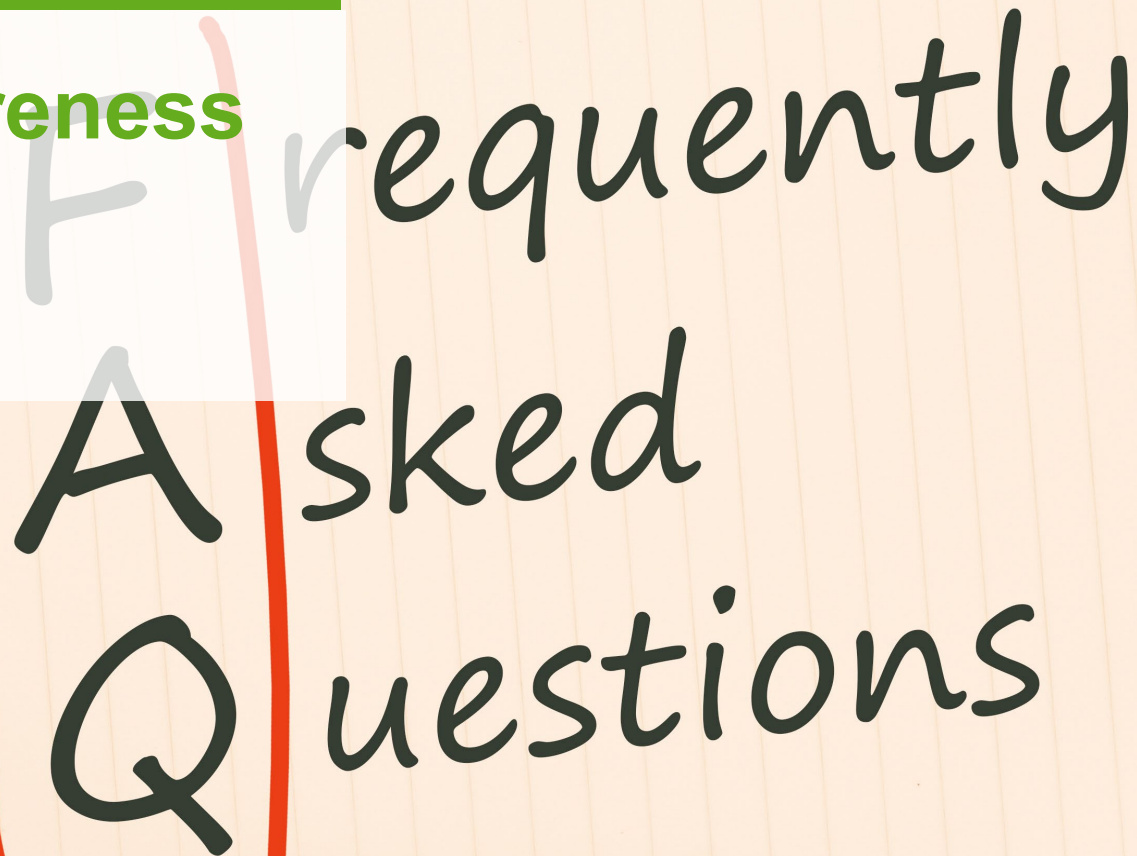


BASF Financial Awareness

Questions and Answers



Frequently
Asked
Questions

Your questions, answered! (all 2024 sessions)

In our three 2024 Financial Awareness sessions, hosted by Origen Financial Services and the BASF In-House Pension Team, our employees raised various questions that we have taken away and answered in the table below.

Questions	Answers
Is there a minimum age for lifetime ISAs (LISAs)?	Age 18-40 to open a lifetime ISA, you can contribute to age 50.
Does the annual income you desire on retirement affect how much you are taxed on that income on drawdown (i.e. are the income tax bands still relevant)?	Any taxable income taken from Drawdown pension plans is taxable as earned income and therefore subject to income tax at your marginal rate.
Is the death in service payment based on the salary before pension contributions are deducted or after?	Pensionable Salary is used <u>before</u> contributions are deducted.
With the expression of wishes does the percentages make a difference - should we include children on this, e.g. Husband 90%, Children 5% each (two children)?	The Trustee has discretion where any death benefits are paid. However, it would make it easier for them say, if a couple died together, that children have a nominal amount on the expression of wish as this confirms who you would want the funds to go to. It's important to keep your Expression of Wish up to date on the Pension Portal .
Can you take the 25% tax-free amount as one lump sum, or multiple amounts (up to 25%) when needed?	You do not have to take the lump sum all at once, you can draw it down over a phased period, meaning that under drawdown if the funds are invested, and it grows (not guaranteed), that you can create extra Tax-Free Cash from growth. The value of the 25% is calculated at the time of the taking of the benefits, not calculated as 25% of when you access the funds. If anyone wants more information on this, I'm happy to have a call/teams meeting to discuss as this is a very complex area of financial planning.
If a child inherited, e.g. a 10% share of a house, does it exclude them from getting a LISA?	If an individual inherits a share of a property, they will no longer be a first-time buyer for LISA purposes, irrespective of whether they live there or rent it out. However, if they were to receive cash in lieu of the property (or the property was sold by the executors and the beneficiary received the proceeds) this would prevent them from being caught by these rules.
What tax rate is the pension pot taxed at when you take it out, 20% or 40%?	Any taxable income taken from Drawdown pension plans is taxable as earned income and therefore subject to income tax at your marginal rate, for basic rate taxpayers this is 20%, and for higher rate currently 40%, subject to change. Income is only taxable to the tax payable of the tax band that the income falls into, for instance you can pay 20% and 40% if income straddles the higher rate threshold.
You showed some rough incomes needed for different retirement levels (comfortable, etc.). Are these figures before or after tax. I am guessing after tax, right?	Correct, after tax

This Q&A will be updated after each Financial Awareness session, so keep checking back for more updates.

