Pensions Toolkit

Helping you one step at a time

SEI MASTER TRUST

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What's in the toolkit?

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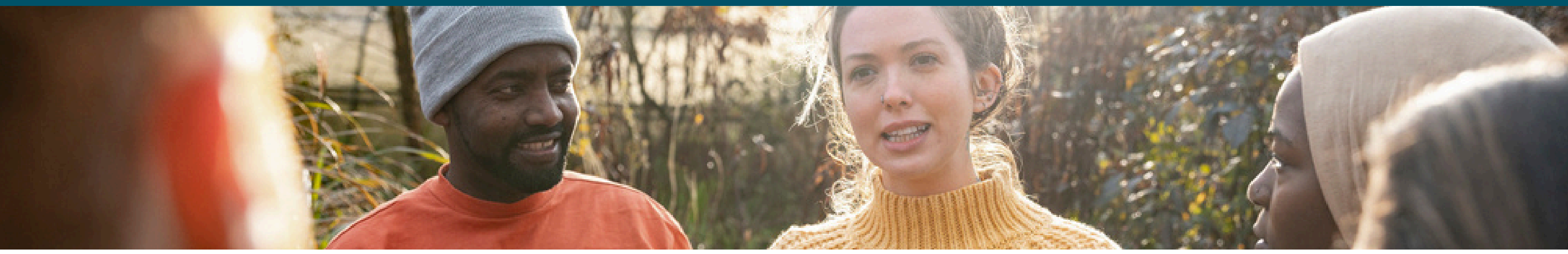

Pensions Myths

13 million working age savers in the UK are not saving enough to meet the minimum target for an adequate retirement income*. Let's look at some typical pension myths to help you get on the right track!

Myth	Truth
The Government will provide me with all the pension I need.	The current state pension stands at £11,500 per year. With the cost of living, this would not be considered enough to have a comfortable** retirement. The state pension is a great foundation, but you need to build on it to be able to have the retirement you want.
Saving for a pension is not worth it when you're young! I have things I need to buy!	Pension savings are most effective when started early. The longer the money remains in your pension, the greater the potential it has to grow, thanks to investment returns and compound interest.
My house is my pension, I don't need to save on top!	Relying solely on property leaves you with a lack of flexibility. Selling can be costly and time-consuming, while renting out property requires significant time, effort, and incurs tax expense.

Myth

Truth

Myth	Truth
When I die my pension dies, what's the point in saving if no one gets to use it?	The remaining balance of your account becomes payable to the nominated beneficiary or beneficiaries. They can choose to receive the amount as a lump sum or through a dependant's drawdown or annuity.
I'm too old to start! I've never had a pension so why should I start now?	It is never too late to start. Your contributions will qualify for tax relief, which is even more attractive to those in their 50s & 60s, as you're closer to being able to access your savings. The tax benefits only stop after the age of 75.
I've lost my previous pensions, now they're gone forever!	Keeping track of your pensions over your working life is hard, but there are plenty of services out there to help you track down those lost pension pots. Use The Government Pension Tracing Service to find your old pensions.
My employer and pension provider have my pension under control, I don't need to check on it!	Your personal and professional circumstances will continually change throughout your life. Regularly reviewing your pension plans ensures you stay on track with your goals. Complete our Pension MOT to see what you need to do to get back on track.

*The Retirement Foundation, 12.02.24
** www.retirementlivingstandards.org.uk

Getting the help you need

Government Support

Moneyhelper	You can find help, information, and advice on all things money, and there is also a section dedicated to pensions and finding an Independent Financial Adviser. www.moneyhelper.org.uk/en/pensions-and-retirement
Find your pension	Track your old pensions, and get the contact details. www.gov.uk/find-pension-contact-details
Pension Wise	Free, impartial guidance via 60 minute appointments for those over 50 years old. www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise
Check your State Pension	Double check details about your State Pension, such as your State Pension Age and how much you might expect. www.gov.uk/check-state-pension

Further Information

Retirement Living Standards	Find out how much different retirement lifestyles cost and if you're on track with your pension savings. www.retirementlivingstandards.org.uk
State Pension Age	Double check your State Pension Age. www.gov.uk/state-pension-age
Info on Workplace Pensions	What are workplace pensions? Citizens Advice explains here. www.citizensadvice.org.uk/debt-and-money/pensions/types-of-pension/workplace-pensions

Find an adviser

Moneyhelper	www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser
Unbiased	www.unbiased.co.uk
Vouchedfor	www.vouchedfor.co.uk

Wakey wakey! It’s time to pay attention

Once a year you get a pension statement (normally in late summer to early autumn) and it's one of the most important pieces of information we send you.

