



SFIA

29 High Street
Marlow, Bucks SL7 1AU

Tel: 0845 458 3690

Fax: 0333 444 1550

Web: www.sfia.uk

Email: enquiries@sfia.co.uk

Long-forgotten plans

Managing your pension savings effectively and efficiently from a single pot

If you've worked for two or three different employers, it's possible you could have a workplace pension from each of them. You might also have set up a personal pension, so they can add up quickly.

Pension consolidation lets you simplify your pension arrangements and makes it easier to manage your pension savings effectively and efficiently from a single pot. There is a danger that long-forgotten plans could end up in expensive, poorly performing funds, and the paperwork alone can be enough to put you off becoming more proactive.

EASY-TO-MANAGE

So, is transferring or consolidating everything into one easy-to-manage pension the way to go? There are advantages to switching your pensions, but there are also pitfalls. The best course of action will depend on what kinds of pension you have and how long you have until retirement.

Having lots of different pensions could mean paying lots of different charges. It also means you've got to think about where you've invested the savings in each of your different pensions to make sure you're keeping an eye on performance. And to get valuations, re-arrange your investments or alter your contribution levels, you'll have to deal with numerous pension providers.

PROS AND CONS

Pensions are important, so it's crucial that you take time to understand exactly what you've got and exactly what you'd be giving up when you transfer out of an existing pension.

Before you transfer any pots, you need to be sure that you're not giving up any protected benefits like tax-free cash or low pension age. You should also consider any features your plan has, like guarantees or life assurance benefits.

Remember that what you get back depends on several things (for example, how your investments perform and how they're taxed), and you may get back less than you invested.

If you are considering consolidating your pension accounts, this is a very specialist area, and you should obtain professional financial advice. There are a number of issues to consider before you decide to consolidate. ■

GETTING IT RIGHT COULD MEAN A HIGHER INCOME

Making the most of your pensions now will have a significant impact on your happiness in retirement; getting it right could mean a higher income, or even an earlier retirement date. If you would like to review your current options, please contact us.

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