

Using your DC Account to provide a flexible income

Why should I read this factsheet?

After age 55, you broadly have three different choices for how you use your defined contribution (DC) Account:



Secure a **guaranteed income (annuity)**



Take a cash lump sum



Take a **flexible income** (also known as an adjustable income, 'drawdown' or 'flexi-access drawdown')

You can choose any combination of these options and can usually take up to 25% of your DC Account as a tax-free lump sum. This factsheet explains the process if you want to use your DC Account to provide a flexible income.

What is a Flexible Income option?

A **flexible income** means withdrawing your savings as and when you like. Your savings continue to be invested until they are withdrawn. You can take up to 25% of your savings tax free, with the balance subject to income tax at the time it is withdrawn.

To have a **flexible income**, you need to transfer your DC Account out of the Scheme into a **flexi-access drawdown arrangement**. There are a number of different providers of flexi-access drawdown arrangements, often insurance companies, and each arrangement has different investment options and charges that will apply. You will need to choose which arrangement and which investments you want to use and it is recommended that you take financial advice to help you make those decisions.



Note: This factsheet only applies to your **DC Account** invested within the BASF Scheme. If you have AVCs invested with an external provider, they will have different investment options that apply.

Note: Where you see a word in **italics** this term is explained in your DC Booklet.

Below is a list of some advantages and disadvantages of taking a **flexible income** - but it is not exhaustive. You can find more information at the money advice website, visit: www.moneyadvice.service.org.uk

| Advantages | Disadvantages |
|---|---|
| <ul style="list-style-type: none">You can access your pension savings at times to suit you.Your pension savings remain invested and could continue to grow.You have more flexibility and control over your pension savings than with a traditional guaranteed income (annuity). <p>Any remaining money in your flexi-access drawdown arrangement can be passed onto your beneficiaries when you die.</p> | <ul style="list-style-type: none">You will be responsible for managing the income you take; if you don't budget properly and you take out too much too quickly, or if you live for much longer than you might expect to, your pension savings could run out.As your pension savings will stay invested, with almost any investment, there's the risk that the value of your pension savings can go down as well as up. Think about whether you want them to continue to be exposed to investment risk, and to manage your own investments, during your retirement.There are usually ongoing charges (and sometimes initial charges) applied by the flexi-access drawdown provider that reduce the value of your pension savings.More complex to understand and manage than cash lump sum or guaranteed income. |

How much tax will I pay?

The first 25% of your total pension savings can be taken tax free and the rest will be subject to income tax.

When you take a taxable lump sum from your pension savings the tax authority or HMRC assume you will get that amount of taxable income each month and tax you accordingly. This may mean that you initially pay tax at 45%. However, you can reclaim any overpaid tax.

Visit: www.gov.uk/claim-tax-refund/overview

Tax is a very complex topic but, to help, the Government's 'Pension wise' service provides information about the things to consider. Visit www.pensionwise.gov.uk

Some of the tax issues to be aware of include:

- Considering your own personal tax circumstances and the impact of taking a lump sum on the tax you pay - including the possibility that you may have to pay a higher rate of tax than normal.
- Different **Annual Allowance*** arrangements apply to individuals with earnings above £110,000 a year.
- If you take your **DC Account** as cash and if it is not a "small lump sum" or "trivial commutation lump sum", the amount of further pension savings on which you get tax relief each year is reduced from the usual **Annual Allowance** (£40,000 in the 2018/19 tax year) to the Money Purchase Annual Allowance (£4,000 in the 2018/19 tax year). If you want to carry on building up your DC pension savings, this may influence when you want to take cash from your **DC Account**.

For more information visit the pension website:

<http://ukpensions.basf.co.uk> and look for "Pensions & Taxation from 2016".

What happens when I die?

Any remaining money in your flexi-access drawdown arrangement can be passed on to your nominated beneficiaries when you die, subject to the conditions below and the terms of the drawdown provider.

