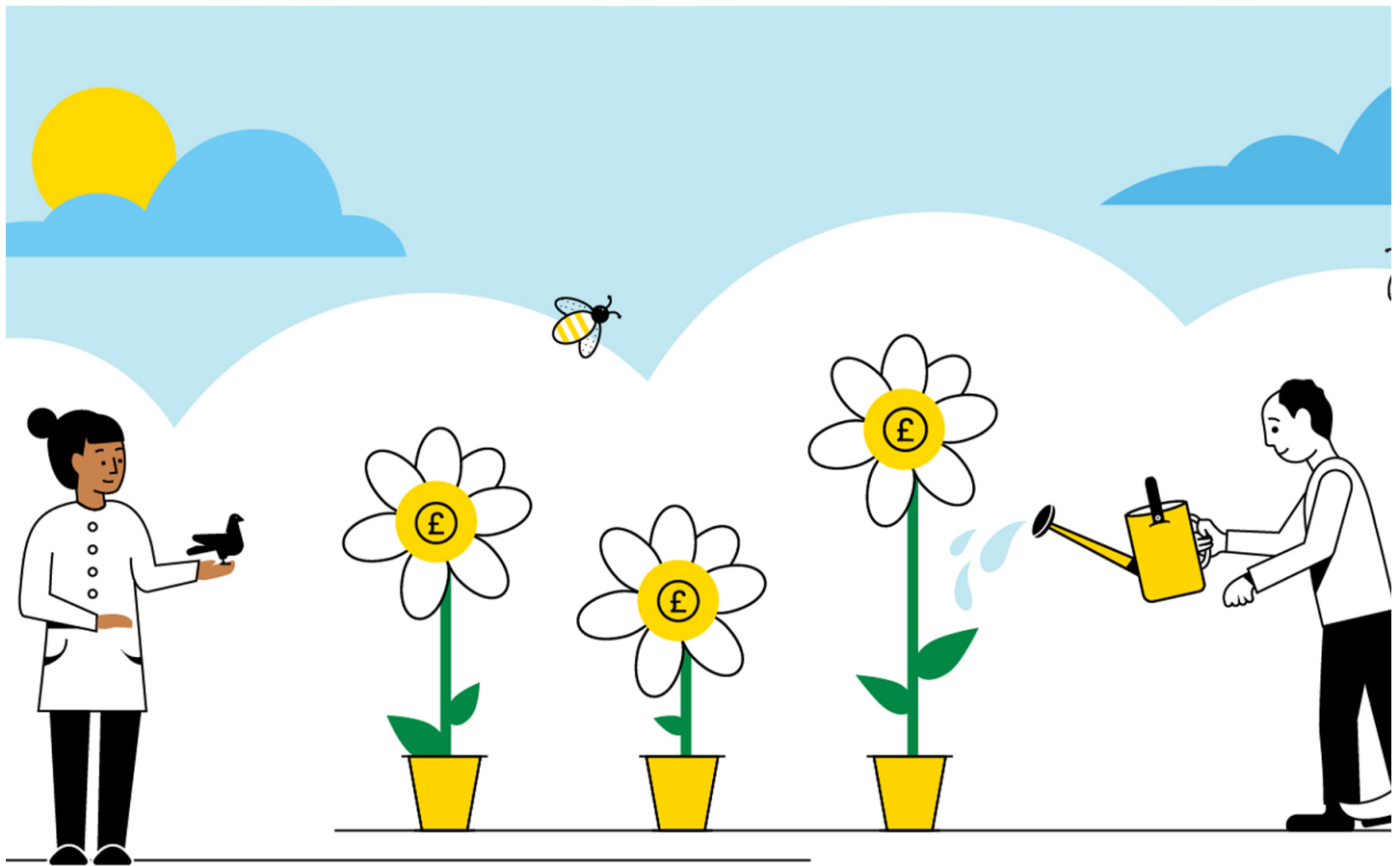


# Retirement planning made easy



This item contains selected online content. It is for use alongside, not as a replacement for the module website, which is the primary study format and contains activities and resources that cannot be replicated in the printed versions.

### About this free course

This version of the content may include video, images and interactive content that may not be optimised for your device.

You can experience this free course as it was originally designed on OpenLearn, the home of free learning from The Open University –

[www.open.edu/openlearn/money-business/retirement-planning-made-easy/content-section-0](http://www.open.edu/openlearn/money-business/retirement-planning-made-easy/content-section-0)

There you'll also be able to track your progress via your activity record, which you can use to demonstrate your learning.

Unless otherwise stated, copyright © 2024 The Open University, all rights reserved.

### Intellectual property

Unless otherwise stated, this resource is released under the terms of the Creative Commons Licence v4.0 [http://creativecommons.org/licenses/by-nc-sa/4.0/deed.en\\_GB](http://creativecommons.org/licenses/by-nc-sa/4.0/deed.en_GB). Within that The Open University interprets this licence in the following way:

[www.open.edu/openlearn/about-openlearn/frequently-asked-questions-on-openlearn](http://www.open.edu/openlearn/about-openlearn/frequently-asked-questions-on-openlearn). Copyright and rights falling outside the terms of the Creative Commons Licence are retained or controlled by The Open University. Please read the full text before using any of the content.

We believe the primary barrier to accessing high-quality educational experiences is cost, which is why we aim to publish as much free content as possible under an open licence. If it proves difficult to release content under our preferred Creative Commons licence (e.g. because we can't afford or gain the clearances or find suitable alternatives), we will still release the materials for free under a personal end-user licence.

This is because the learning experience will always be the same high-quality offering and that should always be seen as positive – even if at times the licensing is different to Creative Commons.

When using the content you must attribute us (The Open University) (the OU) and any identified author in accordance with the terms of the Creative Commons Licence.

The Acknowledgements section is used to list, amongst other things, third party (Proprietary), licensed content which is not subject to Creative Commons licensing. Proprietary content must be used (retained) intact and in context to the content at all times.

The Acknowledgements section is also used to bring to your attention any other Special Restrictions which may apply to the content. For example there may be times when the Creative Commons Non-Commercial Sharealike licence does not apply to any of the content even if owned by us (The Open University). In these instances, unless stated otherwise, the content may be used for personal and non-commercial use.

We have also identified as Proprietary other material included in the content which is not subject to Creative Commons Licence. These are OU logos, trading names and may extend to certain photographic and video images and sound recordings and any other material as may be brought to your attention.

Unauthorised use of any of the content may constitute a breach of the terms and conditions and/or intellectual property laws.

We reserve the right to alter, amend or bring to an end any terms and conditions provided here without notice.

All rights falling outside the terms of the Creative Commons licence are retained or controlled by The Open University.

