Taking your money out of Nest

Information to help plan for your retirement

nestpensions.org.uk

Contents

To the best of our knowledge, all information in this booklet, including tax rates and allowances, is correct at the time of publication in April 2021.

Before you start

This booklet is part of your Nest retirement pack and should be read alongside your retirement letter, which is sent to you six months before the retirement age we hold for you. It doesn't give you financial advice and is provided for information only.

When we talk about retirement we mean the point in your life when you choose to take some or all of your money out of Nest.

It doesn't necessarily mean you'll stop working. Some people decide to take some or all of their money out when they reach a particular age but they still want to work as well. Also, reaching retirement age doesn't mean you have to retire. You can keep contributing to your Nest pot and help it grow if you decide to retire later.

The decisions you make now about whether to continue saving or take some or all of your money out will determine how much is available to you. Your retirement could last for many years, so it's important to think carefully about your options.

There's a lot to think about, so don't rush to make any decision. Take some time to read about and talk through all your options. This will help you choose how and when to take some or all of your money out of Nest or any other pension scheme you have.

Things to do

- Check your State Pension details to see your retirement age and the amount you should receive.
- Trace other pensions you may have at **gov.uk/find-pension-contact-details**
- Estimate your retirement income with the Money and Pensions Service pension calculator at **moneyadviceservice.org.uk/en/tools/pension-calculator**
- Visit **pensionwise.gov.uk** to find out more about your options when you're ready to retire.
- Read through the options in this booklet about what's available when nearing retirement.

Beware of pension scams

Some people have built up a lot of money in their pension pots. This has attracted an increasing number of scams that target people approaching retirement.

Spotting a scam

Scams can take many forms and their tactics often change. Here are some of the typical warning signs to look out for:

What they usually offer

- high growth investment opportunities for your pension savings, usually overseas
- early access to your retirement pot if you're under 55

Telltale language

- upfront cash or a free pension review
- offers to cash in or liberate your pension, pension loans, early pension release, pension selling or saving advance
- unique or one-off investments, often with guaranteed returns

How they may deal with you

- approach you over the phone, by text or at your door
- pressure you to sign documents quickly, for example with a courier at your door
- encourage you to speed up your pension transfer

What can happen

Scams are designed to look appealing, but they usually end with people losing some or even all of their retirement savings. Once you've signed over your money, you can't get it back. Not only that, you can also face large tax penalties for taking an unauthorised payment from your retirement pot.

What you should do

It's sensible to get independent advice on any offer to transfer your pension. Or you can check with the Pensions Advisory Service on 0300 123 1047. Never rush any decision or sign anything under pressure. If you think you've already been approached by a scammer, call Action Fraud on 0300 123 2040.

Find out more at **fca.org.uk/scamsmart/how-avoid-pension-scams**

Getting guidance from Pension Wise

The government has set up a service to offer free, impartial guidance on your retirement options. Pension Wise, which is part of the Money and Pensions Service, will explain all your options, the decisions you'll need to make and what tax or fees to look out for when you take money from your pot.

When you're starting to think about your retirement, you should call Pension Wise on 0800 138 3944 or visit **pensionwise.gov.uk/en/about** to book a phone or in-person appointment, or to arrange a meeting at a Citizens Advice branch. You can arrange your appointment any time from the day you turn 50.

To make sure they can give you the right information, Pension Wise will ask you about all of the pension schemes you're saving in. You'll find all the information you need about your savings with Nest in your retirement letter or latest annual benefit statement. You can access your Nest account at **nestpensions.org.uk/login**

You may be asked if your scheme includes any guarantees, special features, restrictions or conditions. None of these apply to your Nest retirement pot.

You can also find lots of general guidance about retirement options at **pensionwise.gov.uk**

Other ways to get help

Like with any big financial decision, you may want to get professional advice to help you decide on a personal retirement plan.

The Money and Pensions Service can help you find out about professional financial advice, the different types available, when you might need it and where to get it from. It's all on their website at **moneyadviceservice.org.uk**

An independent financial adviser will be able to give you advice about your options while taking into account your individual circumstances. They usually charge you for the advice and any services they provide. You can find an adviser near you at **directory.moneyadviceservice.org.uk/en**

Any advice you receive will be independent of Nest and Nest won't be responsible for any fees you may be charged.

Pension wise
Get to know your options

Starting to think about your retirement?

Your retirement's important. You could be retired for 20 years or more, so you need to consider your retirement plans carefully.

Thinking carefully about your retirement can help you make the most of the money you've saved.

Some of the things that will have a big impact on your retirement are:

- how old you are when you choose to take some or all of your money out of Nest
- how many years you've been saving
- how much you regularly save
- the level of retirement income you'll need

The number of years you've saved and the size of the retirement pot you've built up will affect the cash lump sum and any retirement income you could get. This is also true of any other retirement pots you may have. The value of retirement pots can go up and down and saving for longer gives you more time to try and grow your money.

You can change your Nest retirement date at any time by visiting nestpensions.org.uk/login and logging in to your account.