Questions	Answers
For budgeting what are the management costs likely to be annually for drawdown?	This is only a very rough guide, for all investors I see I quote approximately 1.7% per annum, which includes Adviser Charges, Investment Management costs, and associated product costs, however it is very much variable and dependent on the style of investment management whether this is more costly, for example Discretionary managed services and reduced volatile funds will cost more, whereas passive funds (with very little investment management) cost much lower.
Based on your comments re: the LTA, then is max tax-free lump sum £268k?	Yes, £268,275 is the maximum tax-free lump sum that can currently be taken, 25% of lifetime allowance, unless you have any personal protections in place.
You mentioned critical illness insurance. What policy is this covered by?	The company provides Private Medical cover and ill health income protection (depending on your employer). BASF don't offer Critical Illness cover.
Should I enter my children as beneficiaries as well as my spouse?	It is a good idea to consider placing a minor amount, 1% to each of your children, this allows the possibility of being able to continue as a pension plan in their own name should you both pass away together, which means they wouldn't have to draw it as a full lump sum and be potentially subject to a large tax bill, dependent on the age you die. It also means that the majority of the fund still goes to your spouse.
If you reduce your working hours before you retire other than reducing the amount of money that goes in the pot, will it affect your pension.	Lower amounts invested would lead to a smaller pot. To maintain pot value, you can still make the same contributions as you would if you were full time, however this would have to be funded yourself as the employer contributions would only be set against your salary.
Can you withdraw 25% and still remain in BASF pension as active or deferred member?	No, if you draw 25% tax free cash from the pension you have to either purchase an Annuity with the balance or transfer it away from the scheme.
How much is financial / pension advice from your company?	There are 2 ways to access financial advice through Origen, either via our Focused Service (concentrating on your BASF pension only) or Holistic Service (which can include other pensions and other financial planning services), both of which are supported by a fee payable from the BASF Pensions Team towards these services, fees are dependent usually on work required and a quote is available upon request for personal circumstances.
When you change between investment strategies, is there a fee to do so?	No, there are no fees to switch your funds
Does your fund still grow/drop whilst it takes up to 5 days to change?	Yes, the funds are switched in and out on the same trade day. Typically, the trades occur within 2-3 days
Can a DB final salary pension, also be inherited by your children or is this only a spouse pension?	Generally, DB pensions can only be inherited by spouses/financial dependents. Children's pensions are normally payable whilst the child is in full time education. However, lifetime child pensions may be payable if the child requires long-term financial support (e.g long-term disabled, etc.)

Questions	Answers
How many years before your ideal retirement age should you move your pension to a less risky fund?	There are 9 LifePlans available and these start to gradually switch your funds over 3-5 years before your Target Retirement Date (TRD). Therefore, ensuring your TRD is up to date is very important (you can update your TRD on the Pension Portal).
Is the amount you can put into your DC pension when you also have a DB pension still less (i.e., can't put 6% so BASF put 10%)	No, as the DB sections are now closed, all current contributions limits are aligned
For some reason my plan is showing as LifePlan Annuity but I never chose this. I would prefer LifePlan Drawdown - can I change this on the portal as it looks pretty confusing?	If a member doesn't make a choice, the default investment plan is chosen. This is currently the Moderate LifePlan targeting drawdown. In the past the default was different. You can change your investment path on the Pension Portal
Anybody have the Gallagher portal address please	https://www.pensionportal.co.uk/basf
On the older DC scheme the death in service is a spouse pension rather than payment of pension pot, can that be changed?	Some employees (pre 2009) had the choice to include a 30% spouse's pension on death in service. If you qualify for this, you can remove it, but it cannot be added back at a late date. Please email me if you want to check if this applies to you
Does BASF charge if you transfer your DC pot to another provider?	No, there are no charges to transfer your BASF pension
When / how do you choose these options with what you do with your pension, Cash, annuity, drawdown etc.?	If you invest in LifePlan you will have already chosen a target benefit (either cash, annuity, drawdown), but you don't have to commit to that choice until retirement. However, changing your choice at the end may cause issues with your investments - get in touch if you want to look at this in more detail
For the draw-down option, if we decide to choose this on retirement and after 2 years have to switch to another provider - Will BASF manage this and pay for any charges?	At this point, you will already have moved out of BASF, but you can port your drawdown to another provider. Any charges at this time will be payable by yourself.
Can Leon speak a little about pension recycling and HMRC rules as they are still unclear to me	Recycling rules are complex, but essentially, they are designed to stop individuals taking tax-free cash from one pension and reinvesting it into another. Financial advice is available if you need to discuss specifics
Is there a limit to the amount of previous pension plans we can consolidate into our BASF plan?	No, you can transfer in as many pensions as you wish. If you have benefits in a Defined Benefit or Final Salary scheme, it may not be in your interest to transfer those to a DC arrangement. We recommend taking financial advice if this applies to you
How do the management fee structures compare between the lifeplan and freeplan funds?	A great question, essentially each fund has their own charging structure, you can see the charges for each fund in the Investment Centre on the Pension Website (www.ukpensions.basf.co.uk). All funds in the LifePlans are available as standalone funds within FreePlan and the charges are the same
Do you pay a fee if you change from say 100% adventurous to 100% Islamic fund? or switch weightings if doing a combo of the two based on market data?	No, there are no fees for switching funds. Funds are traded daily. You can complete switches online via the Pension Portal



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