Head of Intellectual Property, The Open University

## Contents

Introduction	4
Learning outcomes	5
1 Taking stock of your retirement plans	6
2 How much money will you need in retirement?	7
2.1 Your budget	8
3 Your state pension	10
4 Taking stock of your pension plans	13
5 Your pension options	15
5.1 Defined benefit pension	15
5.2 Defined contribution pension	15
5.3 Taking financial advice	16
5.4 Understanding your pension options	17
6 Your pension income: before and after tax	21
7 Dealing with a shortfall	23
8 Divorce and separation: The impact on pensions	27
9 Bereavement and pensions	29
10 Preparing for a long retirement	32
11 End-of-course quiz	34
12 Course round-up	35
Further guidance and helpful links	37
References	38
Acknowledgements	39
Glossary	39

## Introduction

Welcome to this course on retirement planning produced by The Open University in collaboration with **Legal & General**.

Retirement itself, plus deciding which option to choose when taking your pension mean there is a lot to consider. The choices you make about how to ensure your money lasts in retirement are important. Spending a bit of time now will help put you on the right track.

Some of the things to think about are:

- What kind of lifestyle would you like to live?
- How much will you have saved by the time you reach retirement?
- Would you like to carry on working part-time or would you prefer more leisure time and freedom?
- Do you need to think about later life costs or looking after other people?

Being well informed and taking control of your retirement finances – rather than putting off decisions – will help you achieve your retirement dreams.

This course sets out the stepping-stones to getting there. It covers the key decisions you need to make – and where to get the information to make them effectively.

Most people approaching retirement can expect a state pension and maybe pensions from work. You may also have built up pension savings or other savings such as **ISAs** which you can choose to use in retirement. This course will cover the options and help you decide with confidence which are right for you.

You will learn through a mixture of reading, activities and short videos, and there's a quiz at the end for you to check what you have learned.

The course also provides links to a number of websites to provide further information to help your studies. Make sure you open any links in a new tab or window so that you can easily return to the course.

To do this, you can right-click the link (on your mouse) and click on the option 'open link in new tab' or 'open link in new window'. Alternatively, you can hold down the 'ctrl' button on your keyboard, while clicking on the link with your mouse and this will open in a new tab.



## Learning outcomes

After studying this course, you should be able to:

- estimate how much money you'll need in retirement
- understand how pensions – including the state pension – work and how much income they will offer in retirement
- understand the different options for taking money from pension pots and the pros and cons of each choice
- understand the options available should your pension income not be enough to match your plans and lifestyle in retirement
- understand how events such as divorce and bereavement can impact your retirement finances and learn how to deal with them.

# 1 Taking stock of your retirement plans

The first step in retirement planning is to work out how much money you will need to cover what you expect to be spending: creating a budget.

So, as Emma Byron of Legal & General explains, you need to have a close look at your household finances and be realistic about your spending.

Video content is not available in this format.

Video 1



You'll start by looking at how your household spending is expected to change when you retire. Are you planning to move to a smaller house or a cheaper area? Maybe your mortgage will be paid off? Or you won't need two cars, or to pay for travel to work? Maybe you won't need a car at all, and you will get free or cheaper travel due to your age? Will you be spending more on leisure such as hobbies and holidays? Maybe you have work expenditure such as travel, lunches, clothes or equipment, that you'll no longer need?

Using your bank statements and looking in detail at what you spend now, plus thinking about what you will be doing when you retire is a good starting point. The next part of the course will help you do this.

## 2 How much money will you need in retirement?

Your spending will change when you retire. If you have been working outside of the home some costs might go up, such as your utility bills, but others may go down with a change in lifestyle.



**Figure 1** Time to be realistic about your spending plans.

It is estimated that a couple requires £43,100 a year for a 'moderate' lifestyle in retirement, while a single person requires £31,300. By contrast, couples require £22,400 and a single person £14,400 for a 'minimum' standard of living ( [RetirementLivingStandards.org.uk](https://www.retirementlivingstandards.org.uk), 2024). These figures are estimated and updated annually. Please check the above link for updates.

It is very important to remember that these figures do not include housing costs – so if you are in rented accommodation or have a mortgage you will need to factor this in. Follow the link to this research provided in the 'References' section at the end of the course to learn more about what spending is included in the definition of 'moderate' and 'minimum' retirement lifestyles.

Looking at how much you need to spend in retirement can be done by listing everything you currently spend: using your receipts and bank statements will help. Then look at the things on your list that are related to your current lifestyle or work. Think about how your spending will change in retirement. Don't look at just the costs that will go down. Remember some things might go up. For example, you are likely to spend more time at home so your utility bills are likely to go up – and maybe you want to travel or eat out more?

So now it's time for you to assess how much *you* need to spend to have the lifestyle in retirement you want.

Some key points:

- Work out your spending on an annual basis. Doing this means you capture items of spending which happen less often, like annual subscriptions, holidays, vehicle checks or insurance premiums. For other items look at your monthly – or perhaps weekly – spending, and then scale this up to an annual amount (for example by multiplying the monthly amount by 12).
- Make sure you allow a buffer for inflation in your expenditure.
- Do you just look at your spending or do you need to include someone else's, for example your partner's, spending too? In most cases doing a budget for the entire household makes sense.
- Focus on how much you expect to be spending in the early years of retirement while recognising that this is likely to change later in your retirement, as your spending needs change. For example, in early retirement you may spend more on travel and

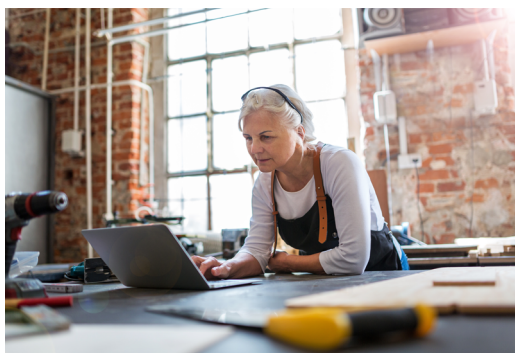
leisure activities as you enjoy your increased free time. Later you may spend less time travelling while needing to spend more on care needs.

- Even if your planned retirement date is several years away, for now estimate your spending based on current prices. State pensions are increased each year to allow for inflation and other pensions are also, usually at least partially, 'inflation-proofed' by annual increases.
- When you have assessed your spending, add on 5 per cent to the total. At all stages of life there is a tendency to underestimate how much we spend.
- We suggest you review your budget regularly – at least every six-months – to make sure it still accurately reflects your spending and any price increases.

In the next section, following the guidance above, you can work out how much you expect to be spending in retirement.

## 2.1 Your budget

Following the guidance provided in the previous section you can now start to forecast your spending in retirement.



**Figure 2** Drilling down into those financial details.

To help you estimate your spending, there's a detailed budget grid below that you can complete either online or by downloading and saving. This has a column for your current annual spending and one for your forecasted spending in retirement. There's an extra column for your monthly and weekly spending if you're using this method to scale up to your current annual spending.

The budget grid separates spending that is 'essential' (e.g. food) and that which is 'non-essential' (e.g. leisure activities). This distinction can sometimes be difficult to make – for example, for many people gym membership is essential to help maintain good physical and mental health in later life. Making the distinction can help if you need to make savings as you usually have more options to cut costs on non-essential spending.