Your retirement date

It's important to let us know when you plan on taking your money out of Nest as far in advance as possible. If your money is invested in a Nest Retirement Date Fund, we'll aim to manage your pot so it's ready for the year we expect you to take your money out. Unless you've told us differently, we've assumed you'll take your money out of Nest at either age 65 or your State Pension age when you joined the scheme. Which of these applies to you will depend on your date of birth.

Post retirement date

If you're saving in a Nest Retirement Date Fund and don't take your money out of your pot on your retirement date, we'll move your money into a different fund based on how much is in your pot.

If your pot has less than £10,000, or if you're over 70, we'll put your money in our Post Retirement Date Fund. If you've set your retirement date for when you're aged 59 or under, your pot will also be moved to this fund. This will make it easy for you to withdraw money, either in one go or in a series of withdrawals, soon after your Nest retirement date. However, this may not be the best place for your money if you plan to keep it with Nest for a number of years. In that case, you could consider changing your retirement date or moving your pot to one of our other fund choices.

You may want to get professional advice about this. If you decide to make a change, you'll need to log in to your account to let us know.

If your pot has over £10,000 and you're aged at least 60 and no more than 70, we'll move your money to the Nest Guided Retirement Fund – see **page 15**.

1. What will you get in retirement?

You need to know what your overall household income will be when you retire, taking into account your income from all sources. If applicable, you should also think about your spouse's or partner's financial circumstances when considering your own retirement.

The types of things you need to bear in mind are:

- whether your spouse or partner is still working
- when they expect to retire
- whether you want to put off your retirement until your spouse or partner retires
- whether you'll decide to carry on working, either full-time or part-time
- how much your State Pension will be
- what you have in the way of savings, from pensions or otherwise
- whether your spouse or partner has their own pension or will be relying on your savings

How much will you need?

It's a good idea to think about how your spending is likely to change in retirement. For example, when you stop working you might spend less on things like transport. On the other hand, with more time on your hands, you may want to spend more on leisure activities and holidays. You might want a lump sum to finish paying off your mortgage.

Understanding how much you'd like in retirement can help you identify how and when you'll want to take your money from your pot.

There are some useful online tools to help, including the budget calculator from the Money and Pensions Service at **moneyadviceservice.org.uk/en/pensions-and-retirement/budgeting**

Using the budget calculator, you can:

- decide what kind of retirement income you want, for example half your earnings
- work out whether you're on track to get the retirement you want
- build a budget of your expected post retirement expenses

2. Find out about your State Pension

Most of us will get a State Pension from the government when we reach our State Pension age. This will be 66, 67 or 68 for most of us, depending on when we were born. You can check when your State Pension age is at **gov.uk/state-pension-age**

The full State Pension is currently £179.60 per week. The amount you get will depend on your National Insurance contribution record.

You can get your State Pension forecast by contacting the Department for Work and Pensions (DWP) on 0800 731 0175 or via **gov.uk/check-state-pension**

Your spouse or partner should also do this. If you or they don't currently have a National Insurance contribution record that enables you to qualify for a full State Pension, you may be able to top this up by paying additional voluntary contributions.

Those on low incomes in retirement may be entitled to other benefits. You can find out more about this from the Money and Pensions Service.

3. What about other pension savings?

You should gather the details of any pension savings you've built up during your working life.

Looking at the details of all your sources of retirement income will help you decide when you can retire and how and when to take your money out of Nest.

You may have other pension pots in addition to the one you hold with Nest. When you know how much these are worth today, tools like the pension calculator from the Money Advice Service can help you get an idea of how much these could give you in retirement. You can find this at **moneyadviceservice.org.uk/en/tools/pension-calculator**

If you can't find details of your other pension pots, you could try and find them using the DWP free pension tracing service.

Go to **gov.uk/find-pension-contact-details** or you can call 0800 731 0193.

Approaching your retirement date

When you're close to your retirement date, you need to let Nest know what you want to do with your savings.

Your options are set out in this section. We'll also explain your options in your retirement letter that we'll send to you six months before your Nest retirement date.

Your options

The first decision you need to make is when to take your money out of Nest.

You can take your money out of Nest at any time from the day you turn 55. There are a few circumstances where you can take your money out of Nest before 55, for example if you're suffering from serious ill health.

The age you are when you decide to take your money out of Nest will affect the lump sum(s) and/or income you receive. The younger you are when you take your money out, the smaller the lump sum(s) and/or income you're likely to get and the longer it'll need to last.

You don't have to take your Nest savings when you stop working. People are living longer than they used to. In 2018, the Office for National Statistics (ONS) estimated that a 65-year-old man now has a 50% chance of living to 85 and a 65-year-old woman a 50% chance of living to 87. If you don't need the money in your retirement pot now, you could delay your Nest retirement date so you take some or all of the money when you think you'll need it instead.

Keeping your money in Nest until you need it

By leaving your money in Nest longer, and adding to it, you'll have more time to work towards building a larger retirement pot.

