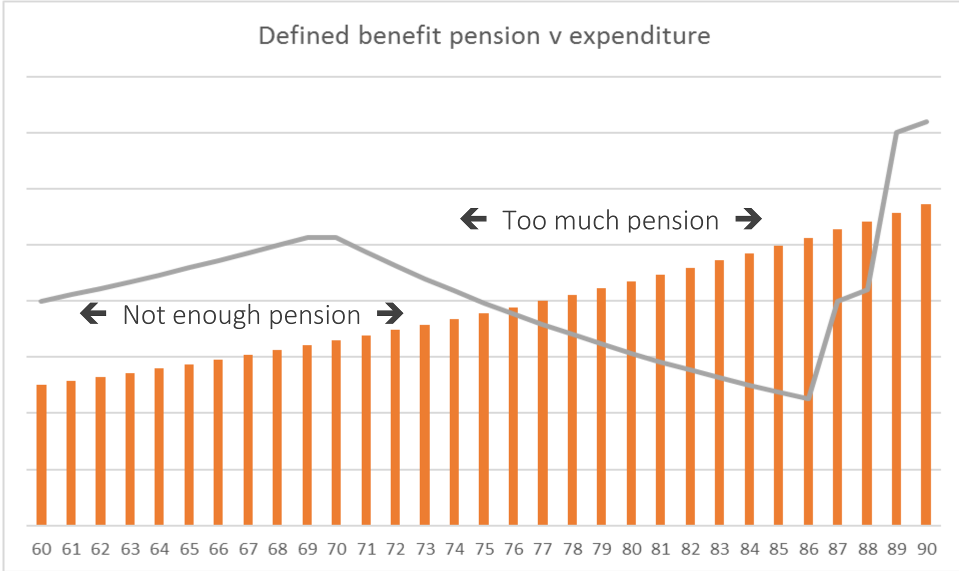
Defined benefit pensions v personal pensions

Advantages of defined benefit pensions

- Guaranteed pension income, every month, for the rest of your life.
- Financial security, so it's easy to budget and plan ahead.
- Income usually goes up with inflation, so your buying power stays the same.
- Guaranteed income to your spouse after your death.
- You don't have to worry about how it's invested – it's all managed for you.
- It is backed up by the Pension Protection Fund if the scheme fails.



Disadvantages of defined benefit pensions

- Income is set by the scheme and can't be changed.
- There is no flexibility to draw more income in early retirement and less later.
- You can't take income gradually as you move from work to retirement.
- No ability to minimise taxes by taking your tax free lump sum in phases, or keeping your income low when it isn't needed.
- Tax free lump sum can be lower.
- Spouse's income on your death is usually 50% or 66% of the original pension.
- If you have no dependants when you die, the pension stops completely.
- You are relying on your previous employer to keep the pension well-funded.
- The Pension Protection Fund will not always provide the same benefits.
- There is no special treatment if you aren't in good health or are single.
- Can't defer or plan for Lifetime Allowance tax charges where they apply.

Spouse/partner
On your death, they receive
50%-66% of your income for life

Children
On your death, if they are
not dependent on you,
they receive nothing

These advantages and disadvantages are a general guide only. All pension schemes are different and these points may not apply to every scheme.

Personal pensions v defined benefit pensions

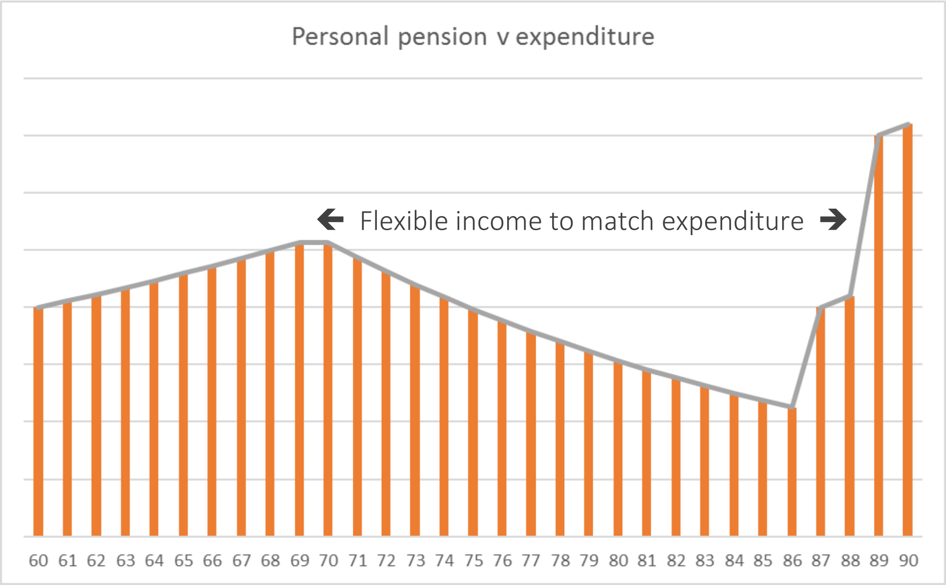
Advantages of personal pensions

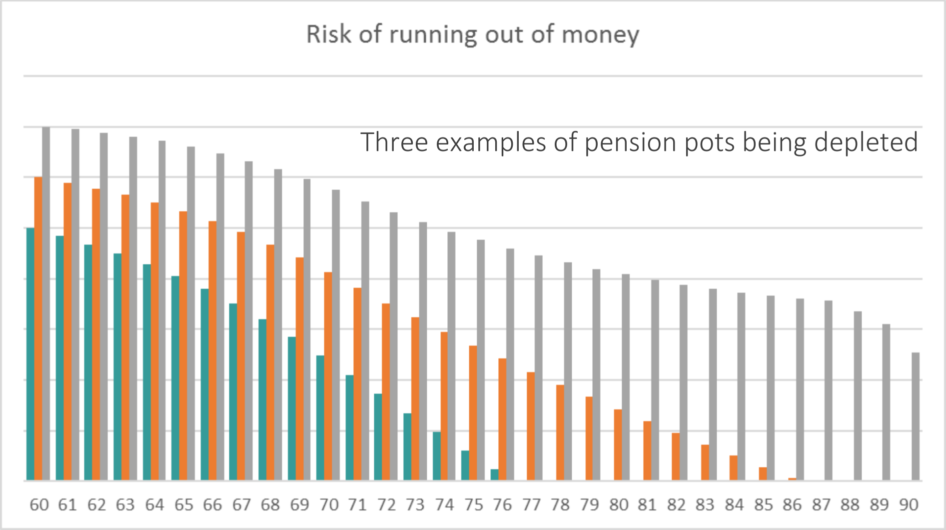
- Income can be taken flexibly as needed.
- Enables you to have more income and enjoy more in early retirement and choose to have less later in life.
- Possible to minimise taxes by only taking the money you need.
- You can take out the tax free lump sum element in stages.
- On death, the whole fund can be left to your spouse, children or others.
- The money is never lost on death, even if you have no dependants.
- You can decide how the money is invested.
- Ability to defer or plan for Lifetime Allowance tax charges where they apply.

Spouse and children
On your death, they can receive the whole pension pot

Disadvantages of personal pensions

- No guaranteed income or security.
- No guaranteed investment returns.
- Can cause more worry because you are responsible for the money yourself.
- It is possible to run out of money.
- You must regularly review and adjust the pension plan and your income.
- It is more complicated and you may employ a financial planner to assist.
- Personal pensions have management charges.





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