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General Q&As

What did the Chancellor announce that affects my retirement choices?

The Chancellor announced that from April 2015 people reaching retirement age will be given significant new choice in how they choose to use their pension savings to provide for themselves in retirement. The changes will give greater flexibility for consumers to choose how to spend or invest their pension savings from the age of 55.

In the interim period, ahead of April 2015, the trivial commutation limit will be raised from £18,000 to £30,000 with effect from 27 March 2014. In addition, up to three personal pension pots of under £10,000 can be taken as cash (up from two pension pots of under £2,000), scheme rules permitting). There remains no limit on the number of occupational pension funds under £10,000 (up from £2,000) that can be taken in this way, and taking these does not affect the number of personal pensions that can be taken in addition (see below for further details).

It was also announced that the minimum income required for flexible drawdown is being reduced from £20,000 a year to £12,000 a year and the capped drawdown pension limit on income that can be taken will increase from 120% to 150% of an equivalent annuity.

Finally, the Chancellor announced that defined contribution customers will be given access to free impartial guidance from April 2015. The implementation details of the changes proposed for April 2015 are subject to an industry wide consultation.

Do the changes affect me?

You will not immediately be affected by any of the changes if you are under 55 years of age, although the pension changes may affect you in the future.

I've seen speculation on social media that Friends Life is pulling out of the annuity market. Is there any truth in this?

No. Friends Life remains focused on ensuring good outcomes for customers and believe that annuities will continue to play an important role for those seeking to provide a secure retirement income for life.

The Chancellor's announcement will provide an opportunity to provide new retirement solutions, some of which we are already developing.

Can I take my entire pension as a lump sum?

Not at the moment. From April 2015 the proposal is that once you're aged 55 or over, when you decide to start taking your retirement benefits, you will be able to take out as much of

your pension fund as you like. As now, 25% of pension savings can usually be taken tax-free. The rest will be taxed as income at your marginal income tax rate.

Please note, these changes do not apply to 'final salary' or 'defined benefit' pension arrangements. Their rules are not changing at this time. These proposals are subject to an industry wide consultation and dependant on individual schemes implementing the changes.

When do the new rules come into effect?

The changes in relation to smaller pension pots, trivial commutation and income drawdown are effective from 27 March 2014. The new rules for taking money out of your pension are due to come into effect in April 2015. These changes are subject to consultation.

What is the current value of my pension?

We can give you a fund value today. Please [contact us](#) for us more information.

When can I take my retirement benefits?

You can take your retirement benefits any time from aged 55 onwards (unless you have ill health, then you may be able to take your benefits earlier). However, the Government is proposing to increase this minimum age to 57 from 2028, to ensure that it would always be 10 years before the State Pension Age.

Trivial commutation and small pots Q&As

What is trivial commutation and small pots?

These rules allow for pension savings that are below certain limits to be taken entirely as a lump sum.

What are the new rules around small pots and triviality?

A number of changes will be introduced from 27 March 2014 for policyholders age 60 or over. These include:

- An increase in the total value of all your pensions where you can take the money as a lump sum from £18,000 to £30,000.
- An increase in the 'small pots' limit where you can take an individual pension as a lump sum. This is going up to £10,000, regardless of the overall value of your different pensions (up to a maximum of three personal pension pots plus an unlimited number of occupational pensions).

What will happen to the small pots and trivial commutation rules post the proposed changes in April 2015?

If the proposed April 2015 changes are agreed, you will have freedom to take cash withdrawals from your pension savings whenever you wish. The small pots and trivial commutation rules will therefore be redundant.

Flexible and Capped drawdown Q&As

What is Flexible drawdown?

Flexible drawdown allows you to withdraw as much of your drawdown pension fund as you like.

What is Capped drawdown?

Capped drawdown also allows you to withdraw money each year from your drawdown pension but the amount you can take is limited.

What are the new rules around Flexible drawdown and Capped drawdown?

From the 27th March the minimum income required for flexible drawdown is being reduced from £20,000 to £12,000 and the maximum capped drawdown pension amount that can be taken will change from 120% to 150% of an equivalent annuity.

Can I take Flexible or Capped Drawdown with Friends Life?

