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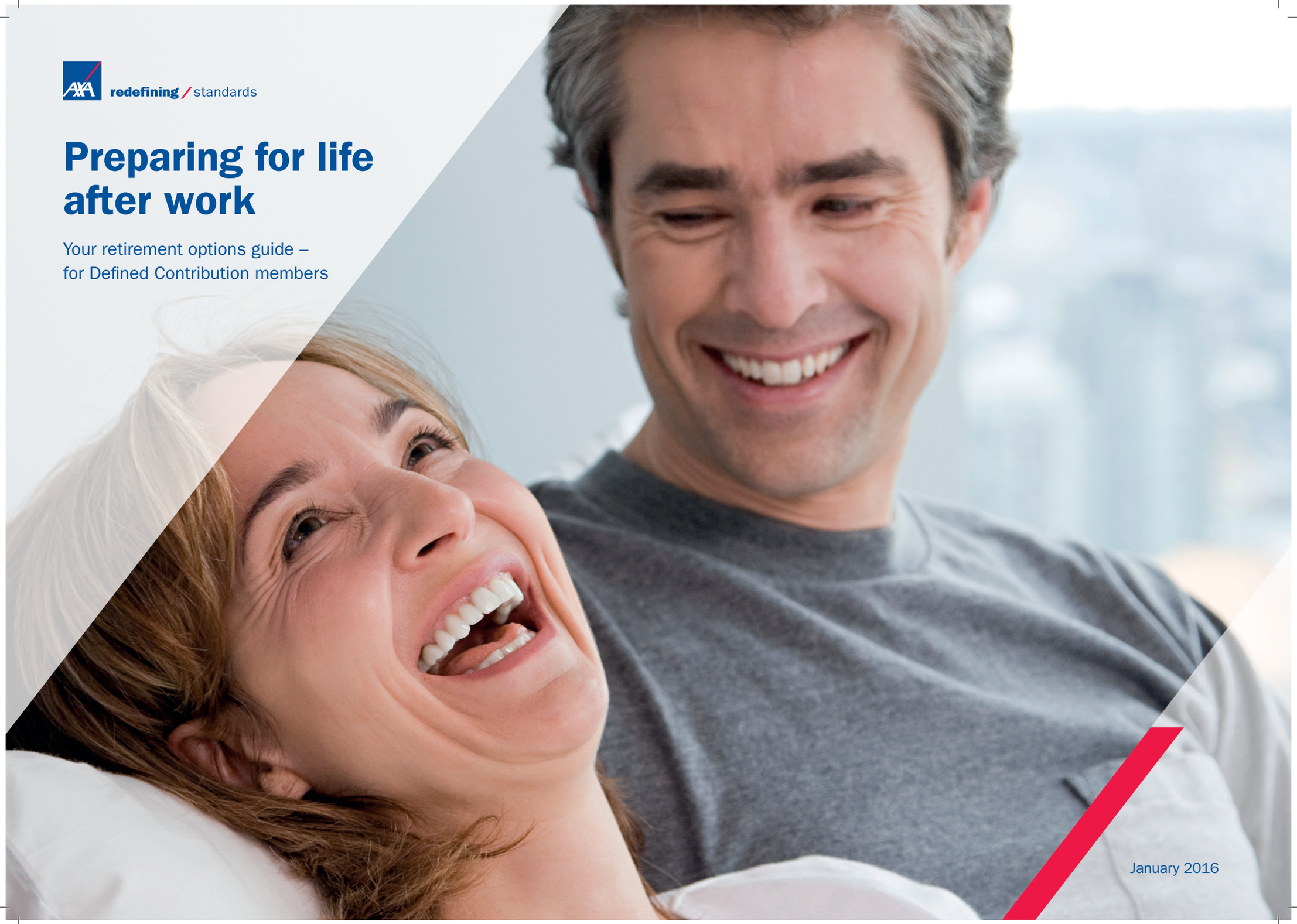
Preparing for life after work

Your retirement options guide –
for Defined Contribution members



January 2016

Introduction

We all look forward to retirement. Before you get there, you need to think about:

- how much you'll need;
- when you want to retire; and
- what type of retirement income you want:
  - Something that offers more flexibility?
  - A fixed amount for the rest of your life?