### **Your spending pattern will change in retirement**

Some spending items are likely to change in retirement – perhaps your mortgage will be paid off by the time you retire? Some travel costs may go down if you have an expensive commute. If in doubt, overestimate your spending needs – it's always better to find you are spending less than expected rather than more.

Don't forget to include the cost of repaying any debts – for example your mortgage, car finance agreements and bank loans. Many people use the tax-free lump sum from their pension pot to clear these debts as they go into retirement.

As you complete the grid you might want to use the exercise to see if you can reduce some of your spending costs – for example by switching utility suppliers or cancelling subscriptions that you don't really use. Regularly reviewing spending is a good habit to get in to.

Make a start now and then you can return to your budget later to refine and finalise it. Once completed, you'll have the target level for the disposable (after-tax) retirement income you'll need.

### Activity 1 Your retirement spending forecast

 Allow around 30 minutes to make a start on this activity

Complete the table below.

Select the link below to view the interactive table. Open it in a new tab or window so you can easily find your way back to the course.

Interactive content is not available in this format.



Alternatively, use this Word version of the table: [Budget grid](#)

The more aware you are of your spending, the more accurate you will be in judging the money you will need in retirement.

Next, you look at what income you can expect in retirement. You start by looking at how much state pension you can expect to receive.

## 3 Your state pension

The role of the state pension is to provide a basic level of income. Recently the age you can start to receive it has risen, as people's life expectancy has been rising.



**Figure 3** With retirement comes more time to pursue your hobbies.

Since April 2016 those reaching state pension age receive the 'new' state pension, also known as the 'flat-rate' state pension – this is different to the 'old' basic state pension paid to people retiring before 6 April 2016. The term 'flat-rate' is a bit misleading as the amount of pension you get depends on your lifetime record of **National Insurance Contributions (NICs)**. Those with at least 35 years of contributions get the full amount of £230.25 per week in 2024/25 (£11,973.00 for the year). For more details about the state pension, please see [Benefit and pension rates 2025 to 2026](#).

Those with fewer than 35 years of contributions get a reduced amount of state pension and those with fewer than 10 years of contributions won't qualify.

On the other hand, many people will get more than just the flat-rate because of transitional rules which mean that any state pension in excess of the flat-rate built up under the 'old' state pension scheme (before 6 April 2016) is preserved as a 'protected payment'.

In the next activity, you can find out how much state pension you are on track to receive and the age you can get it.

### Activity 2 Your state pension

 Allow approximately 10 minutes for this activity

Use this link to access your state pension age and your state pension forecast. Remember to open the link in a new tab or window so that you can easily return to the course. Please note that you need your "Government Gateway user ID" to check your state pension using the link below.

[Check your state pension](#)

Note down the details.

Is your forecast state pension more or less than you expected?

Provide your answer...

### Discussion

Was your figure as expected? If your estimated pension was lower than expected this may be because you used to be 'contracted out' of part of the old state pension

– this means you'll get some of your pension from an occupational or personal pension instead. Perhaps you have a reduced record as you spent time out of employment? You can receive credits for these periods when you did not work, including time spent looking after your children. If you have any doubts check your NIC record. You should check and challenge any errors you think there are. You can also look at how you can voluntarily top up your NICs if you want to boost your state pension.

[Check your national insurance record](#) (open the link in a new tab or window so that you can easily return to the course)

On the other hand, maybe your statement shows that you'll get more than the full flat-rate pension. This is likely to be because you built up a higher entitlement under the old pre-2016 state pension system. You'll still get this 'protected' extra sum when your new state pension starts.

Some important points to remember:

- State pensions are currently increased every year in April. The increase in recent years has been based on the highest of three measures: the rate of inflation, the rate of average earnings growth, or a 2.5% increase. This way of setting the annual increase is known as the 'triple lock'. This arrangement may change in the future as it has been criticised for being too expensive for the government, particularly at times of high price or earnings inflation. Indeed, for 2025/26 the application of the triple lock combined with the sharp increase in the rate of inflation in the UK resulted in a 4.1% increase in state pensions.
- You don't have to take your state pension from the point that you qualify – you can delay this. You'll receive an extra 1% on your pension payment for each 9 weeks of deferral. So, not taking your state pension for a year will add 5.8% to what you receive – £13.35 a week currently for those on the full new state pension. Please see [Delay \(defer\) your State Pension](#) for more detail. If you are not planning to retire fully until later, it may make sense to delay taking your state pension. A link to finding more about this is provided at the end of the course.
- The government provides a safety net for those who don't have enough income in retirement. This is called **Pension Credit**, and entitlement to it also enables you to obtain other state benefits. If you are retired and your total income is low, you should find out more about pension credit via the link provided at the end of the course. Don't miss out – there's an estimated 850,000 households in the UK who are entitled to pension credit but don't claim it (GOV-UK, 2022).
- Your state pension is taxable and will be included in HMRC's calculation of the **income tax** you need to pay in the tax year. However, you stop paying National Insurance when you reach state pension age.
- People who receive certain benefits (e.g. Pension credit or universal credit) are eligible for annual Winter Fuel Payment of £200 (or £300 if they are aged 80 years or over). For details about the eligibility for Winter Fuel Payment, please see [Winter Fuel Payment](#).
- There's also a Christmas bonus of £10 (paid before Christmas) for people who receive certain benefits [Christmas Bonus](#).

While the state pension may be a large part of the income you require in retirement, it is unlikely to give you enough to cover much more than the basic minimum living costs. The state pension for two people currently amounts to £23,946.00 (i.e. £11,973 times 2) for

2025/26. This is much lower than the estimated minimum a couple needs to spend for a moderate lifestyle in retirement (estimated to be around £43,100 in 2024/25) mentioned in the previous section.

So now it's time for you to look at what additional pension income you can expect from your own 'private' pension savings, whether they are personal or occupational pensions, provided through your workplace or arranged by yourself.



## 4 Taking stock of your pension plans

Now it's time to see what you'll get from your own pension pots.

Occupational pensions, **workplace pensions** or personal pensions are collectively known as 'private pensions' to distinguish them from the state pension.

Over your working years you may have saved into many different pension plans. There are different types of pension products and it's important to understand what you have, as this will affect how it can be accessed and ensure you don't lose any valuable benefits. This video explains the different types of pensions.

Video content is not available in this format.

Video 2

### Pension Schemes

### Tracking all your pensions

The next step in your retirement planning is to get the details of all the pensions you hold, including those you may have joined earlier in your working life.

Tracking down details of all your pension pots can involve a lot of paperwork but potentially is very worthwhile. It is estimated that over £31 billion sits in unclaimed pensions in the UK, often purely as a result of the current addresses of scheme members being lost (ABI, 2024). So remember to provide your new address to your pension provider(s) after a home move. Overall, do not lose track of your pension savings so that you have more financial flexibility during your retirement.

You can check if you're a member of a pension plan even if you don't have the details, by visiting this site: [Find your pension contact details](#). Open the link in a new tab or window so that you can easily return to the course.

