Redundancy and your pension

If you're facing redundancy, there's a lot you have to think about...

Your main focus is likely to be on finding your next job and minimising the financial impact of redundancy. It's a time when you may have to give a lot of thought and consideration to your whole financial picture - including how redundancy will affect your pension. Here are some important things to think about when it comes to redundancy and your workplace pension.

Update your personal details

Your pension belongs to you, no matter where you're working or what you're doing. That's why it's important that pension providers have your up-to-date personal information. Make sure your pension provider has your correct address, personal phone numbers and personal email address so they can always contact you about your account.

There are two main types of workplace pensions. It's important to understand what type of pension plan you have and how your pension works before making any decisions:

- **Defined Benefit (DB)** - a scheme that pays a retirement income based on a person's salary and how long they've worked at the company. DB schemes include final salary and career average pension schemes, which are often only available in the public sector or in older workplace pension schemes.
- **Defined Contribution (DC)** - a scheme where the amount of retirement income is based on how much was paid in by the employee and/or employer, and how well the investments have done. The value of the pot can go up or down depending on the investments.

What are my pension options?

It's important to speak to the pension provider so that they can help you understand all available options, costs and charges before you make any decisions. It may also be helpful to get professional advice from an authorised financial advisor. Some options might include:

- **Stay –** it's usually possible to keep the money in your pension invested with the current pension provider. They will continue to manage the money already invested and provide regular updates. In some cases, it may also be possible for you to keep paying money into the pot.
- **Transfer –** the pension pot can be transferred out into a new workplace pension, or into a personal pension plan. There are some important things to consider before transferring, particularly for defined benefit pension holders.
- **Invest –** there is the option to use part of any taxable redundancy payment to make pension contributions. The first £30,000 of any redundancy payment is generally tax free and so it's usually only relevant if your payment is over this amount. If part of your payment does qualify as 'taxable' and if the employer agrees, it might be possible to give up some of the redundancy payment and have your employer contribute it to your workplace pension instead. This is known as a 'redundancy sacrifice'.
- **Withdraw –** for those who are 55 or older, it may be possible to withdraw money from a pension account. Many pensions allow withdrawals, from the age of 55, of up to 25% of your savings as tax-free cash. However, there are a few important things to think about before accessing benefits.

Whatever option seems most appealing, we recommend seeking financial advice to fully understand the benefits, pension scheme charges and key considerations for your circumstances before making changes.

What if my company is in financial difficulty?

When businesses become insolvent, pensions have various protections depending on their type. Defined contribution (DC) schemes are run independently of the employer, so pensions won't be affected if the employer goes out of business. Defined Benefit (DB) schemes are protected under the Pension Protection Fund. Find out more about what happens to your pension if your employer goes out of business.

Beware of scams

When dealing with any big financial changes it's important to be extra vigilant. Reputable pension companies should make it easy for you to establish that they are genuine and will operate strong anti-fraud policies. For example, Fidelity will never ask for your full PIN or password. Check our tips on pension fraud for more details.

Keep track of all your pensions

Most of us will work for different companies throughout our careers and might have a few pension pots from former employers. Over time, it can be difficult to track these down, especially if personal data becomes out of date. If needed, the online Pension Tracing Service can help locate any pensions that you may have lost track of.

What should I do about my pension?

Your pension belongs to you, no matter where you work. That's why it's important to make sure that your pension provider has up-to-date contact details for you. Fidelity provides our workplace pension, so log in to your online account in PlanViewer and check that your current personal phone number, address and email address are listed on your account. Having your correct details recorded with Fidelity enables them to contact you quickly and efficiently when they need to.

If you're nearing or over 55, you may also want to consider taking money out of your pension account. You may be able to draw up to 25% of your pension pot as tax-free cash. If you're not ready to retire, you will probably be able to keep the money invested, and may even be able to keep contributing. Or you could consider the risks and benefits of transferring to another pension provider. It's important to get financial advice before you take any action though. Fidelity can give you information about your options but they can't give you advice, so you may want to contact an authorised financial adviser.

Find out more at fidelitypensions.co.uk

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