This guide outlines the retirement options available to you as a member of the AXA UK Group Pension Scheme (the Scheme).

Why should you read this guide?

This guide:

- highlights key things to consider when you make your decision; and
- tells you more about your retirement options.

What's inside?

Section

Continue

1. Reminder – how the Scheme works

When you work for AXA

- Every month you and the Company pay money (contributions) into your Personal Account.
- The Government also helps you save by providing you with tax relief on your contributions.
- To help your savings grow, you choose where to invest your Personal Account from a range of investment options.

When you retire

You use the money in your Personal Account for your retirement income (you can take 25% as a tax-free cash lump sum). This replaces the salary you've earned while working and needs to last for the rest of your life.

There are two main options available to you in the Scheme:

- Income drawdown.
- Annuity.

We explain more about these on page 7.

Go to section 2

2. Key things to think about before you retire

Before you start looking at the different retirement options you can choose from, you need to think about:

- how much money you need; and
- when you want to retire.

We explain below and on page 5.

What level of income do you need?

Think about the kind of things you intend to do and the financial responsibilities you might have. For example:

- If you're likely to have similar financial obligations as you do in your working life (e.g. a mortgage), you'll probably need a similar level of income in retirement.
- If you think you're likely to have less (e.g. your mortgage will be paid off) you may not need as much. But don't forget, having more free time might mean you have more time for things like holidays and meeting up with friends. You may even be helping your family financially.

The Department for Work & Pensions (DWP) has set out how much you might need each year when you retire (for a modest lifestyle) based on how much you earn now:

How much you earn at work (before you retire)	How much of this income you may need when you retire
Less than £12,200	80%
£12,201 to £22,400	70%
£22,401 to £32,000	67%
£32,001 to £51,300	60%
Over £51,300	50%

So for example, if you earn £25,000, you may need £16,750 each year when you've retired. Some of this will come from the State Pension – but the rest will come from your savings. Depending on your personal circumstances, you may need more.

Not sure how much retirement income you're on track to get from the Scheme?
Use 'Expense Planner' at **www.blackrock.co.uk/targetplan**

You can also use the 'myPath' tool for an idea of how much income you might receive when you retire, and how you can use the money you have built up in your Personal Account when you retire.

Not sure how much you might get from the State Pension?
Visit **www.gov.uk/calculate-state-pension**

Not sure how much will you get from your other pension schemes?
Contact the relevant scheme administrators. If you've lost track of them, visit **www.gov.uk/find-lost-pension**

Go to section 1 Go to section 3

When do you want to retire?

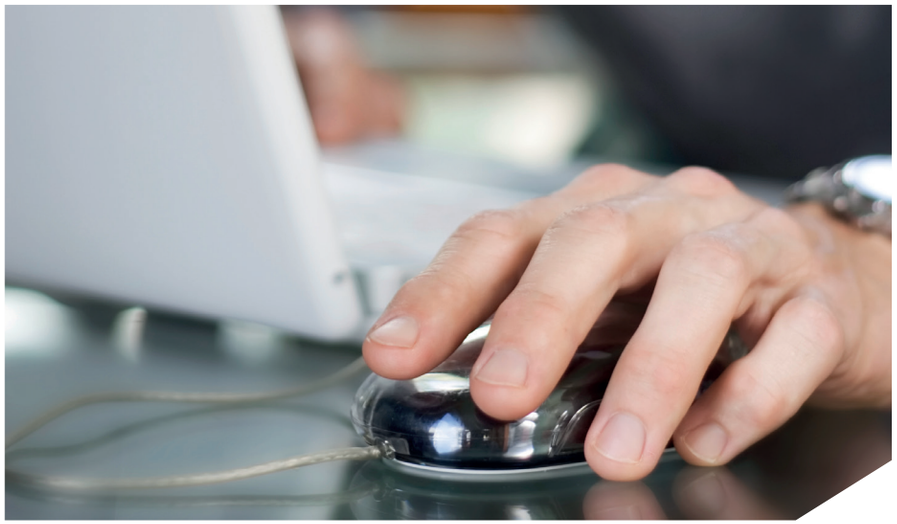
This is key in determining how much you'll get from your Personal Account:

- If you retire early, your Personal Account may be smaller and need to last you longer.
- If you continue to work past the Scheme's Normal Pension Date (your 65th birthday), you may build up a larger Personal Account. You'll probably have more income each year because it's larger and you have less time in retirement to spend it.
- If you choose to take your pension benefits and continue working for AXA, it's possible to join the Scheme again and start making new contributions into your Personal Account.