### Working out what your pension savings are worth

Pension providers should give details of the contributions you have made, and projections for the pension income your savings are aiming to provide.

Many pension providers also have websites to enable members to check their pension details and contributions. Find the details of your projected pension income – this is the amount of money the plan is forecast to provide you, based on certain assumptions.

Defined benefit or ‘final salary’ pensions can give you a more definite projected income, but defined contribution/money purchase pensions will give an estimate. Watch the video again if you need a reminder on this. If you have defined contribution pensions you can estimate the pension income you could get using this calculator: [My pension income](#). Open the link in a new tab or window so that you can easily return to the course.

Also, it’s a good idea to check the age the plan has as your retirement date. You may have provided this age when you started saving, but you might have changed your plans since. This is important as pension providers can change the composition of your pension savings the closer you get to retirement. Usually it makes sense to move the savings into low- risk investments so that there is greater certainty about the value of your pension pot and less risk that the pot falls in value just prior to retirement.

Pension savings are a tax efficient way of saving for retirement as you receive tax relief on your pension contributions. However, there is an annual limit on how much you can save each year beyond which you do not get any income tax relief on your contributions. This limit is quite high, so it will not impact most people. Your pension statements should tell you how much of this annual pension savings limit you have used.

There’s also a limit to the tax-free amount you can withdraw from your pension savings. This is called the Lump Sum Allowance, which is 25% of the total pension pot, up to a maximum of £268,275.

So, to recap:

- Get the details on all the pension plans you have put money into over the course of your working life.
- Understand the terms and benefits of your pension plans.
- Check the retirement age on your plans.
- Find out what annual income these savings are forecast to provide (and when).

Adding your pension forecasts to your state pension will enable you to work out whether you’ll have enough income to fund the lifestyle you want in retirement.

Next you will explore the options available for turning your pension savings into an income when you retire.

## 5 Your pension options

To transfer your pension savings into a retirement income you need to understand the options and make the choice that's right for you.



**Figure 4** There are now more options for drawing from your pension pot.

### 5.1 Defined benefit pension

A defined benefit (DB) pension will pay you a regular income for the rest of your life. For defined benefit pensions you can:

- take a tax-free lump sum of up to 25% of the value of your pension benefits
- take a pension income which is based on the number of years you worked for the organisation and your final pay or average pay during your time in their pension scheme.

You can opt to turn your defined benefit pension into a defined contribution pension – but this is very rarely a good choice as you're unlikely to be able to match the level of annual income offered by the defined benefit pension. If you are considering this, you should talk to a financial adviser. Certainly, you are required to receive advice for defined benefit pensions whose value, if converted into a lump sum, is £30,000 or more. However, even for a smaller sum, you should talk to a financial adviser as you may also lose other benefits by transferring.

### 5.2 Defined contribution pension

For defined contribution pensions, the options for those aged 55 years or more (this rises to a minimum of 57 years in 2028) are:

- Take up to 25% of the pension pot tax-free.
- Use the pot to provide a guaranteed income for life through what is known as an 'annuity'.
- Have a guaranteed income which provides an income for a set number of years. Some of these products offer a maturity payment which is agreed at the start and can then be used to purchase another retirement product.
- Leave the non-tax free 75% of your pot invested and then withdraw money as required (known as 'drawdown').
- A combination of the above.
- Or you could 'cash in' the entire pension pot and take it as one lump sum - although if you do this you need to have a clear plan for how you will provide yourself with an

income in retirement. An alternative to this is to cash-in part of the pot, leaving the rest invested until needed. For both full and part 'cash-ins' a quarter of each sum drawn is tax-free and the rest is taxable.

If you do decide to start taking an income from your pension savings, either through drawdown, as a taxable cash lump sum or a fixed-term annuity, you are restricted on the amount you can save into your defined contribution pension after this point. The maximum you can save is currently £10,000 a year (2024/25). For more details and examples, please see [The annual allowance for tax relief on pension savings](#).

Also, don't forget you could simply leave your pension pot completely untouched and allow it to build up further before you draw on it. Clearly this is only an option if you have other sources of income in the interim – for example by continuing to work or by drawing on any non-pension savings.

If you are using drawdown (or periodic cash-ins of a part of your pension pot) you'll need to ensure that you have enough money to cover however long you live. Without careful planning you could find that your pension savings run out too early.

You can check the government's estimates on life expectancy provided by the Office for National Statistics (ONS) by following the link below which you should open in a new tab. Remember with life expectancy you may well live longer than the average. For example, the average life expectancy for a woman aged 65 today is 88 years, but she has a 1 in 4 chance of living to 94, and more than a 1 in 20 chance of celebrating her 100<sup>th</sup> birthday. So it is best to be cautious and go with the higher ages as you might well live beyond the average. Also it is a good idea to review the life expectancy forecasts every few years to check that you are still on track to make sure your pension savings will cover you for the rest of your life.

#### [ONS Life Expectancy Calculator](#)

The issue of people not having enough money for retirement has been concerning the regulator, the Financial Conduct Authority (FCA) and pension providers. Often those starting retirement take their 25% tax-free cash and then pay little attention to how the remaining amount is invested and whether it will give them enough money to last for the retirement they want. To address this issue four 'investment pathways' are now being used by pension providers to help those approaching retirement to select a plan for their pension savings that matches their needs. These pathways are based on the following goals:

1. You have no plans to touch your pension savings in the next five years
2. You plan to use your pension savings to set up a guaranteed income (an annuity) within the next five years
3. You plan to start drawing on your pension savings for long-term income within the next five years
4. You plan to draw on all your pension savings within the next five years.

## 5.3 Taking financial advice

As these decisions are important and will affect your income in retirement it's a good idea to talk to an expert, a financial adviser, especially if you have a larger pension pot to invest. They can ensure that you're aware of all your options, their pros and cons, and, importantly, the tax consequences. They can also advise on whether you should combine a number of small pension pots into one larger pot as this might improve the pension income you receive – for example by getting a better annuity.

Do make sure your adviser is regulated by the FCA – you can use the [MoneyHelperDirectory](#) to find one. Open the link in a new tab or window so that you can easily return to the course.

At the very least you should book a free appointment with the government's [MoneyHelper service](#) who can provide guidance on the options for defined contribution pension pots.

## 5.4 Understanding your pension options

In this section you'll learn more about the pension options introduced in the previous section.

First, watch this video where Emma Byron of Legal & General introduces these options.

Video content is not available in this format.

Video 3



Now watch these three short videos which explain the options for using a pension pot. Then check your understanding by working through the activity below.

Video content is not available in this format.

Video 4

## Ensuring a guaranteed income

Video content is not available in this format.

Video 5

## Taking your pension as a single lump sum

Video content is not available in this format.

Video 6

# Take your pension as you need it

## Activity 3 Exploring your pension options

 Allow approximately 10 minutes for this activity

Having looked at the options for using a pension pot, what do you think are the pros and cons of choosing:

- A guaranteed income for life (an 'annuity')?
- A guaranteed income for a set period?
- Drawdown?
- A mixture of these options?

