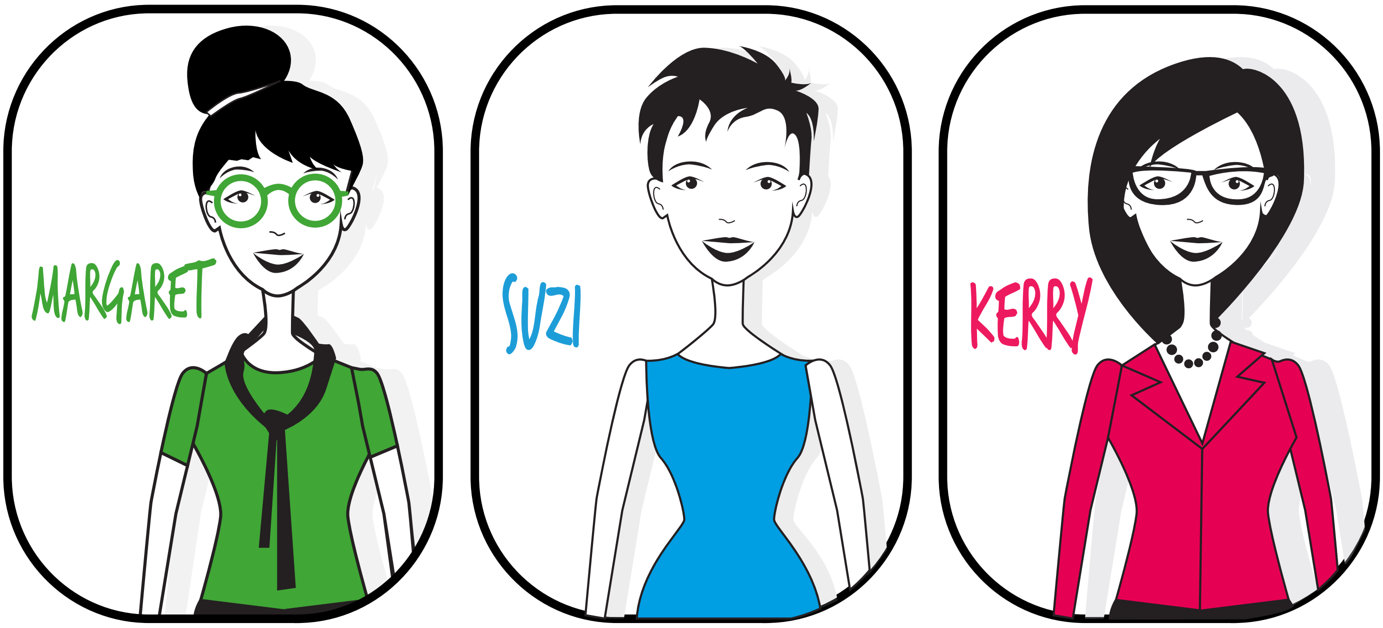
WE'VE TAKEN THREE DIFFERENT LADIES TO SHOW WHAT THEIR RETIREMENT INCOME COULD LOOK LIKE



WHAT'S ALL THIS POT AND INCOME STUFF? HAVE YOU GONE MAD!?

Well – you spend your working years saving up into a pension. You end up with a lump sum at retirement. And you then take this lump sum – or pot of cash – and translate it into an annual income.

You can do this using either an annuity or drawdown. We think of these options a bit like 'Stick' or 'Twist'.

Annuity is the 'Stick' option. "Hello Mr Pension Provider. I have this lump sum of cash – £100. If I give it to you today, you have to effectively give me a promise to pay me a fixed sum every year until I pop my clogs. It's probably going to be about £5 a year unless I'm a chain smoker or have complicated health issues."

Drawdown is the 'Twist' option. "Hello Mr Pension Provider. I have this lump sum of cash. I'm going to give it to you to invest in the markets, because I hope that over 10 years, my £100 will turn into £150. And I'm going to take out £5 a year as my income. And hope that it does make money and hope that the well doesn't run dry."