Changing your Nest retirement date

The age we expect you to take some or all of your money out of Nest is called your Nest retirement date. When you joined Nest, we assumed you'll take some of all of your money out of Nest when you reach 65, or your State Pension age, depending on your date of birth. However, you can choose to postpone this date. To change your Nest retirement date, just log in to your account at **nestpensions.org.uk/login**

Can you take your money out earlier due to ill health?

In the event that you're suffering from serious ill health or you're incapable of work due to illness, you may be able to take some or all of your money out of Nest before you reach 55. To do this you'll need to have your medical condition confirmed by your doctor or registered medical practitioner.

You should be very cautious if you're offered early access to your retirement pot for other reasons. Many of these offers are scams that could end in you losing some or all of your retirement savings and risk paying large tax penalties. Find out more in Beware of pension scams on **page 5**.

For information on the tax implications of taking your money out early due to ill health see **page 24**.

When you're ready to take some or all of your money out of Nest, there are a number of things you can do. Nest won't charge you for taking money from your pot.

When deciding which retirement option to take you should shop around, as different providers will have different charges and rules, such as the size of the pot required.

Different options also have different features, such as rates of payment, charges, tax implications, rules and the size of the pot required. Some of the retirement options available aren't provided by Nest and you'd have to transfer your retirement pot to another retirement income provider to access them.

Please note that whichever of the following options you choose, we'll still retain and process personal information to, for example, comply with our legal obligations, resolve disputes and enforce our agreements. Please read the privacy notice on our website **nestpensions.org.uk/privacypolicy** for more information on how personal data is used and how long we keep it.

Make sure you've told us who you'd like to receive your retirement pot when you die

You can tell us who you'd like to receive your Nest pot if you die before taking all of your money out. Who you choose is called your beneficiary. Your beneficiary can be a person, trust, charity, society or other organisation, or a combination of any of these. You can have more than one beneficiary.

There are two ways of telling us who you want your beneficiary or beneficiaries to be. You can:

- make a nomination
- make an expression of wish

If you die, any remaining Nest savings can be passed on to your beneficiaries. We do, however, have to follow certain rules.

When you nominate a beneficiary, we can't make discretionary decisions about who to pay money to if you die before taking all of your money out of your pot. We'll pay your pot to all of the beneficiaries you've named unless they've died or we can't contact them, in which case we'll usually pay their share to your estate. Your pot will usually be considered part of your estate for inheritance tax purposes.

In contrast, an expression of wish is not binding. When you make an expression of wish, we'll decide whether to pay your remaining pot to some or all of the beneficiaries you've told us about, or to your estate. We'll be guided by your wishes but may make a discretionary judgement if your personal circumstances have changed since you made your expression of wish. This may happen if, for example, you have a new spouse or partner, or if your beneficiary has passed away. Your pot will not usually be considered part of your estate for inheritance tax purposes.

If you haven't made a nomination or an expression of wish, the money remaining in your pot will usually be paid to your estate.

Because the choice you make can affect whether inheritance tax is payable, it's a good idea to seek professional advice before making a decision.

There can be other tax implications for your beneficiaries – see **page 24.**

How to choose a beneficiary

- Tell us who you'd like to get your retirement pot if you die before taking all of your money out.
- This is known as your beneficiary, and can be:
  - a family member
  - a trust
  - your favourite charity
  - a combination of people and organisations

If you make a nomination, you can update your beneficiaries or change to an expression of wish. If you make an expression of wish, you can update your beneficiaries but no longer have the option to make a nomination.

Log in to your online account to name your beneficiaries at **nestpensions.org.uk/login**

It's important to keep your beneficiary choices and their contact information up to date. Should you change your mind about who you want as your beneficiary, you need to tell us.

1. Keep your money invested with Nest

You can delay taking your money out of Nest by logging in to your account at **nestpensions.org.uk/login** and changing your retirement age.

If you don't change your retirement age, don't choose a retirement option and your pot value is less than £10,000, we'll set your retirement age to 75 and put your money in our Post Retirement Date Fund. This is also where your money will be invested if you join Nest after your State Pension age. This may not be the best place for your money if you plan to keep it in Nest for a number of years. If your pot value is over £10,000 and you're aged at least 60 and no more than 70, we'll put your money in the Nest Guided Retirement Fund. To learn more about the Nest Guided Retirement Fund, see **page 15**.

If you leave your money invested, you can continue to make contributions.

If you delay taking your money out of Nest, your retirement fund can continue to grow as a result of potential savings returns plus any contributions you and/or your employer make, together with any tax relief you're entitled to.

For information about the tax implications of leaving your money invested with Nest go to **page 20**.

2. Take your money as a number of lump sums

If you've got £3,000 or more in your Nest retirement pot, you can manage withdrawals yourself. A lump sum can be withdrawn each month, or less frequently if desired, and the rest of your money will remain in Nest.

You must withdraw a minimum of £200 at a time and leave £2,000 or more in your pot after any withdrawals.

Nest won't charge you for taking lump sums from your retirement pot. However, the annual management charge will continue to be applied to your remaining pot. You'll still be able to make contributions to your Nest account with the normal contribution charge applying.