Why? It explains how your pension has performed over the last year, and gives estimated projections for your retirement. It doesn’t matter how young or old you are. We can’t stress enough how important it is for you to connect with your pension.

So what do you have to do? Firstly, check how much money is in your Pension Account and look at the estimated income you might get if you bought an annuity. Now ask yourself a few questions:

Have your pension savings grown the way you expected? The statement tells you how much money has been saved and the effect the market had on its value. We know money is often stretched for most people, but if there’s any way you can save more, will you think about doing so?

Does your investment strategy serve your needs? There’s no escaping the impact world events, like the war in Ukraine and the global pandemic, have had on investments. But don’t panic - there’s a lot you can control. Do you want to be invested in more aggressive markets? Do you think you need to be more cautious with your money? Are you ok with being more of a risk taker? Or less maybe? Have a think about your investment strategy and work out what’s right for you.*

Can you afford your retirement? Everything has a price tag, and you need to make sure you’re planning for a lifestyle you can afford. Your annual statement shows you an estimate of the retirement income you might get if you used your savings to buy an annuity (income for life). However, there are lots of different ways you can take your money at retirement.** Use the Retirement Planner tool to see if you’re on track and click here to review the Retirement Living Standards costs.

*Please note, this is information only. We do not provide advice. If you need financial advice we recommend finding an Independent Financial Adviser here: www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

**This applies to your pension with us, if you have pensions with other providers, you might want to check if there are any rules or limitations to how you can take a retirement income with them.

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Your pensions MOT

Pass - "I feel confident that I'm in control of my pension"
Advisory - "I'm nearly there but still need some guidance"
Needs attention - "I need a helping hand to get me back on track"

Pass | Advisory | Needs attention

1. I know how much I need to save

- Do you know what you need / what you might get?
- Have you considered other long-term savings and any past pensions?

2. I'm making the most of my pension

- Are you contributing enough to achieve the retirement you want?
- Can you save more now (for later)?

3. I'm comfortable with where I'm invested

- If you've chosen your own funds, are you checking in regularly?
- If you've left it to the Trustee, does your Target Retirement Age match your plans to retire?

4. I'm keeping track of my other pensions

- Do you have multiple pots from multiple employers?
- Do you know how much is in each pension account?

5. I have an idea of what my retirement looks like

- How much money do you think you'll need?
- Have you used a retirement calculator?
- Have you visited the **Retirement Living Standards** website?

6. I understand my options at retirement

- Do you know the difference between an annuity (guaranteed income) and drawdown (flexible income)?
- Do you know how you can take lump sums from your SEI Master Trust account at retirement?

7. I keep up to date with my pension

- Is your personal information, like your email, address, phone number and beneficiary(ies) up to date?
- Have you opened your latest benefit statement?

8. I've used tools and resources to get help

- Have you visited **MoneyHelper**, used the online tools, and/or asked us to help?
- Have you taken steps to see what difference you can make to your future?

Jargon buster

The pensions industry is full of jargon and acronyms. It tends to make short versions of words that not many people know, making it tricky to understand! Whilst we always try to write clearly, we often have to use pension-specific words. So we've put together a list of the most common pension terms.

There are four sections:

- **General pension terms**
- **Saving**
- **Investing**
- **Retiring**

We hope you find this useful!

General Pension Terms

Administrator
Often your pension provider works with another pension company to manage the day-to-day administration of your pension. This includes answering your questions, paying your money at retirement and helping you move money into or out of your pension account.

The two companies work closely to provide the pension experience you need and have to meet The Pension Regulator's rules and guidelines.

Benefit statement
This is the annual pension statement you receive every year that updates you on the value and progress of your pension savings.

Beneficiary
This is the person who is receiving the pension savings you have built up, whether that's you, or one of your nominated beneficiaries in the event of your death.

Defined Benefit (DB)/Final Salary (FS) pension scheme
This is a type of scheme where you earn a portion of your future pension for every year you stay in the pension scheme. It was traditionally the most common type of pension scheme, but now defined benefit pension schemes are rare. Most companies have a defined contribution pension scheme as their way of helping their employees save for the future.

General Pension Terms continued...

Defined Contribution (DC) pension scheme

This is a pension scheme where you save some of your salary every month into a Pension Account. Your employer also pays in money and you save on tax. Your money is then invested to help it grow, as you continue to save. The amount of money you'll have at retirement will be affected by how much money is put into your Pension Account and how much it grows through investment returns. You might have heard this type of pension called a 'money purchase scheme'. With this type of pension scheme, it's important to know the value of your savings can go down as well as up. The Trust is a DC pension scheme.