OUR FIRST LADY

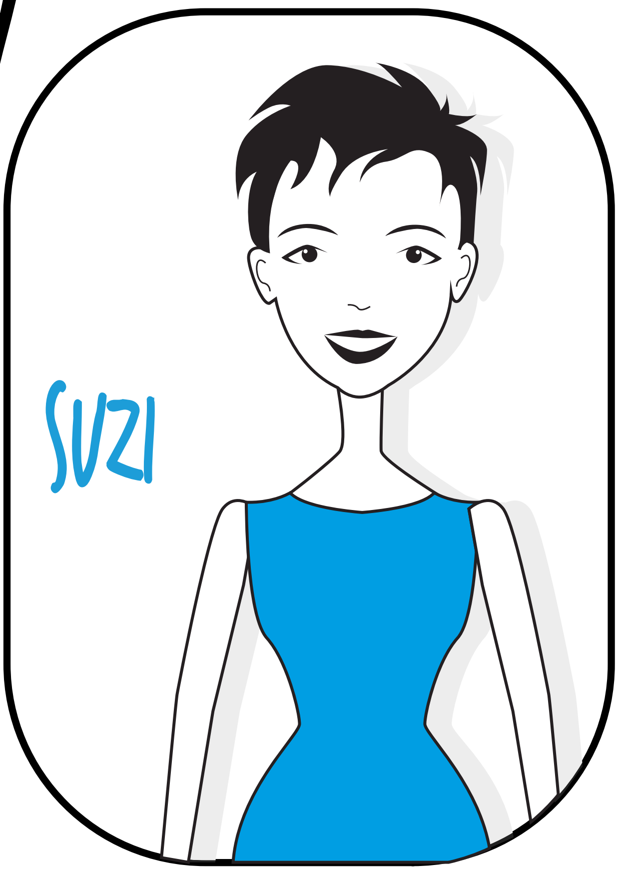
MARGARET EARNS 28,000 A YEAR AND IS 50 YEARS OLD. SHE WILL RETIRE WHEN SHE REACHES STATE PENSION AGE – THAT'S 67, AFTER 20 YEARS AS A WAGE SLAVE.

- **State Pension**
  Margaret will retire with 20 years National Insurance contributions so will receive only 20/35 of the Basic State Pension. That's £4,741 a year or roughly £91 a week.
- **Workplace Pension**
  She has just started contributing to her company's auto-enrolment scheme, to which she is contributing 5% (£1,400) a year and her employer is contributing 3% (£840) a year. This could all add up to £40,000. Margaret could take roughly £10,000 as tax-free cash (you're allowed to keep 25% away from the tax man) leaving £30,000, which would generate a rough income of about £30 a week.
- **Private Pension**
  Margaret has saved into her own personal pension plan of many years has a pension pot of £25,000. If the stock market behaves, this £25,000 could grow to £33,000 by the time Margaret retires. If she takes the 25% she's allowed to as tax-free cash (that's £8,000) the remaining £25,000 which generate an income of about £25 a week.

MARGARET'S WEEKLY RETIREMENT INCOME COULD BE...