Your retirement pot will reduce with each lump sum withdrawal and could run out.

Usually, a quarter (25%) of each payment we make will be tax-free. Ordinarily, we're required to deduct tax from the rest. Your cash withdrawal may push you into a higher rate tax bracket for that year. You can find out more information about tax on **page 20**.

If you continue to contribute, once you've made a withdrawal your annual allowance will be restricted to £4,000. For more on the annual allowance see **page 26**.

If you die, any remaining Nest savings can be passed on to your beneficiaries. You'll find information about different options for naming your beneficiaries on **page 12**.

3. Take all of your Nest pot in one go

You can take the whole of your Nest retirement pot as a single lump sum. Usually, the first quarter of your pot will be paid to you tax-free, with the remaining three quarters being taxable.

What will this mean?

If you're considering this option:

- Be sure that you need to take all of your money in one go.
- Doing so means your account will be closed and you won't be able to make any further contributions to it.
- You may be able to make your savings last longer by only taking what you need, when you need it.

Also, as with option 2, your cash withdrawal may push you into a higher rate tax bracket for that year. Depending on how much you take, you may end up paying more tax if you take all of your Nest pot in one go than you would if you were to spread payments out over a number of years.

4. Take regular withdrawals through the Nest Guided Retirement Fund

If your pot is in the Nest Guided Retirement Fund, we'll aim to make a stable and sustainable level of money available for you to withdraw from until age 85. We'll also set aside a separate pot that you can later use to purchase a guaranteed income for life. This should reduce the risk of your pot running out.

You can make withdrawals online via the Nest website and have them paid directly to your bank account.

Nest will continue to manage your pot and invest your money with the aim of providing sustainable withdrawals. You can take your pot in full, or choose a different retirement option, at any time if your circumstances change.

Who is it for?

You can choose this option if you're aged at least 60 and no more than 70 and have at least £10,000 in your pot. If you meet the criteria above, are invested in a Nest Retirement Date Fund and don't tell us what you want to do with your pot at your Nest retirement date, we will automatically move your pot into the Nest Guided Retirement Fund.

How does it work?

We'll split your pot into three parts, each designed and invested differently to meet different needs throughout your retirement. These are the Nest Wallet, Vault and Safe.

My Nest Wallet

Money in your Nest Wallet is available for you to withdraw to help with everyday expenses, pay regular bills or spend in any way you wish.

Every year up until you turn 85, Nest will move money from your Nest Vault into your Wallet. We'll aim to move a similar amount each year.

The actual amount paid into your Nest Wallet will depend on, amongst other things, the investment performance of the money invested in the Nest Vault part of your fund.

This means the amount of money available for withdrawal each year could be lower than in previous years.

You can choose when to make a withdrawal, with a limit of no more than one withdrawal per calendar month.

My Nest Vault

This part of your pot is designed to provide money for future years' withdrawals.

Each year up until age 85, Nest will move money from your Nest Vault into your Nest Wallet. From age 65 we'll also put some money from the Vault each month into a 'later life pot' designed to provide you with money to buy a guaranteed lifetime income from age 85 if you wish.

You should not normally expect to make withdrawals from the Vault. If you do want to take money out of the Vault, you'll need to either take all of your money out or come out of the Nest Guided Retirement Fund and choose another retirement option to access your money.

My Nest Safe

This part of your pot is designed to help you pay for emergencies, unexpected events or possibly the odd treat.

Nest will put a one-off amount of money into your Nest Safe when your pot is moved into the Nest Guided Retirement Fund.

If the investment performance of the Nest Vault is exceptional, we may move some money across into your Nest Safe in the future. If you're continuing to make contributions these will also be paid into the Nest Safe. You can make a withdrawal from this part of your pot at any time.

What are the charges for the Nest Guided Retirement Fund?

Nest won't charge you an additional amount for using the Nest Guided Retirement Fund. However, the annual management charge will continue to be applied. You'll still be able to make contributions to your Nest account with the normal contribution charge applying.

How are withdrawals managed?

Each withdrawal must be requested using the Nest website. Withdrawals can be made once per calendar month, or less frequently if desired, with a minimum withdrawal amount of £20.

If you die whilst there's still money in your Nest Guided Retirement Fund, these savings can be passed on to your beneficiary, whether the money is in your Nest Wallet, Vault or Safe. We do, however, have to follow certain rules. You'll find information about different options for naming your beneficiaries on **page 12**.

5. Receive a regular income through an annuity product

An annuity is a retirement income product that will pay you an agreed level of income for the rest of your life or for a fixed period of time. You can take some of your pot as a tax-free cash sum using the remainder to buy an annuity product. You can find out more about annuities in the Money Advice Service's guide Your pension: your choices, which you can find at **moneyadviceservice.apsmos.com/Home.html**

Nest doesn't offer annuities but you could use your pot to buy one from an annuity provider if you want to. You could do this at any time after age 55 and once you've stopped contributing into your Nest pension pot. We won't charge you for doing so. The provider may charge you for receiving your money or may charge a different amount for looking after it.