Friends Life provides some products which allow both Capped and/or Flexible drawdown as an option. We have historically required customers to obtain financial advice before taking out this product because of its complexity. The costs of administering the complex products can also make them unsuitable for those with smaller funds. In most cases to take advantage of either drawdown option you will need to transfer your pension fund into another product. If you would like more information on this option please speak to your financial adviser. If you do not have an adviser you can find one at www.unbiased.co.uk. You may be charged for this advice.

Annuity Q&As

If I want to continue with my annuity purchase, can Friends Life still set this up for me?

Yes we can. If you confirm to us that you still want to go ahead with the purchase we will proceed to set up your annuity as instructed. If you have already applied for a Friends Life annuity please see ["I've already applied for an annuity with Friends Life. What will happen to my annuity application?"](#)

I've received a 'health and lifestyle questionnaire'. Should I still complete this if I'm not sure I want to go ahead with an annuity?

It is important when approaching retirement that you explore all the options available to you. An underwritten annuity quote is an important consideration when selecting the option that best fits your circumstances. We always emphasise the importance of seeking advice and we are strongly reiterating this in light of the recent changes.

I've received a retirement pack through the post – is it still relevant to me?

If you are approaching your retirement you may have received a retirement pack from us to help you understand the steps you need to take to plan for your retirement and to make you aware of the various options that are available to you.

However, in the Budget the Government announced significant and unexpected changes to pensions and annuities. This means that you may now, or will shortly, have some additional options when you're planning for retirement. As these changes were announced after we recently wrote to you, they're not included in the pack you have received.

I've already applied for an annuity with Friends Life. What will happen to my annuity application?

Understandably some customers may question whether purchasing an annuity remains the right choice for them going forwards. As a result, to allow customers the time to consider the changes and impacts on them, we have temporarily suspended setting up current annuity applications. We are contacting all customers, or their adviser, who are currently applying for

an annuity so that we can seek further customer confirmation before an annuity is provided. All rates will be held for a limited period (a minimum of two weeks) to give you some protection while you make an informed decision. We will only process applications received prior to the budget when we have received confirmation that a customer is happy to proceed. However, in some circumstances we will continue to process the set up of an annuity for example, if a guarantee applies.

Will you be contacting customers or their advisers who have already applied for an annuity with Friends Life?

Yes. We are calling all those customers or advisers who have submitted an application for an annuity with Friends Life. Where we are unable to make contact by phone we will be sending a letter or e-mail asking them to make contact with us.

We will ensure we treat our customers fairly and allow them time to consider the changes and the impacts on them. We will only process applications received prior to the budget when we have received confirmation that a customer is happy to proceed. However, in some circumstances we will continue to process the set up of an annuity for example, if a guarantee applies.

How long are you guaranteeing an annuity rate already quoted for?

We want to treat our customers fairly and ensure there is no customer detriment while options are reviewed. Therefore, within reason, we will hold our rates until we have made contact with you and understand the decision you wish to make (for a minimum of two weeks).

Can I cancel an annuity that has already been set up?

You can cancel your annuity if you are still within the cooling off period. Please refer to the retirement information already provided to you for more details.

Will you be extending the cooling off period for customers who have recently set up their annuity?

We are contacting customers who are within their 30 day cooling off period when the changes were announced by the Chancellor on 19 March 2014. The purpose of the call is to ensure they are aware of the changes and have time to consider their options. We are taking a flexible approach for these customers affected within this period.

I already have an annuity with Friends Life and am receiving a pension from you. Am I able to make changes to this in light of the announcements?

As you have already used your pension fund to purchase an annuity you will not be able to make changes.

I have just set up an annuity with Friends Life and would like to reconsider in light of the Government announcements. Can I do this and what do I need to do?

If you are within the 'cooling off' period you can exercise your right to cancel the annuity. However you may need to return any Tax Free Cash Sum and annuity income that has already been paid to you.

I reach my 75th birthday before 6 April 2015; can I wait and take my benefits wholly as a lump sum after this date?

Most Friends Life pension plans require that benefits are taken no later than your 75th birthday. You may be able to transfer your fund to a product which can continue beyond age

75. You would need to make any transfer before your 75th birthday. If you choose to take this option you may be able to wait and take your benefits as a lump sum from 6 April 2015. However, you should take financial advice.

These pension rules are very confusing and I want to make sure that I make the right choice with my money. Who can I speak to to help me decide what is best for me?

We suggest that you speak to a financial adviser. If you do not have one you can locate an adviser close to where you live at www.unbiased.co.uk. You may have to pay for this advice.

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