If you die under the age of 75

- Any remaining money in your flexi-access drawdown arrangement can be inherited tax free. Your beneficiaries can take the remaining money as a lump sum or as a regular income, directly from your flexi-access drawdown arrangement.

If you die over the age of 75

- Your beneficiaries will have to pay 45% tax if they take the remaining money in your flexi-access drawdown arrangement as a lump sum. Alternatively, if they take it as a regular income, your beneficiaries will have to pay income tax on any money they withdraw.

If the remaining money is more than your **Lifetime Allowance*** at the date of your death, additional charges apply.

*These allowances are set by the Government and subject to change.

How and when do I set up a flexible income?

You will need to transfer your **DC Account** out of the Scheme into a flexi-access drawdown arrangement in order to take a **flexible income**. You can do this at any time between age 55 and 75. The provider of the flexi-access drawdown arrangement will have sole responsibility for your pension savings. You and your prospective/nominated beneficiaries will then have no further legal connection with or entitlement under the BASF UK Group Pension Scheme in respect of your **DC Account**.

It's important to shop around for the best arrangement for your individual circumstances. It's recommended you take your own independent financial advice. Here are some examples why:

1. The average platform charge for a **DC Account** of £250,000 is 0.34%, but the best platform charge is 0.18% and the worst is 0.50% (based on a survey carried out by James Hay in 2016). For a **DC Account** of £100,000 the platform charge ranges between providers from 0.29% to 0.7%.
2. Over time, charges can make a significant difference. The table below shows the total drawdown costs for a **DC Account** of £250,000, based on a survey by "Which?" in 2016, assuming annual drawdown of 6% of the **DC Account** and investment growth of 5% a year: (Full details published by www.sippclub.com).

| Drawdown Provider | 1 Year Cost | 10 Year Cost |
|-------------------|-------------|--------------|
| A | £1,786 | £16,325 |
| B | £2,140 | £21,152 |
| C | £2,959 | £26,490 |

The above examples are only illustrative and the Company hasn't independently verified the above information.

How can I find a financial adviser?

The BASF Scheme has appointed an independent company (currently Origen Financial Services) that you can use to give you advice on the best flexi-access drawdown arrangement and decide how to invest your savings to suit your circumstances. Remember you don't have to take any arrangement that Origen propose, you may wish to shop around yourself or use a different financial adviser.

You can find a list of authorised advisers in your area at www.unbiased.co.uk. You can also look up companies and individuals that provide advice at www.fca.org.uk

You could ask your adviser the following questions:

1. Are you independent or restricted in which products you can propose? i.e. will they consider all products from the whole financial market or a restricted number of products, such as only those offered by an individual company.
2. What qualifications do you have and can I have a copy of your "Statement of Professional Standing"? - A level 4 Diploma in Financial Planning (DipFP) is the minimum.
3. How will you advise me? - E.g. will it be face to face, by phone/email, will the price differ depending on the method of advice?
4. How much will it cost?

The above questions are non-exhaustive and you should consider asking other questions which are relevant to your circumstances.

What are the typical costs of financial advice?

Adviser costs vary but typically can involve initial fees and ongoing reviews / retainer fees if required. Advisers may charge based on a fixed fee, an hourly rate (in which case ensure you ask how long the work is likely to take) or a percentage of the money they are advising on.

The cost of advice to select a drawdown provider and choose investments is often a percentage of the money going into the drawdown product, if you want advice to be ongoing. However, it is possible to take fixed fee advice which is initial advice only to select the provider and investments on day 1. For information only, this fixed fee service is available from Origen at a current cost of £1,150.

