

Risk Warning

IMPORTANT:

Please read this document carefully as it contains important information you will need to think about before you decide how to take your LGPS AVC.

It is important that you are sure of the risks. Once you have read the information in this risk warning please sign and return the declaration form to confirm you have read and understood it.

Seek guidance or advice before you make up your mind

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend that you get Pension Wise guidance or independent financial advice to help you with this decision.

Pension Wise is a service from MoneyHelper. It is a free, impartial service sponsored by the Government to help you understand your AVC options.

Because it is such an important decision, we are not allowed to proceed with your application until you tell us that you have either received guidance from Pensions Wise, or you do not wish to take Pension Wise guidance. This is a legal requirement.

The enclosed 'Getting guidance about your AVC options' document explains more about this and tells you what you need to do.

Help with finding an independent financial adviser is available at www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser

1. Using your pension to buy a guaranteed income for life (an annuity)

When you buy an annuity, you can usually take some of your AVC plan as a tax-free lump sum at the same time and use some or all of the balance to buy an annuity.

As a rule of thumb, the older you are when you take out an annuity, the higher the income you'll get. Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any tax year.

People who have a medical condition, are in poor health or smoke, may be able to get a significantly higher income through taking an '**enhanced annuity**'. Enhanced

annuities tend to pay a higher income because they expect to pay out over a shorter time so be sure to opt into health and lifestyle questions and answer them honestly.

People considering buying an annuity should think about whether to provide an income for a partner or another dependant on death and therefore whether to purchase a **'single life or joint life annuity'**. A joint life annuity normally provides a lower regular income as it is designed to pay out for longer. Compare what, if anything, your AVC provider offers to spouses or dependants against what is offered by another scheme or provider.

An **'escalating annuity'** increases over time to keep up with the increasing costs of goods and services, known as inflation. Your income will start at a lower level and will increase by your chosen amount each year.

Payments fixed at the same amount throughout your life are called **'level annuities'**. These provide a higher income to start with than escalating annuities but the payments will then stay the same for life. This means that the purchasing power of the annuity income will reduce over time, due to inflation.

Remember, you do not have to buy an annuity from your existing AVC provider – most people get better retirement income from a different provider, so shop around.

Once you buy an annuity you have very little time to change your mind – and after that the decision is irreversible, so think carefully before you commit.

2. Take some or all of your AVC plan as a tax-free lump sum

This option will not provide a regular income for you or for your spouse, civil partner, cohabiting partner or any dependent after you die.

On average people aged 55 today will live to their mid-to-late 80s. It is important not to underestimate your own life expectancy and to consider if you will have enough income to provide the lifestyle you require throughout your retirement.

Taking an AVC plan as a tax-free lump sum may have implications for people with debt or who may be entitled to means-tested benefits. People who are concerned about this aspect can contact Pension Wise, the Citizens Advice Bureau or MoneyHelper.

Other options available to you

If you are allowed to use your AVC plan in any other ways to those mentioned above this will be set out in your AVC option letter. For example, some members are eligible to buy a top-up pension in the LGPS. The features of these options will be explained in your retirement option letter and do not form part of this risk warning.

Risk Warning Declaration

I confirm I have read and understand the information provided in the attached risk warning.

Full name:

National Insurance number:

Signature:

Date:

Please return this form to: [\[enter address /email\]](#)