FSA 2006/12

STAKEHOLDER PENSION DECISION TREES AMENDMENT INSTRUMENT 2006

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions of the Financial Services and Market Act 2000 ("the Act"):

(1) section 138 (General rule making power);

(2) section 155(7) (Consultation); and

(3) section 156 (General supplementary powers).

B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

C. This instrument comes into force on 28 April 2006.

Amendments to the Handbook

D. The Conduct of Business sourcebook (COB) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Stakeholder Pension Decision Trees Amendment Instrument 2006.

By order of the Board
27 April 2006

Annex

Amendments to the Conduct of Business sourcebook

In this Annex, underlining indicates new text and striking through indicates deleted text.

COB 6 Annex 1R Decision trees for stakeholder pension schemes (as required in COB 6.5.8R): text, content and format (R)

STAKEHOLDER PENSION DECISION TREES

Decision trees provide information and help you to answer the question: "Would a stakeholder pension be a good choice for me as part of my financial planning for retirement?"

Decision trees are intended to help you make your own choice about your pension arrangements. They do not give you financial or professional advice and you should not regard them as doing so.

PLAIN LANGUAGE COMMISSION Clear English Standard WINNING DOCUMENT

[Insert current tax year]

You need to read the following notes before using the decision tree flowcharts. There is also more information starting on page [*insert page number*] that you can refer to at any stage.

What is a stakeholder pension?

A stakeholder pension is a *private pension* - it's *not a State pension*. It must meet minimum standards laid down by the Government about charges, flexibility and the regular information you must be given. The standards are designed to help ensure that all stakeholder pensions give good basic value. There's more about this in the "Further information" section on page [*insert page number*].

With a stakeholder pension, you can pay regular contributions, and you can also make lump-sum contributions whenever you like. Your employer can also make contributions. You will benefit from tax relief on your own contributions – there's more about the tax advantages in the "Further information" section on page [*insert page number*].

Your contributions are invested to build up your own pension fund. The amount of your fund when you come to retire is not guaranteed and depends on how much has been paid in, the type of investment fund you choose, how those investments perform, and the level of charges. A stakeholder pension scheme will usually offer you a range of investment funds, with differing degrees of investment risk and potential investment growth.

You do not need to ~~can~~ retire to ~~and~~ draw your stakeholder pension benefits. You can take benefits at any time ~~between~~ from a certain minimum age~~s~~. The minimum age is ~~currently~~ increasing from 50 to 55, and this will happen ~~but~~ by April 2010 at the latest ~~it will be increased to 55~~. The precise timing of this increase may vary between different stakeholder pension schemes. ~~However, you must start to draw your benefits by age 75.~~ You will need to bear this in mind when deciding on your retirement plans. You can't withdraw any money from your pension fund before you reach the minimum retirement age ~~retire and take your pension~~.

When you ~~retire~~ take benefits, you can choose to take up to 25% (a quarter) of your pension fund as a tax-free lump sum. And you can use the rest of your pension fund (or all of it, if you decide against a tax-free lump sum) to buy an "annuity". ~~The~~ An annuity will pay you a regular income during your retirement. That income will depend on the size of your pension fund and annuity rates at the time you take your pension. You may have to pay tax on your annuity income.

Is a stakeholder pension a good choice for me?

You can contribute to a stakeholder pension whether you are in employment, a fixed-contract worker, self-employed, or even not working. You can get one from a range of providers including a bank, building society, insurance company, investment company, or through a financial adviser.

Stakeholder pensions suit a wide range of people. But they are likely to be particularly attractive to people who have no existing pension provision apart from the State pensions, such as the self-employed or any employee whose employer does not contribute to a workplace-based pension scheme. ~~In some cases, s~~Stakeholder pensions can be used to top up the benefits provided by an employer's own scheme. But if your employer offers to match any additional voluntary contributions (AVCs) that you choose to make to his scheme, this is likely to be a better way of topping-up than through your own separate stakeholder pension.