There are many kinds of annuity and different providers charge different rates, so you should shop around to find the one that is best for you. See more about how to shop around at **pensionwise.gov.uk/shop-around**

Many insurance companies apply a minimum pot size for buying an annuity. If your pot is below £5,000 you may have limited access to an annuity unless you have pots elsewhere to combine with it. Once you've bought an annuity, you can't change your mind, so it's important to choose the right one.

You should therefore consider taking advice about which annuity is most suitable for you. Once your pot is moved to another provider, your Nest account is closed and you cannot make any further contributions to it.

If you choose to move your Nest pot to an annuity provider, you can let us know by logging in to your Nest account. You'll need to use the online retirement tool to tell us how much you want to take as a cash lump sum before we send your pot to your chosen annuity provider.

Under certain circumstances you may be able to buy an impaired life/enhanced annuity. Find out more on **page 27**.

6. Choose a drawdown product from another provider

Another way to access income from your pot is to transfer your pot to a drawdown provider. Nest does not offer this option.

Flexi-access drawdown invests the money from your pension pot with the aim of growing it while allowing you to draw an income if you choose. Unlike an annuity there is no guarantee that you'll be able to keep receiving an income until you die.

While Nest doesn't charge you for transferring money out, the new provider may charge you for receiving it or may charge a different amount for looking after it.

It's important to compare what else is on the market as charges, the choice of funds and flexibility might vary from one provider to another.

If you opt to take an income from a drawdown product, please note that any future contributions you make into a pension scheme will be limited to £4,000 per tax year, after which further taxes are applied.

If you want to transfer to a drawdown provider to access a drawdown product, you can let us know by logging in to your account at **nestpensions.org.uk/login**.

For more information on drawdown products, consult Your pension: your choices, available at **moneyadviceservice.apsmos.com/Home.html**

You may want to seek advice before taking this option. You can find an adviser near you at **directory.moneyadviceservice.org.uk/en**

7. Transfer to consolidate your pension pots

You could have built up a number of pension pots with different employers or in private pensions. To learn how to trace your pensions see **page 4**.

You may want to bring them together by transferring all your pension savings into one retirement pot.

If you do this, you could:

- get a single, potentially higher retirement income
- access other retirement options that require a minimum pot value, like flexi-access drawdown

You can transfer money into your Nest pension pot, or transfer out of Nest and into another pension scheme, at any age. Nest can transfer a member's retirement pot to another UK registered pension scheme, a retirement income provider or a qualifying recognised overseas pension scheme (QROPS).

To find out more about transferring your other pension pots into Nest, go to **nestpensions.org.uk/schemeweb/nest/members/my-nest-pension/transferring-pension-pots.html**

Beware of pension scams

Remember there are an increasing number of scams out there which offer to transfer your pension. Never rush a decision or sign anything under pressure. See more on **page 5**.

For more information on how tax is applied, please see Tax and your pension pot on **page 20**.

Next steps

When you're close to your retirement date and have made up your mind about what you'd like to do, please get in touch with us.

You can log in at **nestpensions.org.uk/login**

Or call us on 0300 020 0090.

Tax and your pension pot

You benefit from tax relief on the contributions you pay into a pension scheme like Nest. When you take your money out of Nest, the tax implications depend on the option you've chosen.

1. Keep your money invested with Nest

All the time your money is invested with Nest it's not subject to income tax. If you decide to continue paying contributions into your retirement pot and you're eligible, you'll receive tax relief on those contributions as long as you're below age 75.

If the total contributions paid into your retirement pot during a tax year by you, your employer and the government are greater than the annual allowance, currently £40,000, the contributions over this limit may be taxed through your self-assessment tax return. For more information on the annual allowance, see **page 26**.

There may also be tax implications for your beneficiary should you die whilst there is still money in your Nest pot - see **page 25**.

2. Take your money as a number of lump sums

Each time you take a lump sum from your retirement pot, a quarter will usually be tax-free. The rest is usually taxable in the same way as any income you'd earn, like your wages. This, when added to your other income, may increase the rate of income tax you have to pay that year.

You'll be taxed at your marginal tax rate. Nest will use your tax code – where we have it – to deduct the tax, if necessary, before making a payment. Where we don't have your tax code, the emergency tax rate will be used in line with HMRC guidance.

For this reason it's possible you'll need to pay more tax or have some tax refunded. The tax office will usually do that automatically during the tax year by adjusting your tax code. Sometimes they can't do that, for example if you don't get paid any more taxable income during the tax year. In that case, they may wait until after the end of the tax year to either pay you a tax refund or request an additional tax payment.

The amount of tax you'll need to pay will match the highest rate of income tax you pay. We'll always explain the amount we've deducted (if any) to cover tax both before and after you make a withdrawal.

Checking you've paid the right amount of tax

If you think you've paid too much tax or believe you need to pay more, you don't have to wait until the end of the tax year for the adjustments to be made. You can send a form to your local tax office for an immediate assessment. The form you need to complete depends on your circumstances. To find out which is the right form for you, visit the HMRC website at **gov.uk/claim-tax-refund/you-get-a-pension** or call them on 0300 200 3300.