  If you do re-join the Scheme after taking your benefits from your Personal Account in the DC section, the maximum amount that can then be paid into your Personal Account each year (including company contributions) and benefit from tax relief (known as the annual allowance) will reduce. For more details go to **www.gov.uk/taxonyourprivatepension**.

Also don't forget to consider any State benefits you may be entitled to. You can find out when you're due to receive your State Pension at **www.gov.uk/calculate-state-pension**.

Note: You can choose a specific age to retire from the Scheme – known as your Target Retirement Age. You can choose a Target Retirement Age of between 55 and 75.



You can use myPath to see how changing how much you pay into the Scheme, your chosen retirement age and investments could impact how much you may get when you retire.

Once you have an idea of how much you need and when you want to retire, you need to think about which retirement option is right for you.

We explain this in the next section.

Go to section 1 Go to section 3

3. Which retirement option is right for you?

There are two main retirement options available to you:

- Income drawdown – a retirement option that allows you to withdraw a retirement income from a pension arrangement and leave the rest invested. You have the flexibility with this option to take extra money at different times throughout your retirement.
- Annuity – this is an insurance policy you buy when you retire using the money in your Personal Account.

We explain more about these options in the table on page 7.

Which option you choose will depend on what your retirement needs are. It can be a difficult decision – and it shouldn't be rushed. If you're not sure what might be right for you, our quiz will help you get started – remember the decision is ultimately yours. If you're not sure, seek financial advice (see page 11 for details).

Note: You can choose a combination of an annuity and income drawdown if you like. You can stop taking income drawdown at any time but once you take an annuity, you have it for the rest of your life. See the table on page 7 for more information.

Try our income drawdown vs. annuity quiz

Tick 'yes' or 'no' for each question:

	Yes	No
Would you like the flexibility to take extra money if you need it once you've retired?		
Will you want to take all of your savings as cash immediately?*		
Are you prepared to continue monitoring, and if necessary, make changes to your investments after you retire?		
Is security more important to you than flexibility?		
Is it important to you to be able to leave your pension to your loved ones if you die?		
Do you want to make a one off decision about the type of retirement income you want?		
Do you want a guaranteed income for life?		

* The first 25% is tax-free. You will pay tax at your marginal rate of income tax on the rest.

Have you mostly answered 'yes' or 'no'?

- If you ticked 'yes' for at least two of the first three questions, you may want to investigate income drawdown – see the summary on page 7.
- If you ticked 'yes' for at least two of the last four questions, you may want to investigate annuities – see the summary on page 7.

Go to section 2 Go to section 4

Key differences		
	Annuity	**Income drawdown**
What is this option?	An insurance policy you buy when you retire using the money in your Personal Account. It pays an income for the rest of your life. There are different annuities to suit different needs. They can provide a spouse's pension if you die; increase in line with the cost of living; increase by a fixed percentage; or have a guaranteed level for a fixed period. For more information visit the Hargreaves Lansdown website – see page 11 for details.	Under income drawdown, each year you withdraw a retirement income from a pension arrangement and leave the rest invested. You have the flexibility to take out as much money as you like each year.
Can I take a 25% tax-free lump sum?	Yes.	Yes.
Do I have flexibility to take extra money if I need it?	No – you don't have any flexibility to take extra money if your situation changes. An annuity provides you with access to a set amount of money each year.	Yes – you can take as much money as you want, whenever you want. However, you will pay tax.
Can I cancel this at any time?	Once you buy an annuity, you have a few months to cancel it. After that, it's a fixed contract for the rest of your life.	Yes – you can even buy an annuity in the future with your remaining pension savings.
Do I need to manage my pension investments when I retire?	No – there's no money to manage when you retire because you will have used the money to buy an annuity.	Yes – your money remains invested so you need to keep monitoring it.
Would the amount I receive increase with inflation?	It depends on the annuity choice you make. If you buy an inflation-linked annuity, it will keep up with the cost of living each year. If you don't buy an inflation-linked annuity, it may not (and would drop in value over time).	You have the potential to increase your pension savings by investing – but there's also a risk they could drop in value.
Is my income secure?	Yes – your annuity will be paid throughout your retirement.	No – you have to make sure you have enough money throughout your retirement.
What happens if I die?	It depends on the type of annuity you choose. If you bought a spouse's pension or have some sort of guarantee – then your spouse will continue to receive a pension or some type of lump sum benefit. If you don't your dependents won't be entitled to any annuity benefits.	If you die, it may be possible for your remaining fund to be left as part of a lump sum inheritance (which could be taxed).