Stakeholder pensions have many advantages for many people, but they may not be the right choice for everyone. These decision trees are intended to help you decide what would be a good choice for you.

Do I need to save for my retirement through a stakeholder pension?

To answer this question, you must make your own judgment. Will your State pensions, any existing private pensions, any employer-sponsored pensions and any other sources of income be enough for you to live on when you retire? You need to think about the standard of living you want to enjoy when you retire and the income you'll need to support it.

Ask yourself these seven questions:

- ***Roughly how much will I need to live on when I retire?***

  Try to work out how much money you will need to live on when you have retired to afford the things you'll want and the things you'll want to do.

- ***Will I qualify for the full basic State Pension?***

  You cannot get your basic State Pension until you reach State pension age (currently 65 for men and 60 for women). Details of how the State Pension age for women is changing are on page [*insert page number*].

  You can get a basic State Pension by building up enough qualifying years before State Pension age. A qualifying year is a tax year in which you have enough earnings on which you have paid, are treated as having paid or have been credited with, National Insurance (NI) contributions. Men normally need 44 qualifying years to get the full basic State Pension; women currently normally need 39 qualifying years to get the full basic State Pension. In 2020, when State Pension age for women is raised from 60 to 65, the normal requirement will increase to 44 qualifying years for the full basic State Pension.

  To check the amount you will receive, you can get a State Pension forecast – see the details on page [insert page number].

  The Government reviews the amount of the basic State Pension every year. The current rates are shown in a table under "Further information" on page [*insert page number*].

- ***Will I qualify for an additional pension through the State Second Pension (formerly State Earnings Related Pension Scheme – SERPS)?***

  The State Second Pension is payable when you reach State Pension age, on top of the basic State Pension. The amount depends on your earnings while you were in employment and the National Insurance contributions you paid. Since April 2002, you may also qualify for an additional State Pension if you are a carer or have a long-term illness or disability.

  Self-employed people do not qualify for the State Second Pension (formerly SERPS).

  Those employees who were "contracted-out" of the State Second Pension will not qualify for the additional pension for the period when they were contracted out. Some people will be contracted out through an employer's occupational pension scheme and some through private pension arrangements. Check with your employer or pension provider if you are not sure.

- ***Does my current employer provide a pension scheme and how much will that give me?***

  Check with your employer if you are not sure about membership. If you are a member of an employer's scheme, you should get regular statements setting out what your benefits may be when you retire. If you cannot find these statements, check with your employer.

- ***Am I already contributing to a personal pension scheme or a stakeholder pension? If so, how much income will they give me?***

  If you are already contributing to a personal pension or stakeholder pension, you need to find out what retirement income they might provide. Look at the most recent benefit statements you have been sent, or check with your pension plan provider.

- ***Have I any old pensions, maybe from previous employers' schemes or from personal pension schemes? If so, how much income will they give me?***

  Check on the pension plans you have contributed to in the past but no longer pay into today. You need to have some idea of the retirement income you may get from them.

  To check on the value of old pension plans, look at the most recent benefit statements you have been sent. If you cannot find any statements, contact your pension plan provider, for example the insurance company or the employer that offered the pension to you.

- ***Will the Government's Pension Credit make a difference to me?***

  Pension Credit is designed to make sure that people aged 60 and over have a minimum income, and that those aged 65 and over with modest savings get some credit for having saved. These savings could, for example, be in the form of an employer's pension, a stakeholder or other personal pension, or the State Second Pension. This is not a complete list, and you could have other savings that will count.

  ~~Pension Credit means that, f~~For most people, ~~most of the time,~~ it will pay to save in a pension or some other vehicle, even with the effect of Pensions Credit. For a limited group of people, however, the decision will not be so clear-cut, and these people will have to think carefully about their personal circumstances. In particular, people in their fifties and over who have not been able to save much and have only a limited ability to save as they approach retirement should seek expert advice before they take out a stakeholder pension. See "Where to get more help" on page [*insert page number*].

  You need to bear in mind that governments can change the rules for State pensions and benefits at any time. So it may be unwise to rely on any particular type or level of benefit being available when you retire.