Provide your answer...

### Discussion

#### A guaranteed income for life (an annuity)

Choosing a lifetime annuity provides certainty about your pension income as it pays out a regular fixed income until you die. This will mean you can check, with confidence, how far it will go to meet your spending in retirement.

There are additional features available on annuity products such as inflation-proofing the payments, protecting some or all of the money used to buy your annuity, or ensuring your spouse or dependant continues to receive some or all of the income should you die before they do. Having health issues could increase the return you can get, so disclosing your health and lifestyle details may mean you qualify for an enhanced annuity. And do shop around for the best annuity deal as what you can get varies between annuity providers.

As people are living longer and long-term interest rates have fallen, annuity rates have reduced in recent years, but they are guaranteed. Also, buying an annuity is a very important decision which can't be reversed.

#### A guaranteed income for a set period

Taking your pension pot through a fixed term plan is a good way to provide certainty about your retirement income for a set period of time. This could be a tax-efficient way to use your pot – particularly if your total income each year is no more than your personal (tax-free) allowance. Some of these products pay a fixed amount through the term and others offer a lump sum at the end of the term as well as regular payments. This lump sum payment can then be used to purchase another retirement income product or taken as cash depending on your circumstances and the amount payable.

The downside is that these plans have a set term – and at the end your pot may be used up and you will get no more pension income from the plan. This could mean that you have less income than you need in later retirement.

**Drawdown**

Choosing drawdown provides more flexibility with how much cash you can take, and when, from your pension pot. This will help you manage those periods when your spending increases (for example, bills for home maintenance). This might also be useful if you'd like to access the tax-free cash amount from a pension pot. With drawdown your money is invested in your name and therefore you are responsible for managing the investment and the amount you withdraw. You would be susceptible to financial market lows as well as benefiting from the highs. If you spend money too quickly you could be short of money later on in retirement.

**A mixture of these options**

You may want to use different options if you have more than one pension pot. You may choose to take a larger lump sum at the start of your retirement to pay off debts, or to spend on major projects and plans (e.g. a world cruise or on renovations to your home). You could then use other pensions to provide that regular income you need to cover routine annual spending – perhaps using your state pension to cover your major essentials and your private pension to cover other spending.



## 6 Your pension income: before and after tax

By now you should understand the options you have when it comes to your pension, and what is involved in forecasting the income you will receive. Now you can use this information to get a good estimate of the pension income you will have to meet your spending needs in retirement.



**Figure 5** Sometimes your tax bill may come in lower than you expected.

Once you have a summary of your pension pots and forecasted income, add this to your state pension income, plus any other regular income you have. This could include state benefits, rental income from properties that you let or earnings from other savings and investments.

As you saw earlier, if you have defined contribution pensions you can estimate the pension income you could get using this calculator: [pension income](#). Open the link in a new tab or window so that you can easily return to the course.

You should now have your estimated gross income in retirement. You now need to take into account how much tax will be deducted from your gross income.

### What about tax?

While up to 25% of your pension pot can be taken tax-free, the other 75% counts as taxable income if it is taken as a lump sum payment. Any annual income you take – for example from an annuity you buy with your pension pot – will also count as taxable income.

Income tax will apply when your total income, including any taxable lump sums, state pension and other taxable non-pension income, exceeds the annual personal allowance (£12,570 in 2024/25). Make sure you are aware of the tax implications of any withdrawals from your pension savings in advance so you don't end up with an unexpected additional bill.

Find out how much income tax you'd currently pay on your retirement income. The following sources can be used to calculate this (if you use any of the online calculators open them in a new tab or window so that you can easily return to the course):

- The [gov.uk calculator](#)
- The calculator provided by the consumer magazine [Which?](#)
- The tax calculation guidance provided in the following document: [Income Tax 2024/25](#)

Before you start, make sure you have your gross income details ready, as well as your current income tax code (e.g. 1257L if you live in England or Northern Ireland, C1257L if

you live in Wales or S1257L if you live in Scotland). You'll find your current code on your payslip.

Do not include any tax-free lump sums or other tax-free income in your calculations.

Ignore any National Insurance Contributions (NICs) shown in the calculators since you don't pay these on pensions or if you are older than state pension age (SPA). One way to ensure these are not calculated is to say you are over state pension age even if you are not.

You may note some very small differences in the answers provided caused, for example, by the rounding of numbers in the calculation process.

## Is my post-tax pension income enough for me?

Having done your calculations, you can deduct the income tax you will pay from your gross income, and then you will know your disposable (or 'net') pension income.

Remember, though, that you'll need to revise these tax calculations when income tax thresholds and rates get changed.

Now compare this disposable income with your forecast of spending (you completed this earlier in the course) and you can see whether you have enough to get you the type of retirement you want.

If you're fortunate to generate enough income to cover your spending in retirement, then you're on track. If there's a shortfall, there are ways you can address this.

You'll explore these options next.

## 7 Dealing with a shortfall

You should now have a much better picture of what your income will look like when you retire. Of course, these projections of your income and spending are not certain as the cost of living, your personal circumstances and your income can change. But if you've followed the previous steps, you should have a good idea if your pension income will be enough to fund the retirement lifestyle you want.



**Figure 6** Time to sort out your options for boosting your retirement income.

If you think you might have a shortfall, you'll need an action plan. In the next video, Emma Byron from Legal & General reviews the options that may be available.

Video content is not available in this format.

Video 7



As Emma indicates, you may have several options to 'balance your books'.

- First, look again at your planned spending. Is there non-essential expenditure that you can cut back on when you retire? This may be all you need to do to cover a modest shortfall.
- If the shortfall is larger, you may need to take difficult decisions to balance your budget. So when looking at your non-essential spending do assess which of these

items you could, albeit reluctantly, cut back on – or even cut out entirely - with the least impact on your quality of life.

- You should see if you can clear any outstanding debts – perhaps using the tax-free lump sum(s) from your pension(s). This will not only reduce your future monthly outgoings, but also give you peace of mind that you don't owe anything.
- You could continue to work past retirement age, perhaps part-time or in a temporary role. This could help ease the move from full-time employment to retirement and soften the impact that comes from no longer being part of a working team. Remember that your earnings will be taxable.
- Retiring later means you can usually get a higher pension income when you do retire, especially if you keep up your pension contributions and any savings built up will have a shorter time to last.
- Perhaps you have other savings that you could use? Drawing a pension lump sum or cashing in other investments when you retire can provide you with extra money to subsidise your retirement income. Keep back a 'rainy day' fund to cover for unplanned expenses – like repairs to your home. Ideally this fund should amount to at least two years of household expenditure and would provide cover not only for unexpected bills but also for a fall in value of the investments in your undrawn pension pot.
- You might be expecting to receive an inheritance, providing another lump sum to draw on. The inheritance may include a property that you could sell or use to provide you with rental income. One issue here is that an inheritance is usually hard to plan for, so you'll need to cover your shortfall in the meantime. You also need to know if **inheritance tax** would apply to the estate of which you are a beneficiary – although the threshold for this tax is high.

