Aston University Presentation

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Hello and welcome to the presentations about your new Aston University Pension scheme that launches from April with us, Scottish Widows

My name is Clare Perfect and I am the Aston University client manager and today I will be going over the information about your new pension scheme

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For us at Scottish Widows the main thing we want to talk about today is just about our expertise in pension, the basics about what this new pension is and what you can do with it, where you'll be invested, what you can do online and then if you do have any pensions elsewhere out with your old defined benefit scheme.

Then within Scottish Widows we always like to think about 5 things for you to think about and that is what the 'What Next' goes for.

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So who are we?

Well we are Scottish Widows, we've been around for over 200 years it is actually our 203rd year this year. We are the most trusted and recognisable insurance brand in the industry and this purely because we have the living icon in our Scottish Widow who is currently Amber Martinez. Our first ever Scottish Widows was actually Roger Moore daughter, so Deborah Moore was our first ever Scottish Widow.

Now we are owned wholly by Lloyds Banking Group which means they are investing into us and our future which means your future and your retirement are in a safe pair of hands and that's what we all want at retirement. Plus the fact we have been around for 200 years shows we have stood the test of time.

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So why is it important to save for your retirement?

Well you may of found out about four years ago the Government brought what is known as Automatic Enrolment, now that's great because the majority of the population are saving for retirement, but, what we've found now is there a bigger gap and actually 44% aren't saving enough for retirement and that's what we about at Scottish Widows. We're about making sure people are saving enough so they can retire when they want too.

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So what is you new pension with Aston University?

We know some of you might have been in the old pension scheme so it is to go over exactly what the difference is. The main difference here is this is a saving plan, a long term saving plan, you can't get it until your 55 but that's the best way to describe it. You'll contribute, Aston University will contribute and so will the Tax Man and similar to an ISA you will be invested into Stocks and Shares, which can obviously go up and down on a daily basis. However because it's a long term savings plan you can ride out the peaks and troughs.

Now only a couple of years ago, you could only do one thing with your pension and that is what was known as an annuity, however the Government brought in new options and this is what the main difference is between your old pension and your new one.

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So with your new pension you could still take what is known as an annuity, or a 'Guaranteed Income for Life'. So from the age of 55 you can say you want to retire, we'd give you 25% tax free cash the remainder we'll look at your age, where you live, your health and calculate how long you're going to live and set an income for the rest of your life. Now if this is something you want to do we would recommend that you shop around and this is because similar to insurance you get can get better deals out there in the market.

The other option 'Leave it for Now' and that are just because you have arrived at your retirement age does not mean that you have to take your pension. You might defer it, you might leave it until you need it and that is exactly what that is.

Another option is 'Flexible Access' and what this is, is using your pension like a bank account. This is our most common option, from the age of 55 you can draw money out if and when you need it. 25% of this will be tax free; the remainder may be subject to tax depending on where you hit on the income threshold. The main difference between this option and the guaranteed income is that with guaranteed income the provider is telling you how much they will give you each month, while the flexible access you're in control of how much you take and when.

The last option is 'Take it all as Cash', George Osborne called this the Lamborghini option where you cash in your pension one and day and go to a car dealership the next and buy yourself a Lamborghini. I hate to break it to you but I have known anyone yet to buy a Lamborghini with their pension but it is what it says on the tin, so you take your money and run. 25% of it will be tax free and the remainder will be taxed and we will tax you at the emergency tax rate and that's purely because as a provider we do not know your individual tax situations/code. You can then claim any over payment back from the HMRC. A couple of things for this one is if you do take it all as cash and you don't have any other pension provisions then you might not be able to have the lifestyle in retirement that you were hoping for and lastly it may affect your tax code for the rest of the tax year.

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What happens to your pension in the event of your death?

Now this is one of our most questions and on our YouTube channel it is the most watched video. When you receive your policy document from us at the end of April you will have a nomination form in the pack. I urge you all to complete this and return it to us, as in the event of your death we will pay out 100% of your fund, tax free to whoever you have nominated. If you have not nominated any one then we will pay the value to your estate and it may be subject to inheritance tax.

On the other side it mentions what happens to your pension if you have already started to take your income and this depends on your choices but we will guide you through them. For example Flexible Access would work similar to the nomination form while the guaranteed income for life you will have to add a spouse pension onto this for them to continue to receive the income in your death.

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We need to start to think about the type of retirement we want, do we want to travel, take up new hobbies, but the main thing we are finding is that people want spend time with their friends and family, financial secure but they want to be less reliant on the state. And the reason they want to be less reliant on the state is because…

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As of today if you retired you would get £164.35 per week from the government which works out at just over £8,500 per year. Now to get this you need 35 full years of national insurance contributions, anything less than the amount will be reduced accordingly and if you have less than 10 years you don't get a state pension anymore. The state pension age is rising to 66, 67 and even now its rising to 68. They are making this harder and harder to get, the way I look at this is the state pension will be a nice top up to whatever I have saved personally for my retirement.