Now you have an idea of what might be appropriate for you – make sure you invest your Personal Account in funds that will help you achieve your retirement goals. Read the investment guide for more information.

You can also take your entire Personal Account as cash – for more information about this please see page 8 and contact the Scheme Administrator using the contact details on page 11.

Go to section 2 Go to section 4

Taking your retirement income as a cash payment

It's now possible to take the total amount of your Personal Account as:

- one cash lump sum (known as an Uncrystallised Funds Pension Lump Sum (UFPLS); or
- a series of lump sum payments (known as a partial UFPLS).

We explain below:

1. Uncrystallised Funds Pension Lump Sum (UFPLS)

With this option you take your total Personal Account as one cash lump sum payment:

- 25% is tax free; and
- the rest of the cash is taxed at your marginal rate of income tax (like your salary).

To find out what this option could mean for your own financial circumstances, use the tax calculator at **www.blackrock.co.uk/planinfo/axadc/new-retirement-choices/whats-changed/cash-lump-sum**

2. Partial UFPLS (available up to age 75)

With this option you can:

- keep your Personal Account in the Scheme; and
- make up to two cash withdrawals from it each tax year.

With each lump sum payment:

- 25% is tax free; and
- the rest of the cash is taxed at your marginal rate of income tax (like your salary).

  Note: If you choose this option, the maximum amount that can be paid into your Personal Account each year (including company contributions) and benefit from tax relief (known as the annual allowance) will reduce. Go to **www.gov.uk/taxonyourprivatepension** for more details.

Things to consider: These options may be suitable if you have a small amount of savings in your Personal Account - in which case the annuity and income drawdown options may not be an efficient way of using the money in your Personal Account when you retire.

You may also wish to seek financial advice to ensure that you do not pay more tax than necessary if you choose to take your retirement income as cash.

Go to section 3 Go to section 5

4. Making your decision

If you've got less than 10 years until you retire

- Find out whether you're on track to get the retirement income you need and want – use myPath at **www.blackrock.co.uk/targetplan** if you need to.
- If you're off track – consider whether paying more in or changing your retirement age will help.
- Think about the type of retirement income you might want – annuity or income drawdown.
- If you're invested in the Lifecycle strategies – make sure it's one that matches the type of retirement income you plan to take (see the Investment Guide for details).
- If you're invested in the Freechoice range – consider investing in funds that will suit your retirement needs (see the Investment Guide for details).
- Look at the fund factsheets if you need any more information.

If you're a member of the Scheme still employed by AXA, please attend one of our pension roadshows where the above points are discussed.

If you're retiring within the next two years

1) For our members still employed by AXA, we've partnered with Close Brothers to provide a 'Planning for Retirement' seminar, which will focus on two key areas:

- The retirement flexibilities available to you (taking annuity, income drawdown or cash).
- The change to your lifestyle on moving from working to retirement.

For more information and to book your space please go to **www.moneytalksatclose.com/axa/preretiresupport**

AXA will pay your attendance fee through your local cost centre.
Please seek your manager's approval before booking your space.

2) The Government has introduced Pension Wise, a free and impartial service for members of defined contribution pension schemes (like ours) to help you understand what your retirement choices are at the point of retirement. For more details please visit **www.pensionwise.gov.uk** You can also call the helpline: 030 0330 1001.

Seek help from a financial adviser if you need it – see page 11 for details.