There's more information about getting a forecast of your State pensions (page [*insert page number*]) and how to track down pensions provided by any former employers~~'~~ or personal pensions (page [*insert page number*]).

If the income you expect in retirement is less than you want, you need to think about saving more to make up the difference. A stakeholder pension is one of your options. But before you decide anything, you need to think about your priorities.

What else should I think about before contributing to a stakeholder pension?

You may have other financial commitments that will affect what you can afford to contribute to a stakeholder pension. Or you may feel that other financial needs must come first. For example, ask yourself:

- ***What are my other financial commitments?***

  For example, mortgage repayments, rent, life assurance, and credit cards. Make sure you do your sums before thinking about a stakeholder scheme and that you would still be able to afford your other commitments.

- ***Would I be prepared, if necessary, to give up anything so that I can pay into a stakeholder pension?***

  Remember that saving through a pension scheme is a long-term commitment. Any change in how you spend your money may need to last for a long time.

- ***Should I be thinking of other things first?***

  For example, you may want to consider life assurance protection for you and your family, or building up some "rainy-day" cash savings before thinking about a stakeholder pension.

  If you are a member of your current employer's pension scheme, it may make sense to pay additional voluntary contributions to that scheme rather than contribute to a stakeholder scheme. And if you are currently contributing to a personal pension or stakeholder pension, it may make sense to increase your contributions to that scheme rather than start a separate stakeholder pension, especially if you have a stakeholder pension that has kept to the original 1% limit on charges. There's more about charges under "Further information" on page [*insert page number*].

How much should I contribute to my stakeholder pension?

Contributions to stakeholder pensions can be as low as £20. But, even a regular monthly contribution of £20 over several years will not give you a large pension when you retire. And the older you are when you start saving, the less time there is for your pension fund to grow to something worthwhile.

Estimated pensions in the Pension Table

The Pension Table later on will give you a fair idea of the pension income you could get, depending on your age and contributions. **But please remember that the figures in the table are only estimates and are not guaranteed. You may get less, or you may get more.**

The pension figures are also shown before income tax. When you receive your pension during retirement you may be taxed on it.

The estimated pensions are based on the ~~new~~ stakeholder pension charge limit of 1.5% for the first 10 years~~.~~ (~~I~~if the stakeholder pension scheme has kept to the original 1% charge limit on the fund, then the estimated pension figures in the Pensions Table will be higher). There's more about charges under "Further information" on page [insert page number].

The figures in the table are calculated on the basis of the following assumptions:

Before you retire
Your monthly contributions increase in line
with inflation……………………………………….2.5% a year.
Before charges, your fund grows by…………7% a year.
Charges deducted from your fund……………1.5% of fund a year for 10 years,
……………………………………………………then reducing to 1%.

When you retire
Your entire fund is used to buy an annuity, and
you do not take any tax-free lump sum.
Annuity rates assume that the investment
return after retirement is…………………………~~1.2~~ 0.6% a year in excess of inflation.
Your pension increases in line with inflation.
Your spouse will receive half your pension on your death.

How do I use the decision trees?

- **These decision trees have been designed to help you decide whether a stakeholder pension would be a good choice for you. Please take the time to read and use them carefully, giving accurate answers to the questions. Because the decision trees do not give personalised advice, any decision you take is your own responsibility.**

- **There are separate decision trees for:**

    - **Employed people**
    - **Self-employed people**
    - **People who are not employed**

- **When you have found the right decision tree, work through the questions from the top of the page and tick the box for each question you answer.**

- **If the tree asks you about your present pension arrangements and you are not sure of the correct answer, find out the right information – don't guess.**

- **If the tree recommends you take advice, or if you are not sure what is right for you, then you should seek advice. You may have to pay for this advice.**

- **After the decision trees, you'll find further information about what to do next.**

This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.

Employed Tree 1 – Current pensions

Apart from the State pensions, do you have any pension arrangements?

If yes, tick

Yes

Are you a member of a company pension scheme with your **current** employer?