If you own your home you could look at 'downsizing' – selling up and moving to a cheaper property. This can free up a lump sum of cash, but there are downsides as it does involve upheaval and the costs of buying and selling a home will reduce the gain. Moving to a region with cheaper housing is another option although you may not wish to if it means moving away from family and friends. Perhaps, as an alternative, you could rent a room in your home to provide some extra income?

Another increasingly popular option is to release some of the equity in your home, which can be made possible by using a lifetime mortgage. There are an increasing number of lifetime mortgages and retirement interest-only mortgages available. These provide a cash lump sum, or even an income over a fixed term, while allowing you to remain in your home. The money is repaid when you, or the last property owner if jointly owned, move into residential care or pass away. Lifetime mortgages, just like standard mortgages, are secured against your home and will reduce the value of your estate. Financial advice is required before you take out one of these products.

Watch the video to learn more and decide if this is an option that might work for you.

Video content is not available in this format.

Video 8

# Your home and your retirement plan

## Activity 4 Using your home for extra money in retirement

 Allow approximately 10 minutes for this activity

Having watched the video on equity release, what are the pros and cons of using your home to provide cash in retirement?

Provide your answer...

### Discussion

Equity release products provide tax-free lump sums to support pension income. The market is becoming more competitive too, meaning that the interest rates charged have become lower in recent years. A lifetime mortgage allows you to stay in your home, avoiding the costs, disruption and perhaps, the emotional impact of 'downsizing' to release cash.

However, it will reduce the value of the estate you leave to your family or other beneficiaries. You can choose a lifetime mortgage where you don't pay interest until the loan is paid off, usually through the sale of your property when you die or go into long-term care. However, this means that the interest is added to the original cash amount and added to the amount owed, so the amount owed can build up quickly. To avoid this build up you can opt for a product where you pay some or all of the interest on the loan – although you will need to be sure your retirement budget can accommodate the resulting interest costs.

The maximum amount that a lifetime mortgage will provide depends on your property value and age. The maximum loan is lower when you're younger because it's expected that it will take longer to repay the lender.

There may be cheaper ways to find the cash that you would need, so taking financial advice is a requirement when considering this product. An adviser will ensure that you are making the best, informed decision. As it will affect the value of your estate it's a good idea to discuss your plans with your family too.



## 8 Divorce and separation: The impact on pensions

A reality that many thousands of couples in the UK face each year is divorce or separation.

In 2022 there were over 80,000 divorces in the England and Wales (ONS, 2024). Divorces in Scotland and Northern Ireland added over 10,000 to this number. One in four divorces involve people age over 50 or more.

The emotional impact of divorce is often made worse by the issues around money and sorting out financial affairs, moving forward, so that two separate homes can be funded.



Figure 7 Getting advice about the financial consequences of divorce may be necessary.

What does this mean for pensions?

Let's look at divorce first.

For married couples and those in civil partnerships pension savings (where a pension is yet to be drawn) or pension income (where the pension is already being drawn) should be considered as part of the financial settlement on divorce. There are essentially three common approaches to dividing up the pension assets.

- **Sharing:** when this type of settlement is reached the pension savings (and by implication the income these can generate) are split between the divorcing couple. The recipient of pension savings can transfer these to an alternative pension scheme if they wish unless the savings are currently in a public sector scheme.
- **Offsetting:** with this arrangement one person keeps their pension savings and/or income if they agree to transfer the financial equivalent to their former partner – for example by giving up their share of the house they previously lived together in.
- **Attachment of earnings:** here one person keeps their pension rights but under an attachment order part of the income provided by the pension savings is paid to the other partner. So although the pension savings are not shared at the time of divorce the future pension income the savings provide are. In Scotland an attachment is called 'earmarking'.

Unlike sharing or offsetting, the potential disadvantage of attachments is that there is still a financial relationship between the divorced couple. This could be problematic if the person responsible for providing the attached earnings doesn't do this – perhaps due to a change of circumstances. There is also the risk that the person with the pension savings



could delay starting their pension leaving their former partner without their share of the income from it.

If a pension income is already being drawn – for example through an annuity on a defined contribution pension scheme – an attachment of earnings may be the only feasible option for splitting pensions.

These arrangements for sharing pension assets do not usually apply to state pensions. One exception to this relates to ‘protected payments’ that are used to top up the pre-2016 ‘old’ state pension and which apply to those whose state pension has been built up under the ‘old’ and ‘new’ state pension schemes.

Splitting pension assets can be complex and tensions can arise in reaching decisions. It is likely (although not always) that one partner will have greater pension assets than the other, so if the assets are shared 50:50, the party holding the greater assets may feel they are being treated unfairly. But if they are not shared 50:50 the party receiving the smaller share is disadvantaged. The complications mean that careful legal advice is necessary with this area of a divorce settlement.

What about separating couples who are not married or in a civil partnership? Unless there is a previously agreed legal arrangement, there is no obligation for either partner to share their pension assets and rights. Assurance of any entitlement to a former partner’s pension assets only come with a legal relationship.

### Activity 5 Pensions and the gender gap



*Allow approximately 5 minutes for this activity*

Why, on average, are the pensions of women less than those of men when couples divorce?

.....

#### Discussion

The career breaks and periods of low or part-time earnings incurred by many women during their working lives due to caring responsibilities mean they aren’t able to build-up the level of pension savings and rights that men usually do.

Additionally the average earnings of women are still below those of men in the UK and this also affects the accrual of pension savings.

This situation is, however, changing, helped by legislation on paternity leave and more progressive attitudes by couples towards the sharing of caring responsibilities. Additionally the gender pay gap has narrowed significantly in recent years. In 1997 for all employees the average earnings of women were 27.5% below those of men. By 2020 this gap had shrunk to 15.5%. For full-time employees the gap in 2020 was lower at 7.4%. (ONS, 2020).



## 9 Bereavement and pensions

In the UK usually around 600,000 people die each year. For many people left bereaved this will mean less money coming in.



Figure 8 The loss of a partner can bring financial strains.

If you lose your partner – either before or after starting to draw a private pension – there are financial consequences for the remaining family members.

For private pensions (both workplace and personal) entitlement to the pension savings and/or income of the deceased person are normally defined by tax regulations, the pension provider's rules for their fund and by the 'expression of wishes' - which are the instructions the deceased person had given to the provider.

The tax regulations set out who can benefit and what, if any, tax will be deducted. The fund rules define what proportions of the deceased persons assets and/or income can be passed to the declared dependant(s). The expression of wishes form sets out who those dependants are so make sure that your beneficiary details are kept up to date with your pension provider.

What happens to pension savings and income after death varies between defined benefit and defined contribution schemes. Broadly, the rules are:

### **Defined benefit schemes**

- A pension can be paid to dependants (e.g. surviving partner, dependent children).
- Typically scheme rules set a surviving partner's pension at between a half and two-thirds of the amount deceased member would have got or was getting.
- Schemes also often have a life insurance lump sum payable on death before retirement (e.g. 2x or 4x the salary of the deceased person). This can usually go to anyone nominated and is tax-free.