Active member

As soon as you're enrolled in a pension scheme, you become a 'member' of that scheme. An active member is someone who is actively saving (contributing) into their pension account at their present job.

Deferred member

As soon as you're enrolled in a pension scheme, you become a 'member' of that scheme. A deferred member is someone who has left their employer, but will receive the money they have saved when they retire. These are often called preserved benefits.

Workplace pension scheme (occupational pension scheme)

This is the pension scheme your employer has set up with a pension provider, which staff are 'auto-enrolled' into, or are invited to join.

Saving

Auto-enrolment

This is a government initiative to help more people save for retirement. You're eligible if you:

- are aged 22 or over
- are under State Pension age
- earn more than £10,000 a year

If you qualify, your employer must automatically enroll you in a workplace pension scheme. You have the option to opt-out if you wish, but don't forget that you'd also miss out on money from your employer if you do.

Contributions

There are two parts to pension contributions:

- Employer contribution: the money your employer pays into your pension.
- Employee contribution: the money you pay into your pension.

Contributions are the payments you and/or your employer make into your pension account. They are usually a percentage of your salary but can also be a fixed amount. As well as your regular contributions, there are several different ways you can make contributions which include:

- Additional Voluntary Contributions: these are extra payments you can choose to make on top of your regular pension contributions.
- One-off contributions/bonus sacrifice: you can make lump-sum payments into your pension, such as your annual bonus, which could lower your taxable income.
- Salary sacrifice: this is where you give up part of your salary in exchange for pension contributions, lowering your taxable income.

You may be able to make some or all of your contributions in these ways, but it’s worth checking your member booklet and talking to your employer.

Compound interest
This is when the interest you earn on your savings starts earning interest itself. The longer your money stays invested, the more time there is for compound interest to boost your savings.

Here’s a short video, showing you how compound interest helps grow your money.

www.youtube.com/watch?v=lNK95khKvSk

Opting out
Opting out of a workplace pension scheme means you’re choosing not to save for retirement through your employer’s scheme. While this gives you more money in your take-home pay in the short-term, it could mean missing out on contributions from your employer, tax relief and compound interest, so it’s important to weigh up the long-term benefits against the immediate gain.

What is the difference between ‘opting out’ and ‘leaving’ a pension scheme?
If you don’t want to pay into your pension scheme, you will either opt out or leave the scheme, depending how long you have been enrolled in the scheme.

- ‘Opting out’. You have been part of your pension scheme for less than 30 days and any money paid into the pension pot will be refunded to you.
- ‘Leaving’. If you have been part of your pension scheme for longer than 30 days, then you are ‘leaving’ the scheme. Any payments made into the scheme, will remain there until you need them for retirement, or if you want to transfer the pension pot to another provider.

Target retirement date (TRD) / Target retirement age (TRA)
This is the date at which you plan to retire. You can change this at any time on your online account, unlike your State Pension Age which is fixed at a certain age (and only the Government can change it).

Tax relief
This is one of the perks of saving into a pension. It means that some of the money that would have gone to the government as income tax is redirected into your pension account.

(See next page for our example)

Jo is 40 and has a pensionable salary of £2,500 a month (£30,000 a year)

9% of basic pay every month = £225
Their employer pays in 6% every month = £150
Jo saves 3% = £75
But because Jo gets tax relief of 20%... = £[15]

It only costs Jo = £60

The above example is based on a basic rate taxpayer. Higher or additional rate taxpayers usually get more tax relief.

You can learn more about it by watching this video: natpen.co.uk/saving-for-the-future.

Investments

Investments
This is where the money paid into a pension scheme is used to buy things like stocks and shares, bonds and properties. These are called investments.

Active investment management
This is an approach to investing where a fund manager seeks to outperform a specific market index or benchmark. An active manager will continuously monitor and make changes to investments in an effort to maximize returns and manage risks.

Passive investment management
This is an approach to investing that seeks to match the performance of a market index or benchmark rather than outperform it.

Factor investing
This is an approach to investing where the fund manager selects securities based on specific characteristics or factors that are believed to drive market returns over time. It is an actively managed, quantitative approach that aims to outperform or achieve better risk-adjusted returns than the market.

Default option (Default Strategy)
This is the main strategy set by your pension trustees for members who don't want to have any involvement in choosing where to invest. It isn't for everyone but suits the majority of our members.

Financial Adviser
A qualified professional who is authorised and regulated by the Financial Conduct Authority (FCA) and must follow the FCA rules when giving financial advice. They will assess your financial situation and make financial recommendations that are appropriate for your circumstances. 'Independent Financial Advisers' look at all financial product types and all providers. It is important to find an adviser from a reputable source as scammers are active in the pension industry.