The process for setting up a **flexible income** at retirement will automatically start around seven months before your **Normal Pension Age (NPA)** or **Target Pension Age (TPA)**, when Willis Towers Watson (WTW) will send you a retirement pack. If you wish to retire earlier or later than this you can request a retirement pack from WTW on +44(0) 113 390 7119 or email at: basf@willistowrswatson.com

Your retirement pack will contain:

- A fund value statement, telling you the value of your **DC Account**, how much you could take as a tax-free cash lump sum and the various benefit options you have;
- Contact details for an independent financial adviser (currently Origen Financial Services), who can help you decide whether a **flexible income** is appropriate for you and help you select a flexi-access drawdown provider and choose your investments;
- All the relevant forms you will need to complete.

Please note:

- The minimum retirement age is currently from age 55 but it is expected to increase to 57 by 2028.
- You don't have to take your benefits from age 55; you can take them at any time after this, but you must take them out of the BASF Scheme by age 75. Restrictions may apply to your benefit options if you have an entitlement to a Guaranteed Minimum Pension. All benefit options are subject to changes in legislation and the tax status currently afforded to pension savings.



Scammers may operate in pension markets. You can find out more about how to avoid scams at: www.pensionwise.gov.uk/scams

You need to transfer
your
DC Account out of the
BASF Scheme to
access
Flexible Income

Shop Around

The BASF Scheme
has appointed an
independent company
to help you with your
retirement choices and
to help you maximise your
retirement income.

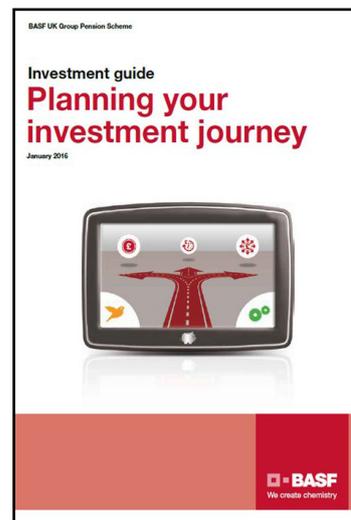
Check your retirement pack
for details!

Investing your *DC Account* to target a flexible income?

Where you invest your *DC Account* within the BASF Scheme can have a material impact on the benefits you receive at retirement. As you get closer to retirement, you may wish to change where you are invested to reduce risk and protect the value of your pension savings.

If you plan to take your *DC Account* as a *Flexible Income*, there are three *LifePlan* options available to help you do this - the Adventurous *Flexible Income LifePlan*, Moderate *Flexible Income LifePlan* and Cautious *Flexible Income LifePlan*.

Please refer to the Investment Guide for full details and if you wish to change your investment choices, you can do so by logging on to *ePA* (see overleaf).



Note: If you have AVCs invested with one of our external providers, they will have different investment and benefit options that apply. You can contact Willis Towers Watson (WTW) for further details on: +44 (0) 113 390 7119 or email: basf@willistowerswatson.com

Choosing your investment route in the BASF Scheme

| <p>If you are planning ahead (for example, more than 5-10 years from retirement)</p> | <p>If you are getting ready to retire (less than 5-10 years from retirement)</p> |
|---|--|
| <p style="text-align: center;">↓</p> <p>Log on to your <i>ePA</i> account and take a look at your investment choices</p> | <p style="text-align: center;">↓</p> <p>Log on to your <i>ePA</i> account and use the Retirement Planner to consider the type of benefits you'd like to take</p> |
| <p style="text-align: center;">↓</p> <p>Check and update your Target Pension Age if necessary</p> | <p style="text-align: center;">↓</p> <p>Update your investment choices to suit the type of benefits you want to take at retirement</p> |
| <p style="text-align: center;">↓</p> <p>Keep your investment choices under regular review</p> | <p style="text-align: center;">↓</p> <p>Check and update your Target Pension Age if necessary</p> |
| <p style="text-align: center;">↓</p> <p>Consider using the Pension wise service from age 50, for tailored guidance on your options.</p> | <p style="text-align: center;">↓</p> <p>WTW will contact you seven months before your Target Pension Age to start your retirement planning</p> |