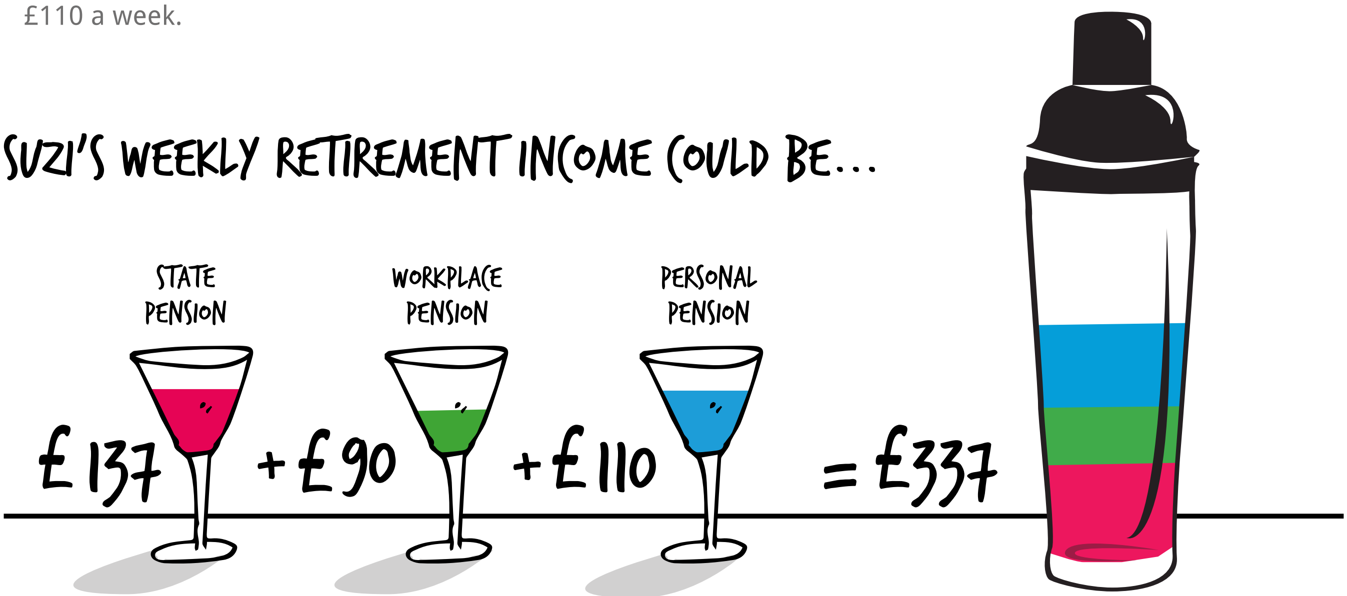
OUR SECOND LADY

SUZI EARNS 60,000 A YEAR AND IS 45.
SHE WILL RETIRE WHEN SHE REACHES STATE PENSION AGE – 67,
AFTER 30 YEARS AT THE COAL FACE.



- **State Pension**
  Suzi will retire with 30 years National Insurance contributions so will receive only 30/35 of the Basic State Pension. That's £7,112 a year or roughly £137 a week.
- **Workplace Pension**
  She has just started contributing to her company's scheme, to which she is contributing 5% (£3,000) a year and her employer is contributing 3% (£1,800) a year. By the time she hits State Pension age, this could all add up to £120,000 (from which Suzi could take £30,000 as tax-free cash), leaving £90,000. This could get her an income of about £90 a week.
- **Private Pension**
  Suzi has a personal pension pot from a previous employer and the pot value is currently £100,000. If the stock market does what we think it will, this £100,000 could grow to £142,000 by the time Suzi retires. At this stage she could take £35,000 as tax free cash, leaving £107,000 in the kitty. In turn this could be traded in for a weekly income of about £110 a week.

SUZI'S WEEKLY RETIREMENT INCOME COULD BE...



OUR THIRD LADY

KERRY EARNS 40,000 PER ANNUM AND IS 40. SHE WILL RETIRE WHEN SHE REACHES STATE PENSION AGE – 67, AFTER A HEROIC 40 YEARS HARD SLOG.

- **State Pension**
  Kerry will retire with 40 years National Insurance contributions so will receive the full Basic State Pension of almost £160 a week.

- **Workplace Pension**
  She has just started contributing to her company's auto-enrolment, to which she is contributing 5% (£2,000) a year and her employer is contributing 3% (£1,200) a year. Assuming we don't see some abnormal stock market weirdness, this could all add up to about £103,000 (from which Kerry could take roughly £26,000 as tax-free cash). This leaves this glass with about £77,000 in it, which would generate an income of about £80 a week.

- **Private Pension**
  Kerry received half her ex-husband's pension pot as part of a divorce settlement and the pot is currently valued at £250,000.
  If markets behave, this £250,000 could grow to a nice £385,000 by the time Kerry retires (at which point she could take a big slug of £96,000 as tax free cash). This would leave a balance of £289,000 which could be traded in for an income of about £290 a week.

KERRY'S WEEKLY RETIREMENT INCOME COULD BE...

We've just wanted to give you a rough feel of what you might be in line for and we've used all sorts of assumptions. If you're a numbers fan, a masochist or a regulator, for our detailed assumptions click here.