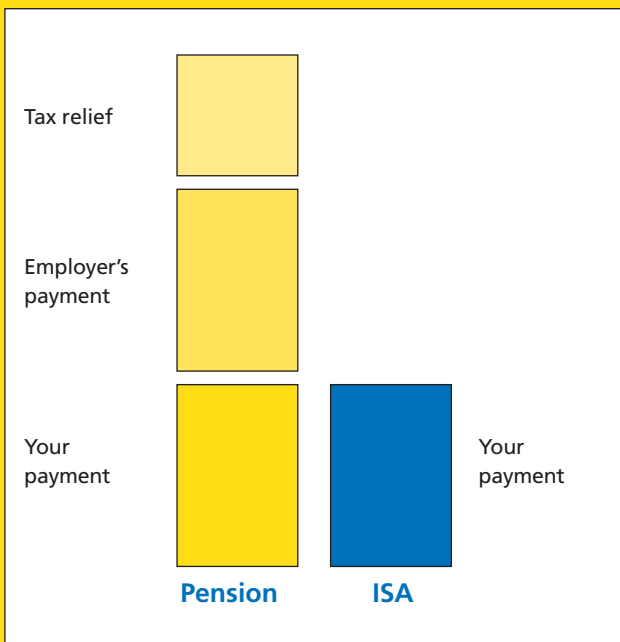
Some people think that having a pension means you have to pay money in every month. While that's good advice for a comfortable retirement, Company Pension @ Aviva allows you to pay in more or less money as your circumstances change.

### **Portability**

Your pension fund belongs to you. If you change jobs, you can take your plan with you and continue to pay into it when you work for a new employer. Your new employer may also pay into your plan on your behalf.

## The Advantages

When it comes to saving for retirement, if you compare investing in a pension against investing in a Stocks and Shares **ISA**, you can see that Company Pension @ Aviva has some real advantages.



Stocks and Shares ISAs can be a good way to grow your money and they generally allow you get hold of your money quickly if you need to, but this means that the temptation is always there for you to dip into your retirement savings. Remember, the money you put away for retirement could have to last you a long time and so taking money out of your savings could mean you have less to live on when you retire.

With a pension:

- Your money is locked away until retirement – there's no temptation to spend it before you retire.
- You can put more in a pension than in an ISA each tax year (ISA limit £7,200 for 2008/2009) - up to 100% of your salary. A tax charge will apply if your total payments exceed the annual allowance for a tax year (£235,000 for 2008/2009).
- Your employer may pay in on your behalf.



# “Why should I choose Aviva?”

## Aviva – making it easier

We will be looking after your pension, from the day it starts until the day you retire.

We'll keep in touch with you and let you know how your plan is doing, and you can always call us (on 0800 068 6800) if you have any questions.

### Getting Started

Saving money now will make a welcome difference to your quality of life in retirement. We want to show you how important it is to join and keep paying into your pension – this guide will help you get started. The other guides and forms in this pack will help you decide how you want Company Pension @ Aviva to work for you.

### Staying on Track

Once you've joined, it's important to check on how well your pension is doing and make any adjustments, like changing the funds you are invested in or increasing your payments.

With Aviva you'll be able to track your progress online, see the payments you make, and the way your money is being invested for the future.

Each year we'll send you a statement, showing what has been paid into the plan, and with it we'll include projections illustrating its current size and its potential for future growth.

### Pension Tracker

Pension Tracker gives you online control over your pension. It lets you access and manage your pension whenever you want.

With Pension Tracker, you can:

- find the answers to many questions you may have about pensions
- view your current plan values and your current and past payments
- see your estimated final pension fund and the retirement income it could provide
- check and, if your plan allows, change the funds you invest in
- see how any investment choices affect the money you could have when you retire
- check your personal details.

Pension Tracker is designed to make managing your pension simple and convenient. You can take control of your pension in a way that you never could before.



### Almost There

There are a few things you'll need to think about when you start to approach your retirement. Is your money invested wisely? Are you going to use your whole pension fund to buy an income when you retire, or are you going to take a **tax free cash** lump sum and use the rest of your pension fund to buy a smaller retirement income?

Are you going to buy an **annuity**, which will give you an income for life, and if so, where from? Or are you going to take your pension using **income drawdown** (an alternative way of taking a regular income from your pension fund)?

When you get closer to retirement, we will contact you to outline these options, and remind you to take financial advice.

### Relax

When you reach retirement, we can still continue to help you with your financial needs, whether it's insurance, investment or life cover. Aviva will be there to help you if you do have any questions, no matter what stage of life you're at or what choices you make.

### Aviva

We aim for superior long-term investment performance and, as one of the UK's strongest financial companies, we have the strength to deliver. Along with millions of other customers, you can feel confident when you choose to invest in Company Pension @ Aviva.