Get support with your decisions

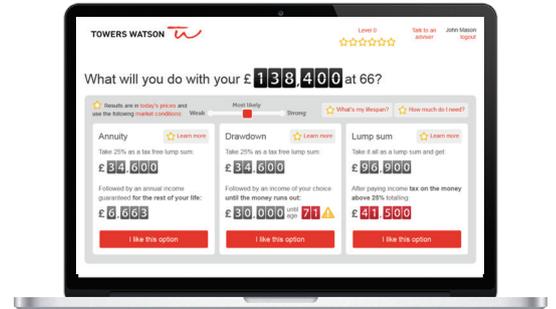
We know that choosing your benefits is a really important decision. We want to make sure you are provided with the right level of support, from sources that you can trust.

Use your ePA account - A simple way to manage your DC Account

Your **ePA** (electronic Pensions Administration) account allows you to view and change a number of details about your **DC Account**. There is a Retirement Planner (under the Quotations tab), which shows how much your **DC Account** might provide as a **guaranteed income (annuity)**, cash lump sum or **flexible income**. There's also an 'Annuity Quotation Tool' that will give you an indication of how much **guaranteed income** you could secure with different providers.

Visit: <https://epa.towerswatson.com/doc/BASF/login.htm>

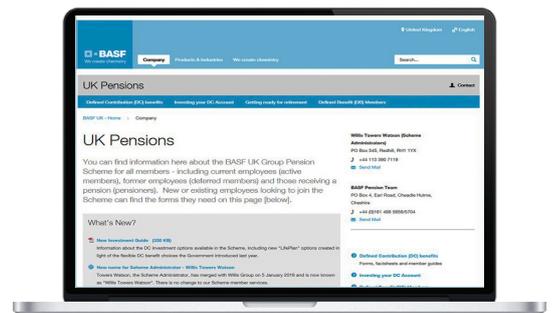
If you need help logging in, contact WTW on: +44 (0) 113 390 7119.



Use the Scheme website

The BASF UK Group Pension Scheme website is dedicated to our members and gives you a central place to go when managing your Scheme benefits.

Visit: <http://ukpensions.basf.co.uk>



Pre-retirement Workshop

If you are still working for BASF, you can attend a Pre-retirement Workshop. Full details are available on the Planning for Retirement factsheet which can be found on the Scheme website <http://ukpensions.basf.co.uk> under 'Getting ready for Retirement'.



Pension wise - free Guidance

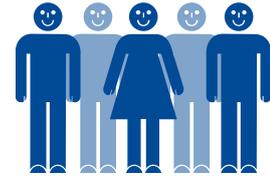
There is a lot of information available about options at retirement and it's important that you only rely on reputable sources of information to avoid being targeted by scammers. To help, the Government has launched a new 'Pension wise' service to give free impartial guidance to anyone with a **DC Account**, aimed at anyone aged 50 or over. We recommend that you get guidance to help with your retirement planning decisions. The website offers you guidance on your pension options, or if you'd prefer to talk to a specialist, you can arrange a telephone or face-to-face appointment. If you are interested in this service visit: www.pensionwise.gov.uk



Get support with your decisions

Origen Financial Services

The BASF Scheme has appointed an independent company to help you with your retirement choices and to help you maximise your retirement income. Contact Origen on 0344 209 3915 or basf@origenfs.co.uk



Willis Towers Watson (WTW)

If you are approaching retirement and want to discuss your options, contact WTW who will be able to explain your options in more detail and provide a retirement benefit estimate. Please note that WTW **can only provide information** on your retirement options they cannot give individual advice. Call +44 (0) 113 390 7119 or email: basf@willistowerswatson.com

Independent Financial Advice

In addition to or instead of Origen, you can use an Independent Financial Adviser (IFA). They will be able to give you advice in relation to your personal circumstances, but please be aware that you may be charged for this advice. To find details of a local IFA visit www.moneyadvice.service.org.uk or unbiased.co.uk