If yes, tick

Yes

It is likely to be a good idea to stay in your employer's scheme.

Before thinking of leaving your employer's scheme, always take advice.

As well as your company pension, you may wish to consider increasing your benefits by making Additional Voluntary Contributions (AVCs) or ~~, if you are eligible,~~ contributing to a stakeholder pension. Check whether your employer offers to match any AVCs that you may decide to make. If he does, then AVCs to your employer's scheme are likely to be better value for topping-up than a stakeholder pension.

You have completed the trees

If no, tick

No

Do you **currently** pay into a stakeholder pension or other personal pension?

If yes, tick

Yes

You may wish to consider making increased contributions to your existing scheme, especially if you have a stakeholder pension that has kept to the original 1% limit on charges.

If you would like to review your pension arrangement, contact your financial adviser or your pension provider. Alternatively, see "Where do I go from here?" after the decision tree flowcharts.

If there is a company pension scheme where you work, and your employer pays contributions to it, ask your adviser if joining it would be better for you than your present arrangement.

You have completed the trees

If no, tick

No

Do you have a rebate-only personal pension (sometimes called a 'State Second Pension (or SERPS) opt-out') or a stakeholder pension?

If yes, tick

Yes

If no, tick

No

If no, tick

No

Go to Employed Tree 2

[Insert current tax year]

Employed Tree 2 – No current pensions

…

Self-employed Tree

…

Not employed Tree

…

This information is intended to help you make your own choice about your pension arrangements. It does not give you financial or professional advice and you should not regard it as doing so. You should get help if you require advice.

Pension Table

How much should I save towards a pension?

THIS IS AN IMPORTANT DECISION

Most people save every month. It is better if you can keep up your monthly contributions.

The following table shows the **estimated monthly pension,** at today's prices, that you would get for different **regular monthly contributions**. The contribution shown is assumed to **increase each year in line with inflation**. The government will also add tax rebates to increase the actual amounts paid into your stakeholder pension (although all tax breaks are subject to change). The estimated pension figures include this tax rebate. They also assume that your pension will increase in line with inflation.

Remember: these estimates are not guaranteed – you could get more or less than the amounts shown.
A stakeholder pension would be on top of any State pensions you are entitled to.

The table gives you an idea of how much you need to pay now – as a regular monthly contribution – to receive the monthly pension you want when you retire. First look down the left-hand column to find the age closest to your age now. Then look across to find the monthly contribution you want to pay and the age at which you want to retire.

Your approximate age now	What you pay per month for the first year (tax rebates will be added to this amount)							
	£20		£50		£100		£200	
	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60	Initial monthly pension if you retire at 65	Initial monthly pension if you retire at 60
20	£98	£67	£245	£169	£490	£339	£980	£679
25	£79	£54	£197	£135	£395	£270	£790	£540
30	£62	£42	£157	£105	£314	£210	£628	£421
35	£49	£32	£122	£80	£245	£160	£490	£320
40	£40	£23	£101	£58	£202	£117	£404	£234
45	£27	£16	£68	£40	£136	£80	£273	£161
50	£18	£9	£47	£24	£94	£49	£188	£98
55	£11	£4	£28	£11	£57	£23	£114	£46
60	£5		£13		£26		£53	

Have you found the level of monthly pension that you need in the table and can you afford the monthly contribution?

If yes, tick

Yes, I've found the pension I need and can afford the monthly contribution

Consider starting a stakeholder pension or restart making contributions to a stakeholder pension. If you are employed, check if your employer offers workplace access to a particular stakeholder pension and if he offers a contribution to it.
If in doubt seek help from an expert adviser.
See "Where do I go from here?" on the next page.

You have completed the trees

If no, tick

No, I can't find the pension I need or I can't afford the contribution

For details of where to get further help, see "Where do I go from here?" on the next page.

[Insert current tax year]

Where do I go from here?

You've worked your way through the decision trees and now need to make some decisions. You may be confident that contributing to a stakeholder pension would be a good choice for you, or you may want more help before reaching a decision on what to do.

