**Risk Warnings**

**IMPORTANT:**

Please read this document carefully as it contains some really important information you’ll need to think about before deciding how you would like to use your LGPS AVC plan.

It is important that you are sure of the risks, so once you’ve read the information below, we’d like you to sign it to say you’ve read it and understand it. Then send it back together with any other information or completed forms we’ve asked you for.

**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 guidance or independent financial advice to help you with this decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

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 particular 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’s designed to pay out for longer. Compare what, if anything, your AVC provider offers to spouses or dependants against what’s 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 don’t 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’ve bought an annuity you have very little time to change your mind – and after that the decision is irreversible, so think carefully before you commit.

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

This option won’t 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’s 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 the Money Advice Service.

**Other options available to you**

If you are eligible to use your AVC plan in any other ways to those mentioned above this will be set out in your AVC retirement 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.

Please sign and return this form to confirm that you have read and understood the information we have given you.

If, for any reason, you are not sure about your choice or any of the above information, please let us know.

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National Insurance Number

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Signature Date

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