### **Defined contribution schemes**

- An undrawn pension pot can be left to anyone. This is tax-free if death is prior to the age of 75 and the money is received within two years of the pension provider being notified of the death. However the money is subject to income tax if death occurs at 75+ or if the money is paid more than two years after notification of the death. The same rules apply to pension savings which have previously been moved into a drawdown fund
- Where a pension pot has been converted into an annuity the exact rules will depend on the type of annuity that has been purchased. Any pension income that is passed on after death (e.g. in the case of joint life annuities) is subject to income tax

- If someone dies before they're 75 a tax charge could result if the deceased person's lifetime allowance for pensions has been exceeded.

These rules are quite complex. Further details can be found via this link:

[Tax on a private pension you inherit](#)

The state pension, by contrast, usually ends when a person dies and this can't be passed on. The exception to this rule is where protected payments were being paid to the partner before death. Rights to 50 per cent of protected payments may be available after bereavement.

Facing up to the challenges of life in retirement after losing your partner is something we should all plan for however much we might tend to shy away from preparing for it.

In addition to checking the expression of wishes arrangements and the rules for pensions for dependents for any private pensions two other things should be done:

- Be aware of the tax issues relating to your pension assets and those of your partner, taking financial advice if necessary.
- Think about how you might cover household expenditure if you were to lose your partner. The costs of running a home don't halve even if income does. This may place financial pressures on you.

You don't normally need to worry about putting your wishes about your pension(s) into your will. These wishes about the beneficiaries of your pension assets should already have been supplied to your pension providers and will be acted upon by them after your death.

Regardless of whether you do find yourself in financial difficulties if you lose your partner you should check if you are entitled to support through Pension Credit (if you are over state pension age) or Universal Credit (if you are under state pension age). If you are entitled to receive them do make sure you claim these state benefits. Many people do not claim and miss out on money that would help them in retirement. Getting Pension Credit can also open the door for entitlement to other financial help including support for housing costs and assistance with health and heating expenses.

You could also be entitled to a grant to cover funeral expenses as well as [Bereavement Support Payments](#). Again, make sure you claim these state benefits if you are entitled to them. Links are provided at the end of the course if you need more information on these benefits.

## Activity 6 Bereavement and spending changes



*Allow approximately 10 minutes for this activity*

How do you think your household spending would change if you were to find yourself living alone?

### Discussion

You would find that some items of expenditure remain the same but others, like spending on food and drink, would fall.

Many of the costs of running a home are fixed and are not affected by how many people live together. This includes mortgages or rent, car and home insurance as well as home and garden maintenance.

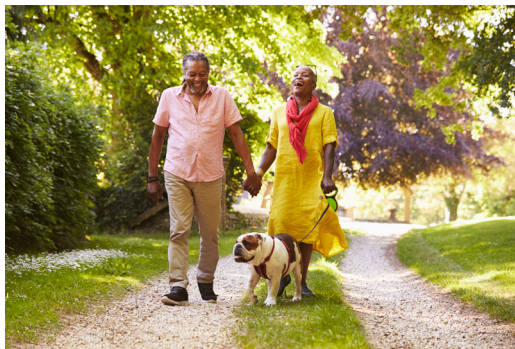
But some costs which might seem to be fixed can fall. A discount on Council Tax (or Rates in Northern Ireland) does apply for one person households – but only at 25% in England, Scotland and Wales. In Northern Ireland a 20% discount applies to rates for single householders aged 70 or over. Similarly water companies offer single occupancy discounts. Fuel costs might be lower – but not 50% lower and the same applies to the costs of running a car.

Have a look through the bills you pay each year – how many of those will fall by 50% if there was only one of you? How many will be unchanged? How many will fall by a proportion less than 50%?

Making sure that you, or your partner, are provided for if one of you dies is an important exercise. In the following section we look next at setting wills and planning for care in later life.

## 10 Preparing for a long retirement

You should now know where you stand financially with your plans for retirement. Ideally your forecast pension income will at least meet your forecast spending. And if not, you'll now be aware of the options you have to cover the shortfall.



**Figure 9** Time for longer walks now that the 9 to 5 routine is a thing of the past.

As you get older there are other money related matters you need to consider to give you and your family peace of mind.

### Planning for inheritance

At the time of this writing, the government is introducing changes to the inheritance tax. Please see [How Inheritance Tax works: thresholds, rules and allowances](#) for more information.

It's a good idea to make or update your will so you can decide who to leave your money, property and possessions to. If you don't have a will the law dictates who gets everything. Pension plans usually have arrangements to pay some of your pension to a spouse or other dependents, so it's important to check that you have given your pension provider up-to-date details of your dependents.

You will recall from the previous section on bereavement that if you have defined contribution arrangements and you die before 75 years old, anything that is left in your pension pot or in a drawdown fund can normally be passed on tax-free to beneficiaries. If you are 75 or over, what is left in your pension pot can still be passed on, but the beneficiary would be liable to pay income tax.

A link is provided at the end of the course to learn more about making a will.

Increasingly, people are also giving 'living inheritances'. This is when you give beneficiaries money, property or other bequests while you are still alive. Some people use equity release for this purpose. Again, there may be tax implications with this so it's important to get advice. Under the current Inheritance Tax exemptions you can gift up to £3,000 a year, tax free. Larger gifts to beneficiaries should avoid any liability to inheritance tax if they occur at least 7 years before you die.

### Planning for care

It might seem a long way off, or you might think it will never happen to you, but it is worth understanding a bit about the potential consequences of long-term illness or infirmity, and what financial support you can expect from the government in these circumstances. While approaching retirement this knowledge may help you in arranging care for your own parents or other older relatives. But the knowledge gained might eventually help you too – but do look out for any future changes to government policy on social care and their

impact on you. At this point, you could think about what you would do if you had to pay for care needs now. Perhaps equity release could help here if this has not been used previously?

## Planning for decision-making in later life

You might also want to consider putting in place a lasting power of attorney (LPA) to enable others – usually family members – to take decisions about your finances or well-being if you're unable to do so. The Scottish equivalent is a continuing power of attorney and in Northern Ireland it's an enduring power of attorney. As you get older you may experience cognitive decline or dementia, making it difficult to make complex financial choices. These powers of attorney do not come into effect until necessitated but save your family or others having to go to court in order to manage your affairs. You can find out more about powers of attorney via a link provided at the end of the course.

This reality of ageing also means that active financial planning and decision-making can become challenging. It may, for example, mean that a guaranteed income rather than an investment-backed product may be better in later life.

It's understandable that people may shy away from or postpone making these arrangements. Once made, however, there is the comfort that you've made sensible preparations for the future and taken control of your estate's future.

And a key final point...