To find out where you're tracking for the state pension and what your state retirement age is please visit www.gov.uk

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Your contributions with us from April are very generous. As you can see whatever you will pay Aston University will double.

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What will happen is you will go in at the default amount which is 6% from yourself and 12% from Aston University. For example we have based this slide on a salary of £20,000, which means for your £80 a month, we will claim £20 tax relief and Aston University would pay £200. Altogether that means for your £80 you're getting £300 into your pension, now there not many saving vehicle that give you that rate of return without your money being invested and this shows the benefit of being in a company pension.

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Unfortunately nothing comes for free now a day and there is an Annual Management Charge on the pension, which is 0.40%. Putting this into context the national average for a workplace pension scheme is 0.55%. The way the AMC works is we will take 1/12 of 0.40% each month from your fund value. This will be clear online when we are doing this and when you receive your annual benefit statement from us it will show there how much you have actually paid in charges.

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Let's talk about the engine of your pension, the investment. Now it's great you get that rate of return from day one from your contributions but we want our money to work harder for you so you can retire sooner and enjoy your retirement. Similar to an ISA the greater the risk the greater the reward, at the bottom we have Cash, a safe place to have your money but won't get that great a return. You then have bonds which are your government bonds, a bit more risky but still quite safe and finally you have shares, which can go up and down on a daily basis with the stock market.

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What will happen if you make no selection you will be placed in our default fund, which is known as out Balanced Investment Approach Targeting Flexible Access.

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What that means to you is, from 15 years from retirement you'll be heavily invested into equities with an element of bonds. The closer you come to retirement we will move out of equities and increase your bond element; we call this de-risking your portfolio and protecting your fund the closer you come to your retirement.

Then from 5 years from retirement we will write out to you and ask you what time of retirement you want. If you do nothing you will go into flexible access and what that means is that 25% of your fund will be in cash to mirror the tax free cash, the majority will be in bonds but you will still have an element in equity, and that's because if you don't know what you want to do with your money we would rather your fund still works for you and potentially grow.

If you choose the annuity option, what will happen here is that 25% of your money will go into cash and the remainder will go into a fund called pension protector which mirrors the annuity market so you will be buying like for like when you get to this point.

And finally if you choose encashment, we will put your money in 100% cash.

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We do have an adventurous and cautious version of our default fund and if you believe that you may be one of these you can go online at www.scottishwidows.co.uk/idt answer 10 questions which will determine your risk appetite. At that point you can decide to change the fund if you wish.

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However of you want to take control of your funds we have over 160 funds from you to choose from. They come from a range of external fund managers but these may come at a higher cost than the 0.40%, this is because we are bringing in the resource from external parties and also the closer you come to retirement we will not de-risk your portfolio so the responsibility is on you to make sure you are not in risky funds when you are close to retirement.

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Our final thing to discuss today is your new online and transfer services from April 2018.

Currently you have access to www.scottishwidows.co.uk/gppae, this site gives you all the information you need to know about Scottish Widows, our investments and also handy tools and calculators.

Once you get your policy document from us in April you can register with your email address, enter some personal details and create a password and that is you registered. You can view your Fund Value on a daily basis, contributions going in and it will have some handy hints and tips to help you along the way to your retirement.

Currently we are trailing with our Bank of Scotland customers the ability to view their pension as part of their banking online access and by the end of the year if you bank with Lloyds or Halifax you will be able to see this as part of your log-on. This is because we believe that you should be able to see everything under one roof and this makes us unique to any other pension provider.

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So what next…

1 – Review your pension plan(s), have a look on the government website and see when your state retirement age is and also how you are tracking to receive the full amount.

2 – Consider if your investment strategy is right. 95% of our customers remain in our default fund but you can choose the adventures or the cautious version and you can also self-select if you wise

3 – Consider if you are paying enough. Your company has a very generous contribution structure, however have a think if you could pay a bit more.

4 – Think about your retirement income options. Every year you will get an annual benefit statement from us around April time detailing these options, but you can go online and look at the options.

5 – Finally Transfers, if you have a final salary, defined benefit, teachers or NHS pension we would not recommend you transfer these pensions to us as you will lose benefits you just don't get any more. If you have worked for another company with a defined contribution pension or a workplace pension you can transfer these over to us online at www.scottishwidows.co.uk/transfer.

If you do every leave Aston University this pension is fully transferrable to your new employer pension too.

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Thank you for your time today.