Have you decided that a stakeholder pension is a good choice for you:

If so, it is a good idea to contact several firms selling stakeholder pensions and ask them for a brochure or a Key Features Document, so that you can compare products. The Key Features Document sets out important details about that particular firm's stakeholder pension product.

You can compare different stakeholder pension and personal pension schemes by using the FSA's *Comparative Tables*, which you can find at www.fsa.gov.uk/tables. You can also look at a register of stakeholder schemes published by The Pensions Regulator at www.thepensionsregulator.gov.uk/stakeholder~~P~~pensions/~~ (The Pensions Regulator replaced the Occupational Pensions Regulatory Authority in April 2005)~~.

You can also contact an adviser to help you choose a particular stakeholder provider. See ~~the list~~ *Where to get more help* below ~~of useful contacts~~.

Do you need more help?

You may need to get more help before making a decision, particularly if you are in one or more of the following situations:

•You already have a pension arrangement but want to know if you should save more.
•Your personal circumstances do not seem to fit the questions in the decision trees.
•You wish to get advice that takes account of all your personal circumstances.
•You are not sure how to answer some of the questions in the decision trees.
•You are not sure if you are making the right decision.
•You feel you cannot afford to save for retirement.

You should consider getting advice if:
•you are not sure that saving through a pension plan is a good idea for you; or
•you want to look at other ways of saving and investing for the long term.

Some organisations that may be able to help you are listed below.

Where to get more help

You could contact the Pensions Advisory Service helpline on 0845 6012923. Their information is free but call charges may vary.
You can also visit their website at www.stakeholderhelpline.org.uk

If you already have a financial adviser, you may want to speak to them about your retirement needs. If you do not have a financial adviser but want to talk to one, the following organisations can help:

•IFA Promotions: 0800 085 3250 or at www.unbiased.co.uk
•Institute of Financial Planning: 0117 945 2470 or at www.financialplanning.org.uk
•The Personal Finance Society: at www.thepfs.org/findanadviser
•Solicitors for Independent Financial Advice: 01372 721172 or at www.sifa.co.uk

Alternatively, contact the pension provider of your choice.

Remember that advisers may charge for any help or advice they give you, so check first on how much you would have to pay.

The next section gives further detailed information about stakeholder pensions, State pensions and how to track down old pension schemes.

Further information

The minimum standards

Stakeholder pensions must meet the standards laid down by the Government.

The standards include:

- **Charges**
  Providers of stakeholder pensions usually charge for managing your money. There is an upper limit of 1.5% of the value of your fund each year for the first 10 years (so on a fund value of £10,000, the maximum charge is £150 a year), which then reduces to 1%.

  But if you started your stakeholder pension before 6 April 2005, the maximum that you can be charged is ~~still~~ 1%. If you took out a stakeholder pension before 6 April 2005, it may be cheaper to continue contributing to it rather than take out a new stakeholder pension.

- **Flexibility**
  You can contribute regularly or occasionally. It is always best to make regular weekly or monthly contributions but you can change the amount. You can pay in as little as £20, and you can stop paying in without having to pay any penalty, and restart later.

  If you are employed and your employer~~s~~ provide a stakeholder pension, they may, if you wish, deduct your contributions direct from your pay and put them into your pension fund.

  You can take your stakeholder pension with you when you change jobs. You can switch to another stakeholder pension at any time if you want to, without having to pay any charges for the transfer.

- **Information**
  Your stakeholder pension provider must give you regular information about your fund. This will include an annual statement to let you know how much you have paid in and how your fund is growing. It will also include a forecast of how much your pension could be in today's prices. Look out for this forecast – it's called a Statutory Money Purchase Illustration – which is updated each year and will help you decide whether you are making enough provision for your retirement.

- **Investments**
  But one thing you must understand is that **the minimum standards do not necessarily mean that your money is protected**. The performance of your stakeholder pension depends on the type of investment fund you choose and how those investments perform. Remember that investments linked to the stock market can fall as well as rise.