Remember that you can usually only take a quarter of your pot tax-free. Any other cash or income that you take from your retirement pot counts towards your taxable income for that year.

If you take a large amount in one year, this may push you into a higher tax bracket, even if you aren't usually a higher-rate taxpayer. Once you've taken money from your Nest account you won't be able to pay more than £4,000 per tax year into any pension savings in future without paying extra tax.

There may also be tax implications for your beneficiary should you die whilst there is still money in your Nest pot - see **page 25**.

3. Take all of your Nest pot in one go

Usually, when you take your retirement pot as a lump sum, a quarter will be tax-free. The rest is taxable in the same way as any income you'd earn, like your wages. This, when added to your other income, may increase the rate of income tax you have to pay that year.

As we won't know your overall income, we use the same tax rate for everyone who takes cash from their Nest pot. This may be different from the actual rate you'll need to pay.

For this reason, it's possible that you'll need to pay more tax or have some tax refunded. The tax office will usually do that automatically during the tax year by adjusting your tax code. Sometimes they can't do that, for example if you don't get paid any more taxable income during the tax year. In that case, they may wait until after the end of the tax year to either pay you a tax refund or request an additional tax payment.

The amount of tax you'll need to pay will match the highest rate of income tax you pay.

We'll give you a certificate showing the tax we've taken off when you take out a cash lump sum. We'll also tell you how to reclaim tax from HMRC if you think we've taken too much.

Remember that you can usually only take a quarter of your pot tax-free. Any other cash or income that you take from your retirement pot counts towards your taxable income for that year.

If you take a large amount in one year, this may push you into a higher tax bracket.

If you want to avoid paying the highest rate of tax, it may be worth delaying or staggering your cash withdrawals, so that they don't all fall in the same tax year. If you take your whole Nest pot in one go, you may have to pay some higher-rate tax.

We'll show you how your Nest pot will be taxed in the letter contained in your retirement pack.

You can also get information about how you'll be taxed for different retirement options from the free guidance service Pension Wise.

Find out more in Getting guidance from Pension Wise on **page 6**.

Once you've taken any money from your Nest account or another pension account, you won't be able to pay more than £4,000 per tax year into any pension savings without paying extra tax.

It's worth considering how much you plan to save for retirement in the future before taking cash from your retirement pot.

You may not be subject to the £4,000 limit if your Nest pot is under £10,000 and you take it all in one go.

Lifetime allowance

The government also puts a limit on the total amount you can accumulate in all your pension savings without paying extra tax. This limit is called the lifetime allowance and is currently set at £1,073,100.

Read more on this in the Jargon buster on **page 26**.

4. Take regular withdrawals through the Nest Guided Retirement Fund

When you take withdrawals from your Nest pot, a quarter will usually be tax-free.

The rest is usually taxable in the same way as any income you'd earn, like your wages. This, when added to your other income, may increase the rate of income tax you have to pay in that tax year. Nest will use your tax code – where we have it – to deduct the tax, if necessary, before making a payment. Where we do not have your tax code, the emergency tax rate will be used in line with HMRC guidance.

If you take a large amount in one year, this may push you into a higher tax bracket, even if you aren't usually a higher-rate tax payer.

For this reason, it's possible that you'll need to pay more tax or have some tax refunded. The tax office will usually do that automatically during the tax year by adjusting your tax code. Sometimes they can't do that, for example if you don't get paid any more taxable income during the tax year. In that case, they may wait until after the end of the tax year to either pay you a tax refund or request an additional tax payment.

We'll always explain the amount we've deducted (if any) to cover tax both before and after you make a withdrawal.

All the time your money is invested with Nest it isn't subject to income tax. If you decide to continue paying contributions into your retirement pot, if eligible, you'll receive tax relief on those contributions as long as you're below age 75 and the contributions do not exceed the standard annual allowance, currently £40,000 per tax year. However, if you start making withdrawals and continue to pay contributions, you may be liable for an additional tax charge if contributions exceed £4,000 per tax year. You can find more information about the annual allowance on **page 26**.

Checking you've paid the right amount of tax

If you think you've paid too much tax or believe you need to pay more, you don't have to wait until the end of the tax year for the adjustments to be made. You can send a form to your local tax office for an immediate assessment. The form you need to complete depends on your circumstances. To find out which is the right form for you, visit the HMRC website at **gov.uk/claim-tax-refund** or call them on 0300 200 3300.

There may also be tax implications for your beneficiary should you die whilst there is still money in your Nest pot - see **page 25**.

5. Buy a regular income

Income from an annuity is taxable in the same way as any income you'd earn, like your wages. The annuity provider will deduct income tax at your tax rate before they make their regular payment to you.

6. Choose a drawdown product from another provider

When you choose a flexi-access drawdown product you can usually take a quarter of your pot tax-free and the remainder will be invested in the drawdown product. Withdrawals will then be taxed as income.

