The pension REVOLUTION

Your questions answered

Pensions may not be exciting, but they are set to get, well, a bit more lively. The biggest reforms for a generation are coming into force, and they'll affect all of us. Here, we reveal what this month's changes will mean for you, whatever your age

The low-down on the key reforms

FROM APRIL 2015, you will be able to access and use your defined contribution pension in any way you like from the age of 55. You will be able to take up to 25% tax-free, convert it into a regular retirement income (an annuity) and/or withdraw the remaining cash in stages or as one lump sum (but you will probably have to pay tax). **MAJOR CHANGES** will then come in for the State Pension scheme from April 2016. **EMPLOYERS** will have to automatically enrol you into their workplace pension scheme – the onus is on you to opt out if this is not what you want. All workplace pensions have to meet minimum quality standards, including charges capped at no more than 0.75% a year.

State Pension changes

If you reach your State Pension age after April 2016, the key points to know are:

- You need to have paid National Insurance or received NI credits for 35 years to get the full amount.
- Couples will qualify for the new payment as individuals, affecting women with few years on their NI record who were relying on their spouse's record for a State Pension.
- A single-tier pension replaces the current complex system.
- You can still defer taking the pension, but you won't be able to take the deferred amount as a lump sum.
- Find your State Pension age at gov.uk/calculate-state-pension.

75% of women don't know how much State Pension they'll get when they retire††

I'm 55 and read that I'm able to cash in my pension pot. Should I use it to pay off my mortgage?
Remember, only 25% is tax-free – you could pay 40% or more tax on the rest. 'If you use your pension to pay off your mortgage, what will you live off?' asks money coach Simonne Gnessen, co-author of *Sheconomics* (Headline, £8.99). 'You could try living off the same amount as the State Pension for a few weeks – that's currently £113.10 a week. But ask yourself if you'd be happy doing that for 30 years?' The average 65-year-old woman will live to 85*, so don't underestimate the amount you'll need to see out your days happily.

I didn't pay National Insurance contributions for 15 years when I was at home bringing up my children. How will that affect me when I retire five years from now?
To be eligible for the full single-tier State Pension, you will need to have 35 qualifying years of National Insurance contributions or corresponding credits. Child benefit may well qualify you, but do check. More than 50% of women don't know if there is a shortfall in their National Insurance contributions**. You can check yours now by visiting gov.uk/check-national-insurance-record. If you have fewer years than the minimum, you are currently able to make up the shortfall if you wish.

I'm 33, have bought my first home and am mortgaged to the hilt. I'm not sure I can also afford to pay into a pension. Do I need to?
However far off it may seem, you should consider what you will live off when you retire. 'If you have an employer who'll match your contributions, it makes sense to have a pension,' says Simonne. If you don't want to tie up your money, there are other ways to save. With a stocks and shares ISA, your money could be invested as it would be with a pension. This is also more flexible – if you hit an emergency, you can draw the money out, whereas with a pension you'd have to wait until you were 55.

I'm 45 and have moved jobs several times, so I now have four different pension pots. How do I keep track of them, and should I lump them together?
'Some older pensions may be expensive and limited in investment choice, and you might benefit from transferring to a cheaper option, such as a SIPP (self-invested personal pension),' says Ben Westaway from Jessop Financial Planning. 'However, older pensions can also have valuable features that would disappear if you transferred.' This is one to get individual financial advice on. Track lost pensions through the free Pensions Tracing Service – but don't fall for sites that ask you to pay. Visit gov.uk/find-lost-pension.

4 in 10 women don't know how much their private pension will pay††

I'm 49 and only started paying into a pension five years ago. Am I just wasting my time and what can I do to make the most of it?
'Ask yourself what you'd fall back on if you stopped paying into it,' says Simonne. 'Even a small pension will give you something.' You don't have to pay tax on the money you pay into your private pension, so it's a tax-efficient way to pay for your later years. If there's a gap between your estimated retirement income and how much you'll need, you could retire later so that your retirement pot won't have to last as long. You could also defer your State Pension to get higher payments, or save more now, upping your regular contributions, or put in a lump sum as and when you can.

I've been with my partner for 20 years, but we're not married. Would I be entitled to anything from his workplace pension if he passed away?
Although the number of cohabiting couples has almost doubled from 1.5 million in 1996 to 2.9 million in 2012†, someone in an unmarried couple does not have an automatic right to their partner's pension after they die. Typically, pension schemes only pay to a legally married spouse or civil partner. Cohabiting couples need to specifically nominate who they would like to receive their pension after their death. 'Each scheme has different rules, so don't just make any assumptions,' warns Michelle Cracknell, CEO of The Pensions Advisory Service. Whether you're married or unmarried, if your circumstances change, you must change the beneficiary details.

I'm self-employed so don't have an employer to pay contributions on my behalf. What should I do?
It's still worth paying into a private pension. 'Paying a regular sum into a pension plan means you'll benefit from tax relief at your highest rate. So effectively, for every £100 invested, you'll only pay in £80, reducing to £60 if you're a 40% tax payer,' says Simonne. 'And you'll also benefit from investment returns. So, for example, a 6% per annum investment return would double a sum of money over 12 years.' It doesn't have to be a pension though. Consider ISAs, second properties, or downsizing in later life as well.

What happens to my pension if I get divorced before I retire?
Pensions are included in the assessment of a couple's assets. If it is decided that you'll receive half of the total assets, you could receive your share of your partner's pension fund or get other assets to offset the value of the pension you are due. It will also work the other way – you'd have to share your pension fund with your husband. 'After the financial settlement, you should review your overall financial position anyway,' says Michelle.

NEED MORE HELP?

- You can contact The Pensions Advisory Service at pensionsadvisoryservice.org.uk, or call on 0300 123 1047.
- For a financial adviser, check out the Institute of Financial Planning at ifpwayfinder.org.uk.
- Over 55 and retire after 5 April 2015? You may qualify for free pension guidance. For more info, go to gov.uk/pensionwise.

Feature: Mel Hunter Photos: Getty Images *SOURCE: 2011 figures from the Office for National Statistics. ** & †† SOURCE: The Pensions Advisory Service Women and Pensions report Jan 2014. †SOURCE: ONS