You don't have to make decisions about how your contributions are to be invested. Stakeholder pensions must provide what is called "**lifestyling**" for anyone who does not want to make a choice. Lifestyling means that at least five years before retirement your pension savings will start to be moved into less risky investments. This will help to guard against falls in investment value as retirement approaches. You can, however, choose to turn off the lifestyling before it begins.

Tax relief

Everybody who contributes to a stakeholder pension will get tax relief on their contributions.

Under present tax arrangements, for each £1 you pay into your stakeholder pension fund, HM Revenue and Customs will pay an extra 28p into your fund, even if you don't normally pay income tax.

Example

If you pay in £50 a month, income tax relief will increase your contribution to £64.10.

The Government has simplified the tax rules for pensions since April 2006. Under the new tax rules, you can pay as much as you like into a stakeholder pension, **but there are limits on the amount of tax relief given.** You will receive tax relief on yearly contributions made by and for you in any year up to:

- £2,808; or
- 100% of your UK earnings;

whichever is more.

~~Because of the tax advantages, there are limits on how much you can contribute to a stakeholder pension. These limits are set by HM Revenue and Customs and depend on your taxable earnings and your age. There are also special limits for people without any earnings and those who are members of employers' occupational pension schemes.~~

Most people can contribute up to £3,600 to a stakeholder pension in any tax year, including basic-rate tax relief. This means you could pay in £2,808 and the income tax relief would increase your contribution to £3,600.

~~If you are self-employed or in non-pensionable employment you may be able to contribute more than £3,600 and still get income tax relief, depending on your age and earnings. For example, up to age 35 you can contribute up to 17.5% of your earnings in any tax year. If you are over 35, there is a scale that allows you to contribute higher percentages of your earnings.~~

If you pay income tax at the higher rate, you will be able to claim back the extra tax from HM Revenue and Customs at the end of each tax year.

Even if you have no form of paid employment, you can set up a stakeholder pension. You can then benefit from tax relief on your contributions, even if you don't pay any income tax.

There is however a maximum "annual allowance" – set at £215,000 for tax year 2006/07 – which applies to all contributions made by you and on your behalf (including from an employer). If the contributions made by and for you in any year exceed the annual allowance, the contributions above the annual allowance will still attract tax relief, but you will have to pay a 40% tax charge on any contributions which exceed the annual allowance.

There is also an overall "lifetime allowance" on the total amount of money you can save in your pension free of any tax charge when you come to draw your benefits. This is set at £1.5 million for tax year 2006/07, rising in stages to £1.8 million by tax year 2010/11. It includes the value of all the other current or old pension schemes you may have from previous jobs. There is information on how to get details of your old pension plans on page [*insert page number*].

~~The Government is simplifying the tax rules for pensions from April 2006. From then on, you will be able to contribute as much of your taxable earnings to your pension as you want – up to a maximum limit set at £215,000 for tax year 2006/07 – and still benefit from tax relief.~~

~~There will also be an overall "lifetime allowance" on the total amount of money you can save in your pension and still benefit from tax relief. This is set at £1.5 million for tax year 2006/07 and also includes the value of old pensions from previous jobs. There is information on how to get details of your old pension plans on page [*insert page number*].~~

State pensions

Rates of State pensions and benefits change every year. The following table shows the current rates of basic State Pension (assuming a full National Insurance contribution record) and the minimum income provided by Pension Credit.

THE BASIC STATE PENSION AND PENSION CREDIT RATES GIVEN HERE ARE THOSE ANNOUNCED BY THE GOVERNMENT AS APPLYING IN THE TAX YEAR [*Insert current tax year*].