Planning for retirement is not just a financial exercise. In addition to making sure you have enough money to cover living costs and unexpected bills you'll want to consider how you spend your time with a range of activities and interests. A typical working week, including commuting time, can absorb more than 50 hours a week. Having a structure and sense of purpose for your life in retirement is also important for your emotional well-being. Think particularly about engaging in new social activities, especially if you previously enjoyed the daily contact with work colleagues. Retirement is an exciting new stage in life and an opportunity to fulfil dreams that you may not of had the time to pursue before. Making plans for this time will help you enjoy it more.

## 11 End-of-course quiz

You're nearly at the end of the course now and it's time for a quick five-question quiz to recap. Have a go. After that there's the course summary, which includes details of where to go for further guidance and help with retirement planning.

[End-of-course quiz](#)

Open the quiz in a new tab or window and come back here when you've finished.

## 12 Course round-up

You have now come to the end of the course.

Hopefully what you've learned will help you plan for an enjoyable and fulfilling retirement.



**Figure 10** A walk on the beach is always refreshing – whatever the weather!

The focus of the course has been about organising your retirement finances and providing you with guidance when it comes to making decisions about how to invest your pension pot to give you an income in retirement. These decisions are critical, as many of the decisions you make cannot be reversed.

In this course you've followed the following stages to take control of your retirement finances:

- First, estimate your spending needs in retirement and keep an eye on how price changes – particularly of essentials – change this.
- Then check how much income you'll get from your state pension.
- Check the details for your private pensions – including all your occupational and personal pensions.
- Consider the split you'll want to make between drawing income from your pensions and how much you want to take as lump sums.
- Check if the total amount you take in income from state and private pensions, after deducting income tax, covers your spending needs.
- If there is a shortfall, consider your options for bridging the spending–income gap. If you believe there will be a shortfall, the sooner you take action the better.
- Be aware of the impact divorce or bereavement could have on your pension income.

Finally, please do be aware of **pension scams**. Scammers may offer you attractive financial products or free advice to help you manage your retirement income. For more information, please see a short and helpful introduction to pension scam by the MoneyHelper [How to spot a pension scam](#).

If you follow all these stages you should have a good insight into, and control of, the lifestyle you'll enjoy in retirement.

We wish you all well for the future.

### Where next?

If you've enjoyed this course you can find more free resources and courses on [OpenLearn](#).

New to University study? You may be interested in our [Access modules](#).

You might also be interested in the Open University course [DB125 You and your money](#) and the [BA in Economics](#).

Making the decision to study can be a big step and The Open University has over 40 years of experience supporting its students through their chosen learning paths. You can find out more about studying with us by [visiting our online prospectus](#).



## Further guidance and helpful links

### Your guide to retirement income

Legal & General, who have collaborated with The Open University to produce this course, have produced a booklet on retirement income. You can find it via this link:

[Retirement income guide](#)

You can also find out more about retirement planning at the following link:

[Retirement planning and options](#)

### MoneyHelper

[MoneyHelper](#) is a government resource offering advice, guides and tools, as well as the chance to speak to someone over the phone and online. MoneyHelper is part of the Money & Pensions Service (MaPS) – the new financial guidance organisation that covers all aspects of personal finance.

A free guidance service for people over 50 is offered through their [Pension Wise](#) service.

### Financial advisers

If you need a financial adviser, you can find one at: [MoneyHelperDirectory](#)

### More details about state pensions and state benefits

Use this link to find out more about deferring your state pension: [State pension deferral](#)

Use this link to find out more about pension credit: [Pension Credit](#)

Use this link to find out more about [Universal Credit](#)

Use this link to find out more about [Bereavement Support Payments](#)

### Planning for later life

Use this link to find out more about making a will: [Making a will](#)

Find out more about powers of attorney via this link: [Powers of attorney](#)

Find out more about the considerations of 'downsizing' your home via this link:

[Downsizing your home](#)

## References

Association of British Insurers (ABI) (2022) 'Some suggestions for using the free National Pension Tracing day employer toolkit' [online]

<https://www.abi.org.uk/news/blog-articles/2022/10/free-national-pension-tracing-day-employer-toolkit/> (Accessed 19 March 2024)

GOV-UK (2022) 'Eligible pensioners urged to claim Pension Credit to help with cost of living' [online]

<https://www.gov.uk/government/news/eligible-pensioners-urged-to-claim-pension-credit-to-help-with-cost-of-living#full-publication-update-history> (Accessed 19 March 2024)

Office for National Statistics (ONS) (2020) 'Gender pay gap in the UK: 2020' [online], <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworking/bulletins/genderpaygapintheuk/2020> (Accessed 12 July 2021)

Office for National Statistics (ONS) (2024) Divorces in England and Wales [online], <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/datasets/divorcesinenglandandwales> (Accessed 15 March 2024)

RetirementLivingStandards.org (2024) 'Picture your future' [online], <https://www.retirementlivingstandards.org.uk/> (Accessed 15 March 2024)

## Acknowledgements

This free course was written by Martin Upton in collaboration with Legal & General. It was first published in August 2020 and was last updated in April 2025.

Except for third party materials and otherwise stated (see [terms and conditions](#)), this content is made available under a [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 Licence](#).

The material acknowledged below is Proprietary and used under licence (not subject to Creative Commons Licence). Grateful acknowledgement is made to the following sources for permission to reproduce material in this free course:

### Images

Course image: © RgStudio/Getty Images

Figure 1: © Picsfive/Shutterstock.com

Figure 2: © PIKSEL/Getty Images

Figure 3: © kali9/Getty Images

Figure 4: © monkeybusinessimages/Getty Images

Figure 5: © SrdjanPav/Getty Images

Figure 6: © eggeeggjiew/Getty Images

Figure 7: © FG Trade/Getty Images

Figure 8: © Oleg Dudko/Dreamstime.com

Figure 9: © monkeybusinessimages/Getty Images

Figure 10: © Geber86/Getty Images

Videos 1, 3 and 7: Legal and General

Every effort has been made to contact copyright owners. If any have been inadvertently overlooked, the publishers will be pleased to make the necessary arrangements at the first opportunity.

### Don't miss out

If reading this text has inspired you to learn more, you may be interested in joining the millions of people who discover our free learning resources and qualifications by visiting The Open University – [www.open.edu/openlearn/free-courses](http://www.open.edu/openlearn/free-courses).

## Glossary

### Annuity

A guaranteed income given by an insurance company in exchange for the value of your pension pot.

### Gross income

Income before any deductions (of income tax, NICs etc.)

### Income Tax

A UK tax on income from all sources (including pension income).

### Inheritance Tax

A UK tax on inherited money, property and other assets.

### ISAs

Individual Savings Accounts where the earnings, for example from interest, are tax-free.

**Legal & General**

Legal & General Group is a multinational financial services company with its headquarters in London, UK.

**National Insurance Contributions (NICs)**

A form of taxation of incomes payable by those aged up to the state pension age.

**Pension Credit**

A government benefit paid to those over state pension age and on a low income. Pension Credit brings incomes up to the minimum level set each year by the government.

**Workplace pension**

A pension provided by an employer to eligible employees (who are automatically enrolled in the pension scheme unless they opt out).