Once you've taken money from your drawdown product you won't be able to pay more than £4,000 per tax year into any pension savings in future without paying extra tax. You can find more information about this annual allowance on **page 26**.

7. Transfer to consolidate your pension pots

There are no tax implications associated with transferring your Nest retirement pot to a UK registered pension scheme or provider.

Should you choose to transfer your retirement pot overseas, tax implications could apply.

8. Taking your money out of Nest due to ill health

If you take your pot as cash due to serious ill health whilst you're under age 75, it will usually be paid out to you tax-free. Once you've reached 75, we'll need to take off income tax from the total amount in your pot. We'll take off the tax before we pay the cash lump sum to you.

The amount of tax you'll need to pay depends on your individual circumstances and how much other taxable income you have that year.

9. If there's money in your pot when you die

If you die before age 75

If you die before age 75 we'll usually pay your pension pot to a beneficiary or beneficiaries as a tax-free lump sum.

Your beneficiary can be a person, trust, charity, or another organisation, or a combination of any of these. If you want to select or change your beneficiary, please let us know – see **page 12**.

If you die age 75 or older

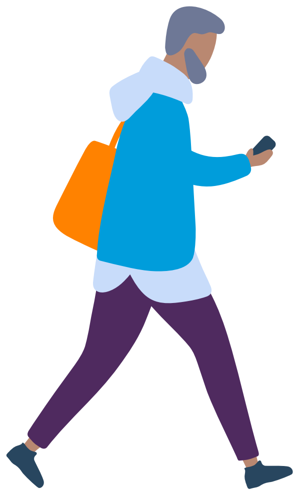
If you die age 75 or older and we pay your Nest pot to a beneficiary or beneficiaries, it will usually be taxed at their marginal rate of income tax.

If your beneficiary doesn't have a marginal rate, for example they're a trust or company, or if payment is made to your estate, then a 45% tax charge will usually apply.

Lifetime allowance

The government puts a limit on the total amount you can accumulate in all your pension savings without paying extra tax. This limit is called the lifetime allowance and is currently set at £1,073,100.

When you die, if the total value of your retirement pots is greater than the lifetime allowance, further tax charges will be payable by your beneficiary or beneficiaries. To find out more about the lifetime allowance, see **page 26**.



Jargon buster

Some of the terms in this jargon buster have been used in this booklet. Others are technical terms we try to avoid using at Nest, but you might come across them when you're looking into your retirement options.

Allowances

Lifetime allowance

The government puts a limit on the total amount you can accumulate in all of your pension savings without paying extra tax.

This limit is called the lifetime allowance. The standard lifetime allowance is currently set at £1,073,100.

It's not designed to have an impact on the vast majority of pension savers. It's designed to limit the tax breaks that wealthy individuals receive.

This limit doesn't include your State Pension or state benefits. Most people won't go over this limit.

If the total value of someone's pension savings does go over the lifetime allowance limit, they'll have to pay a tax charge on the amount over the limit. This charge is known as the lifetime allowance charge. You can find out more about this from HMRC at **gov.uk/tax-on-your-private-pension/lifetime-allowance**

Enhanced lifetime allowance

A lifetime allowance set at a higher amount than the standard lifetime allowance which is currently set at £1,073,100. It's sometimes referred to as a personal lifetime allowance. Only a small number of people have this. To get one you would have had to register with HMRC requesting a higher limit.

Annual allowance

The annual allowance is a limit to the total amount of tax-free contributions that can be paid into a pension scheme each year. The standard annual allowance is currently set at £40,000 but it's reduced to £4,000 if you access any of your pension pots 'flexibly'.

If the total amount you pay into pension pots in one tax year goes over the annual allowance you may have to pay a tax charge on the amount that exceeds the limit. This is known as the annual allowance charge.

At Nest, contributions count towards the annual allowance based on when we received them. That's the case even if they're deducted from your pay earlier and passed onto us by your employer. So sometimes contributions deducted from your pay in March or early April will count towards the annual allowance in the next tax year.

Annuities

Annuity

A lifetime annuity is an agreement with an insurance company that they'll pay you a certain level of income for the rest of your life.

It's a way of insuring against running out of money before you die. You pay some or all of your retirement pot to the insurance company and in return they guarantee your income. You can buy a lifetime annuity or a fixed-term annuity from an insurance company of your choice. A lifetime annuity is paid for life, whereas a fixed-term annuity is paid for an agreed period of time.

Annuity rates

The rate used by insurance companies to convert a lump sum of money into a series of regular payments.

The actual rate used depends on a number of factors. These can include your age, whether the income is guaranteed or increases over time, and sometimes other things, such as health and lifestyle.

Escalating annuity

A retirement income that increases each year rather than staying the same, for example to keep pace with the cost of living, known as inflation. This is why you may hear an escalating annuity referred to as an inflation-linked annuity.

These types of retirement incomes tend to either follow changes to inflation or increase by a fixed percentage each year. With some products, income could reduce in times of falling prices.