Investments continued...

Fund manager
A fund manager is a qualified professional who implements investment strategies and manages the trading activities of pension schemes. They have a responsibility to assess and take necessary decisions to generate investment returns. While they work to make wise investments, they can't control the markets and the value of your savings can go down as well as up.

Inflation
This is the increase in the general level of prices of goods and services.

Investment risk
Pension fund investment risk comes from four main sources: risk that you will out live your funds, risk that the fund will fall in value, risk that the pension fund's returns will not keep pace with inflation, and risk that the pension fund does not perform well enough to keep pace with the growth in the cost of providing pension benefits. Each type of investment carries its own different risks. Equities (shares) tend to be higher risk, but offer the opportunity for higher reward. Cash and bonds tend to offer a lower rate of return, but are considered less risky than shares.

Units
When your money is invested in a fund, you hold 'units'. So, if the unit price of a given fund is £1 and you hold £1,000 worth, you have 1,000 units in that fund. The value of the units can go up and down, but the aim is that the value increases over the longer term.

Different things you can invest in

Cash
Cash funds invest in, for example, short-term loans, cash deposits and investments issued by the UK Government (such as UK Treasury Bills). A cash fund generally aims to achieve returns similar to interest rates. This is generally the safest type of investment but it also provides the lowest returns. Cash funds are not guaranteed and can fall in value in certain circumstances.

Gilts and Bonds
Many companies and governments borrow money from investors to raise funds. In turn they issue securities known as 'bonds', or 'gilts' if they are loans to the UK government. In return for the loan, interest is paid until an agreed end date. These securities can be bought or sold before the agreed end date. These are not the same as the fixed rated savings bonds offered by building societies or National Savings.

Often referred to as fixed-interest investments, funds holding these types of assets tend to produce lower but more stable returns than shares. There is a risk these investments could go down in value if, for example, the government or company failed to repay some or all of the debt.

Property
Investing in commercial property is an alternative to the traditional asset classes of shares and bonds.

As well as looking for capital growth on the properties, the rental income from the properties held also contributes to growth in the fund. Values are decided by an independent valuer considering market conditions and, in particular, the price received for recent sales.

At times the value of your investments in these funds could fall quite sharply. In more uncertain market conditions the fund manager may need to delay your transaction in these funds by up to a year, or possibly longer. The fund manager will do this if they believe it is necessary to sell properties before carrying out your transaction or if there is wider uncertainty over property valuations which causes the fund to stop trading units.

Stocks and Shares (equities)
If you invest in a fund dealing in the shares of companies, then growth depends on several factors including how well those companies perform. When a company makes higher profits, it could choose to pay higher 'dividends'. Dividends are payments made by a company to its shareholders and are a portion of corporate profits. The fund you're investing in benefits from those dividends as growth in your fund.

Increased profits and dividend payments may also mean the value of each share increases, providing further growth in the value of the fund.

Funds can be UK based or they may invest overseas. Over time, a fund which invests mostly in shares is likely to offer greater potential for higher returns, but greater changes in value (up and down) along the way. This is because they are volatile in nature: meaning their value can rise and fall quickly. While they carry higher risk of falling in value, they may provide the greatest return over the long term (10 years or more).

Retiring

Annuity
An annuity is a guaranteed regular income in retirement. When someone retires, their pension scheme can make a single payment, after taking tax free cash, usually to an insurance company. This company will then pay an annuity to the member. The money paid to the member is what people usually call their pension, but it's sometimes called an income for life. There are lots of different types, and you can choose one to suit your circumstances. This income is taxable, depending on total levels of income received.

There is also an 'Enhanced Annuity' for those who struggle with ill health. Terms and conditions normally apply.

Cash lump sum
This is a flexible way of take money from your pension savings, either in one go, or a bit at a time. Some of it will be tax free, and you'll pay tax on the rest. You might see it being referred to as UFPLS (Uncrystallised Funds Pension Lump Sum).

Drawdown
You keep your pension savings invested and withdraw money when needed during retirement, giving you a flexible income.

Money Purchase Annual Allowance (MPAA)
How much you can pay into your DC pension if you've started taking your savings. This applies if you take income from drawdown, an annuity or a taxed cash lump sum. The MPAA is significantly lower than the Annual Allowance. Full details of the Annual Allowances can be found at www.gov.uk/tax-on-your-private-pension/annual-allowance.

Tax Free Cash/Pension Commencement Lump Sum
When someone retires they can normally take up to 25% of their pension pot tax free. If someone has been in a defined contribution scheme before April 2006, sometimes there is an entitlement to "Protected Tax Free Cash", which may mean they get more than 25% tax free.