	Weekly	**Monthly equivalent**
BASIC STATE PENSION from age 65 (men) or 60 (women)		
One person with a full NI contribution record	[…]	[…]
Full rate based on a spouse's NI contribution record	[…]	[…]
Couples who have *both* paid full National Insurance contribution	[…] each	[…] each
PENSION CREDIT guarantees a minimum income from age 60 of at least:		
Single person	[…]	[…]
Couple	[…]	[…]

You can get a forecast of your State pensions by calling the Retirement Pension Forecasting Team on 0845 3000 168, or if you have hearing or speech difficulties and have a textphone, on textphone 0845

3000 169. Lines are open from 8am to 8pm Monday to Friday and 9am to 1pm on Saturday. You can complete an application form over the phone or ask for the forecast form BR19 to be sent to you. Or you can write to:

Retirement Pension Forecasting Team
The Pension Service
Room TB001
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

You can also complete the form on the Internet using the Pension Service website, www.thepensionservice.gov.uk/resourcecentre/e-services/home.asp then print it out and post it in the normal way.

There are changes to the State Pension age which affect women born on or after 6 April 1950. The State Pension age for women will be increased gradually over a ten-year period from 2010 so that by 2020 women born on or after 6 April 1955 will not get a State Pension until age 65. For more information on these changes, see the Pension Service guide *Pensions for women – Your guide* (PM6) or by using the State Pension age calculator on The Pension Service website:
~~http://www.thepensionservice.gov.uk/resource_centre/calc.asp~~.
http://www.thepensionservice.gov.uk/resourcecentre/home/statepensioncalc.asp

The DWP produces a series of guides that give basic information on pensions. You can get copies by calling the DWP on 0845 731 3233. The line is open 24 hours a day and call charges may vary. A textphone service is available on 0845 604 0210. You can also order copies of these information guides on the Internet at www.thepensionservice.gov.uk/resourcecentre/home/downloads.asp

You can get more information about Pension Credit on the Pension Service's website at www.thepensionservice.gov.uk/pensioncredit/home.asp or by telephoning 0800 99 1234.

Old pension plans

To check on the value of old pension plans, look at the most recent benefit statements you have been sent. If you cannot find any statements, contact the pension plan provider, for example the insurance company or the employer that offered the pension to you.

Alternatively, the Pension Tracing Service can help you identify pension schemes you have belonged to in the past. The Pension Tracing Service is free and you can phone them on 0845 6002 537 and ask for a tracing request form or write to them at:

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA

There is also an online form available at www.thepensionservice.gov.uk.

Using a stakeholder pension to contract out of the State Second Pension

You can use a stakeholder pension to contract-out of the State Second Pension (S2P), but it's not an easy decision.

Everyone in employment earning above the lower earnings limit (a minimum level of earnings set by the Government for State benefit purposes) is automatically included in the ~~State Second Pension~~ S2P unless they decide to leave it or are contracted-out through an employer's occupational pension scheme. Leaving the ~~State Second Pension~~ S2P is called 'contracting-out'. If you contract-out, you give up your ~~State Second Pension~~ S2P entitlement and instead build up a replacement for it in your own private pension arrangement, such as a stakeholder pension.

Whether you would be better off contracting-out of the ~~State Second Pension~~ S2P or staying in it depends on your own personal circumstances and attitude to investment risk.

An independent report written for the FSA in August 2005 says that, in purely financial terms, most people who contract-out or stay contracted-out this year are likely to get a lower pension than if they were in S2P. The report looks at recent trends and makes assumptions about future investment returns and interest rates. It also assumes that S2P will stay in its current form. The government is currently looking at pensions reform and it is difficult to predict what will happen to S2P in the future.

If you have already contracted-out through a personal or stakeholder pension, you should review your decision now. Your decision is about the future but you should review it every year. It does not affect past years in which you were contracted-out.

You may wish ~~need~~ to get advice on what may be the best thing for you to do. See the "where to get more help" section page [*insert page number*]. ~~The FSA publishes information on its website at www.fsa.gov.uk, designed to help you understand the issues, but it's not intended to replace professional advice.~~

For more information about contracting out, read the **FSA Factsheet: The State Second Pension and contracting out**. You can view or order this factsheet online at www.fsa.gov.uk/consumer or from the FSA Consumer Helpline on 0845 606 1234.

~~Deciding to contract-out in one tax year does not commit you to do the same in later years. In fact, it's important to review your decision regularly.~~