Flexible annuity

A type of annuity that pays you an income for life and allows you to choose the method of investment as well as the amount of money to be received every month. This annuity can also be used to provide money to your beneficiaries and dependants.

Guaranteed annuity

A retirement income that's paid out for the rest of your life, but is also guaranteed to be paid out for a fixed period of time if you die within that time.

If you die within the fixed period, your income will continue to be paid out until the fixed period ends. If you live longer than the guaranteed period, you'll still get your retirement income for the rest of your life.

Impaired life/enhanced annuity

Impaired life annuities are a type of lifetime annuity offered by some insurance companies or annuity providers that are designed for people who have been diagnosed with an illness or who have other health problems that could reduce their life expectancy.

Some insurance companies and annuity providers also offer enhanced annuities if, for example, you smoke, you are overweight, you have worked in certain jobs or you live in particular parts of the country.

To qualify, you'll need to complete a questionnaire providing information about your medical history and lifestyle. The annuity provider may also ask for further information from your doctor or ask you to attend a medical examination. The annuity rate that you're offered is based on an estimate of your personal life expectancy calculated using the medical and lifestyle information supplied.

Inflation-linked annuity

An annuity where the payments increase in line with inflation.

Joint-life annuity

A retirement income that's paid out to your spouse or partner if you die before they do. They'll usually get an agreed percentage of the income you were receiving.

For more information on annuities, see the Money Advice Service's guide called Your pension, your choices, which you can find at **moneyadviceservice.apsmos.com/Home.html**

Other terms

Consumer price index (CPI)

A measure of changes in the price level of a standardised market basket of consumer goods and services typically purchased by households. If the price of these items goes up, this is called inflation. If it goes down, this is called deflation.

Defined contribution pension scheme

A type of pension scheme where you pay in a set amount each month to build up a retirement pot. You can use this money to buy an income or take it as cash when you retire. The amount you save can depend on investment returns and the amount of charges over time.

Deflation

When the cost of living goes down. It's often seen in falling prices as expressed in the consumer price index (CPI).

Expression of wish

A request to the trustees or scheme administrator of your pension scheme setting out who you'd like to receive any death benefits payable on your death. It's not binding on the trustee or scheme administrator, but they take your wishes into consideration when making their decision.

Fund

Funds are usually made up of shares and other financial products and are a way of investing a member's retirement pot in lots of different ways.

Inflation

When the cost of living goes up. It's often seen in rising prices as expressed in the consumer price index (CPI).

Incapacity

Under Nest's rules this is a physical or mental condition that means a member is incapable of work and incapable of carrying on any occupation. Confirmation from a doctor is needed to declare that someone is incapable of work.

Nest Guided Retirement Fund

An option you can choose if you're eligible and want to start taking money from your pot at retirement. It aims to make available stable and sustainable amounts of money which you can withdraw and to reduce the risk of your pot running out.

Nest Retirement Date Funds

Unless you choose a different investment option, this is where your retirement pot will be invested until your Nest retirement date. The money will be put into a fund designed to be ready for the year we expect you to take your money out. If your retirement date is 2025, your money will be invested in the Nest 2025 Retirement Date Fund. You can change your retirement date any time by logging in at **nestpensions.org.uk/login**

Nominated beneficiary

A person or number of people or a trust, charity, club or society, or a combination of any of these, that you choose to give your retirement pot to if you die before taking your money out of the scheme.

Open market option

Shopping around for a retirement income. It gives you complete flexibility to choose how you take an income in retirement.

Retail price index (RPI)

An older measure of inflation that tracks the prices of everyday things we buy, such as food, clothes, bus fares and petrol.

Retirement pot

Nest's name for the money you save through a pension scheme. It includes your contributions and any contributions from your employer as well as tax relief and any investment returns. It is also sometimes called a pension pot.

Retirement pack

Your retirement pack includes this booklet as well as your retirement letter, which tells you which choices apply to you and the forms you'll need if you choose to take money out of Nest.

State Pension

The amount of money you could receive from the government when you reach State Pension age. The figure for the full flat-rate State Pension is currently £179.60 per week.

The flat-rate State Pension replaces the basic State Pension and the State Second Pension for those people reaching their State Pension age on or after April 2016.

State Pension age

The age when people normally start getting their State Pension. You can find out what your State Pension age is by visiting **gov.uk/state-pension-age**

Tax-registered pension scheme

For a pension scheme to qualify for tax relief, it must be registered with HMRC for that purpose and comply with limits set out in the Finance Act 2004.

Tax relief

The money Nest claims from the government for you based on what you pay into your retirement pot and HMRC rules.

Some of the areas this booklet covers are set out in the legal framework that governs Nest, known as the Nest Order and Rules. We've taken care to make sure that where this booklet summarises the Order and Rules it's as accurate as possible. It doesn't cover everything, and the Order and Rules will always take priority. You can read the full Order and Rules at **nestpensions.org.uk/library**

Contact us

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To the best of our knowledge, all information in this booklet, including tax rates and allowances, is correct at the time of publication in April 2021.

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