Go to section 3 Go to section 5

If you're planning to retire within the next two years… and you want to buy an annuity

Complete this checklist

Decide whether the income you're going to get from your Personal Account and any other savings is enough for the retirement you'd planned. If not consider paying more into the Plan or retiring later.	
Make sure your Personal Account is invested in a fund (or funds) that reflects that you're retiring within the year – and the type of retirement income you want to take.	
Contact Pension Wise to get free and impartial service to help you understand what your choices are in relation to your DC benefits at **www.pensionwise.gov.uk**	
For active employees, book your space on the 'Planning for Retirement' seminar with Close Brothers at **www.moneytalksatclose.com/axa/preretiresupport**	
Six months before you retire	
Confirm to the Scheme Administrator that you wish to buy an annuity.	
Review the Hargreaves Lansdown letter outlining the support they can provide.	
Two months before you retire	
Review the annuity options presented to you by Hargreaves Lansdown.	
Seek advice if you need it – see page 11 for details.	
Confirm which annuity you'd like to buy.	
Your retirement date	
Review the quote provided by Hargreaves Lansdown for your chosen annuity.	
Complete and return the application pack to buy your annuity.	
Read the letter confirming that your money's transferred to your new annuity provider.	

If you're planning to retire within the next two years… and you want to take income drawdown

Complete this checklist

Decide whether the income you're going to get from your Personal Account and any other savings is enough for the retirement you'd planned. If not consider paying more into the Plan or retiring later.	
Make sure your Personal Account is invested in a fund (or funds) that reflects that you're retiring within the year – and the type of retirement income you want to take.	
Contact Pension Wise to get free and impartial service to help you understand what your choices are in relation to your DC benefits at **www.pensionwise.gov.uk**	
For active employees, book your space on the 'Planning for Retirement' seminar with Close Brothers at **www.moneytalksatclose.com/axa/preretiresupport**	
One year before you retire	
Review the income drawdown facilities in the market place – a financial adviser will be able to help.	
Seek advice if you need it – see page 11 for details.	
Decide which income drawdown facility's right for you.	
Six to two months before you retire	
Note any relevant fees you'll need to pay your chosen income drawdown provider.	
Confirm to the Scheme Administrator that you wish to take income drawdown.	
Your retirement date	
Complete and return the relevant application documents.	
Read the letter confirming that your money's transferred to your income drawdown provider.	

Go to section 3 Go to section 5

5. Scheme Administrator and other resources

Address: **BlackRock Employee Savings Service Centre**
PO Box 705, Peterborough, PE1 1ZL

Tel: **0345 603 4048**
Email: **axapensionsadmin@blackrock.com**
Website: **www.blackrock.com/targetplan**

Hargreaves Lansdown – Scheme annuity broker

Tel: **0117 314 1798**
Website: **www.retirementservice.co.uk/axagp**

You'll find lots of useful tools on the Hargreaves Lansdown website to support you with your retirement planning including annuity and income drawdown calculators, videos and much more.

www.axa-employeebenefits.co.uk

For information about the Scheme and tools such as the investment guide.

www.unbiased.co.uk

If you're still unclear which retirement option is best for you, consider seeking financial advice. It's a big decision. You can find a list of financial advisers in your area on this website.

www.moneyadviceservice.org

This money advice website provided by the Government offers impartial information on pensions.

www.pensionsadvisoryservice.org.uk

The Pensions Advisory Service offers free independent guidance on your retirement options. You'll find a range of resources on their website. You can also call them on 0845 601 2923.

www.pensionwise.gov.uk

Pension Wise is a new free and impartial service provided by the Government to help you understand what your retirement choices are at the point of retirement. You can also call the helpline: 030 0330 1001.

Go to section 4 Go to section 6

6. Terms explained

Annuity	An insurance policy you buy when you retire using the money in your Personal Account. It pays an income for the rest of your life.
Hargreaves Lansdown	The Scheme's annuity broker. If you decide you want to take an annuity, they will help you shop around for the most appropriate one for you, at the best rate. They also help you understand how the different annuity options impact you. There's no charge to you for their services.
Income drawdown	Under income drawdown, each year you withdraw a retirement income from a pension arrangement and leave the rest invested. You have the flexibility to take out as much money as you like each year.
Scheme	AXA UK Group Pension Scheme.
Scheme Administrator	BlackRock – they are responsible for the day-to-day administration of the Scheme.

Important notes

This guide is for information only. It does not take into account your personal circumstances and does not constitute financial advice. Neither AXA nor the Scheme Administrator can provide you with advice. We strongly recommend that you seek financial advice if you're not sure what action to take.

The value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.