# “How much should I pay into my pension?”

## As your pension starts

### How much should I pay into my pension plan?

It's up to you. The minimum amount you can pay is £20 a month, or £200 a year if you make regular yearly payments. One-off payments, or transfers into the plan from other pensions you may have, must be at least £500. It is important to remember that the more you pay in, the faster your fund is likely to grow, and the more you're likely to get when you come to retire.

You can use our pension calculator at [www.makesenseofit.com](http://www.makesenseofit.com) to see how much money you could get in retirement, and how changes to the amount you pay in can affect that.

- Your employer may make arrangements for your payments to be put straight into your pension fund.
- If you'd like to make additional regular payments from another source, you'll need to set up a direct debit from your bank or building society.

### What about my other pension?

You may already have a pension. It's best to speak to a financial adviser if you'd like to transfer those funds into Company Pension @ Aviva. You can do this at any time after you join the scheme.

### Are there any limits?

Yes, there is a limit called the Annual Allowance, which means that in 2008/2009 you can pay in up to £235,000 in total across this plan and any other pension plans you have (this will go up to £255,000 by 2010/2011). Payments your employer makes will also count towards this limit. You may be able to pay in more than this but anything over the Annual Allowance will be taxed.

There is also a limit called the Lifetime Allowance. In 2008/2009 this is set at £1.65 million, and it will rise to £1.80 million by 2010/2011. If the value of your pension fund is more than this at the time you come to take retirement benefits from it, you'll be taxed on any amount taken which is above the limit.

If you have any questions about your allowances, we suggest you to speak to a financial adviser.

Visit our **Make Sense of It** website for information, our pension calculator and budget planner to help you with pensions, retirement and planning for the future.

[www.makesenseofit.com](http://www.makesenseofit.com)

# “What happens to my pension while I’m working?”

## As your pension grows

### **Can I decide how and where my money is looked after?**

Yes, it's your choice, but if you like, we can do all this for you. Depending on how much you'd like to be involved with your pension fund and your attitude to risk, you can ask us to look after your money in different ways.

You can make some decisions about the way we invest your money – more details can be found in 'A guide to investing in your pension'. That's the second guide in this pack, and is the one you should read next.

### **What would happen if I changed my job – would I lose my pension?**

No, you'll be reassured to know this pension plan belongs to you. If you change jobs it stays with you, which means you can continue to pay money in when you leave your current employer.

### **If I'm ill, what happens to my pension?**

The flexibility of payment holidays gives you an opportunity to take a break from making payments into your pension fund, during a period of illness.

You will not be penalised for taking a break from making payments, although any charges that apply to your plan will still be taken, and so it's clear that your pension fund may not continue to grow at the same rate as if you were contributing.

### **This all sounds good – how much is it going to cost?**

There are no charges for starting your pension plan, neither are there charges for switching the funds you choose if you change your mind about where your money is invested.

We do charge for looking after your money – these charges are explained in your personal illustration and in the other guide in this pack, 'A guide to investing in your pension.'

### **If I die unexpectedly, what happens to all the money?**

If anything happens to you before you've taken all the **benefits** from your pension, your family may receive a lump sum or an income from your pension fund. Use the 'Expression of Wishes' form included in this pack to let us know who you would like us to consider making lump sum payments to.

# “What happens when I retire?”

## When you retire

### What can I use my pension for?

When you come to retire, the money that has built up in your pension fund is used to provide you with an income for the rest of your life.

### Can I get it all at once?

No, but you can normally withdraw up to a quarter of your pension fund (25%) in cash without paying any tax, when you retire before age 75.

You'll also need to decide whether you'd like to use the remainder to buy an annuity, or invest in an income drawdown plan, which allows you to take an income while still having some of your fund invested for potential future growth. You don't have to decide until you retire.

### Do I have to retire at 65?

No, you can choose when to retire and tell us at the time you start your pension plan (don't worry, you can change your mind later if you want to). With Aviva, you can take your pension at any time between age 50 (age 55 from 6 April 2010) and 75.

You have the option to continue working, and so you may not want to take all your benefits at once. Taking part of your pension this way is known as phased retirement. There are risks associated with phased retirement, for example the value of your pension fund could decrease, future annuity rates could be lower and charges will still be taken from your pension fund in the mean time. If you are unsure whether phased retirement could be right for you, we recommend you speak to a financial adviser.

### Exactly how much will my pension be worth when I retire?

It's an important question. If you already have a personal illustration, that will show you some examples of how your pension fund may grow, based on how much you're paying, fund performance and when you expect to retire. These examples are for illustration only, the value of your fund can go down as well and up and you may not get back what you put in.

Our online pension calculator will help:  
[www.makesenseofit.com](http://www.makesenseofit.com)

# “How much involvement do I have to have in my pension?”

## The right option for you

We understand that everyone is different. If you're confident at making investment decisions you may want to be very involved and hand-pick the funds that your money is invested in.

Or, if you're not comfortable with making these decisions yourself, you can choose to invest your money using the approach your employer has decided on your behalf, or use a set of funds that we have chosen.

These options are explained in the second guide in this pack, 'A guide to investing in your pension'.

# “What do I need to do next?”

## Your next steps

If you've decided that you would like to join the scheme, you should read 'A guide to investing in your pension'. It will talk you through the options you have for investing your money, based on how involved you would like to be with your pension. You should also read your 'Key features' for more detailed information.

Once you've found the right option for you, you can ask your employer for an application form. When you've filled it in, hand it back to your employer and we will send out your policy documents – please read these and then keep them in a safe place for future reference.

You should also fill in the 'Expression of wishes form' included in this pack and send it to us so we know what you would like to happen to your money if you die.

We will collect your payments automatically, there's nothing else that you need to do.



# Useful information

If you'd like more information about your company's pension scheme, we recommend you first contact your employer, or you can contact us directly using the details below.

If you would like advice, for instance about how much you should pay into your pension plan or if you are unsure whether this product is suitable for you, please speak to a financial adviser.

## Aviva



0845 900 0817

Lines open from:  
9am - 5pm, Monday to Friday



Aviva  
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Surrey Street  
Norwich  
NR1 3WG

## Make sense of it

Here you'll find more information on the different types of pensions and friendly, useful tools including a pension calculator and budget planner.

[www.makesenseofit.com](http://www.makesenseofit.com)

## The Pension Service

This site covers pensions in general, and also gives a state pension forecast and provides a pension tracing service.

[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## The Pensions Advisory Service

This independent, non-profit organisation will give you information and guidance on pensions issues.

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## Unbiased

If you do not already have a financial adviser, this website will help you to find one in your local area.

[www.unbiased.co.uk](http://www.unbiased.co.uk)

## Aviva

Information about all our products and services.

[www.aviva.co.uk](http://www.aviva.co.uk)

## Directgov

This is the government's site for access to all public services, and includes a section on money, tax and benefits in general.

[www.direct.gov.uk](http://www.direct.gov.uk)

# Jargon buster

<b>Annuity</b>	A regular income paid out by a life insurance company for the rest of your life. An annuity can be purchased with the money from your pension. You can choose from different types of annuity, which can pay your pension income to you in different ways, such as a pension income that increases every year, or a pension income that continues to be paid to your dependants after you die.
<b>Basic State Pension</b>	This is the amount paid by the government to everyone who has earned enough qualifying years of National Insurance contributions. Currently the number of qualifying years is 49 for men and 44 for women. This will reduce to 30 for those reaching state pension age on or after 6 April 2010.
<b>Benefits</b>	These are the payments received by you from your pension fund when you retire.
<b>Payments</b>	These are a regular or one-off amounts paid into your pension fund by you or your employer.
<b>Funds</b>	The collection of assets (e.g. company shares, government bonds, property), in which your money is invested.
<b>Income Drawdown</b>	This is a way of taking regular income payments from your pension fund whilst leaving it invested for further potential growth.
<b>ISA (Individual Savings Account)</b>	There are two types of ISA; cash ISAs (a type of savings plan) and stocks and shares ISAs (a type of investment plan). Although both tax efficient investments, these are treated differently to pensions. You will not receive the same levels of tax relief in an ISA, which you will in a pension. Any money withdrawn from the ISA will be tax free.
<b>Open Market Option (OMO)</b>	When you retire, the Open Market Option gives you the opportunity to use your pension fund to buy an income in retirement from any provider in the market. You are not restricted to buying your pension income from Aviva.
<b>Pension Fund</b>	This is the name given to the pot of money you build up in your pension plan.
<b>Pension Scheme</b>	Your personal pension plan is held in the Aviva Personal Pension Scheme.
<b>Resident</b>	You're likely to be classed as resident if you live in the UK all or most of the time. If you're not sure, please ask your local tax office.
<b>Second State Pension (S2P)</b>	From 6 April 2002, the S2P replaced the State Earnings Related Pension Scheme (SERPS). This is an additional state pension paid on top of Basic State Pension, for individuals who have paid sufficient National Insurance contributions. You may be entitled to pension benefits from both schemes when you reach State Pension Age.
<b>Tax Free Cash</b>	This is also sometimes referred to as Pension Commencement Lump Sum. When you decide to take your pension benefits, you can normally take up to 25% of your pension fund as a tax-free lump sum. The rest of your fund must be used to provide an income. You can take tax free cash when you take retirement benefits, up to the age of 75.
<b>Tax Relief</b>	The Government provides basic rate tax relief for the payments you make to your pension plan. Effectively, they 'give back' a proportion of the tax you have paid and this is added to your pension. For every £80 you pay, the Government provides £20 tax relief; this means £100 is paid to your plan. If you are a higher rate tax payer you will be able to claim back further relief separately.

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