

# Jargon-buster

## YOUR PENSION IS YOUR FUTURE

Here's some help with key terminology so you can work through what a pension means for you and your future.

Be aware that not one pension scheme works exactly the same as another so this guide is designed to cover the basics at a broad level and should be used as a starting point only. Always talk to a pension expert.

Term	What this actually means?	How it impacts you?
<b>Advice</b>	The term 'advice' doesn't just mean asking your friend, relative or work mate. Formal pension advice is regulated and essential to make an educated decision concerning your money, especially if close to retirement.	Financial advice can cost a lot of money. Many providers offer a variety of ways to pay to make it more affordable for all. Advisors must be registered with the FCA and you should always check this before proceeding.
<b>Auto-enrolment</b>	Since 2018 all employers, by law, must provide a pension for their employees aged 22 or over, earning £10,000 a year or more.	Even if you're working a temporary job, for low money, you are likely to be enrolled in a scheme. If you're an employer the onus is on you to provide this and you can be fined or prosecuted if you don't.
<b>Annuity</b>	An annuity is when you use your pension funds to purchase a regular income for life. This can give greater peace of mind and stability when future planning.	Proper financial advice should be taken before deciding if this is the right course of action for you.
<b>Contributions</b>	This is essentially how much you pay into a pension, normally a % of your earnings. Employers contribute to your pension too.	Most pension providers will let you increase or decrease your contributions to certain levels. This will impact final amounts so careful decision making is required.
<b>Defined Benefit Scheme (DB)</b> <i>Sometimes known as a Final Salary scheme</i>	A workplace retirement scheme that guarantees a specific, regular income for life, based on your salary and length of service rather than investment performance or amount paid in.	While less common now, DB schemes were prevalent until the 1990s. They are still common amongst the civil service, NHS, teachers and armed forces.
<b>Defined Contribution Scheme (DC)</b>	This is the most common pension scheme for people working today where employers and employees contribute. The amount paid in, plus interest, will pay out when you retire.	Defined contribution schemes contain a finite amount of money which can run out, so forward planning is essential.
<b>Drawdown</b>	Essentially this is what happens when you start retirement and begin taking money out of your pension, for whatever reason.	Drawdown can be done in a variety of ways and it's important to know what works best for you before pressing 'go.'

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<b>Pension Credit</b>	Pension Credit is a tax-free benefit for people living in the UK who have reached State Pension age. It is designed to ensure a minimum weekly income for pensioners on low incomes.	This benefit does not start automatically. If you feel you may be eligible then you must apply in order to receive it.
<b>Pension Protection Fund (PPF)</b>	A government backed scheme that protects funds held in pensions should a pension fund go bust, particularly around DB schemes.	If you've experienced an employer closing and feel you've lost funds, it's likely that you haven't. Contacting the PPF is the first step to take to finding this money.
<b>Portfolio</b>	Your pension pot is highly unlikely to be set as cash. Pension fund owners use the money to invest and trade in to make it grow. You do have a say in your pension portfolio, can choose risk levels and can request that they avoid certain types of investments.	Choosing how such large funds of money are invested is a very risky business, and while having a say is good, getting too involved can bring risks. As you get closer to retirement your portfolio will automatically de-risk itself to protect what you have closer to when you'll need it.
<b>Retirement Age</b>	This is the age at which your current pensions are due to 'pay out.' For your state pension this is set by the government. For personal pensions you can change this depending on how long you intend to work.	Changing your age of retirement can impact how much you receive when you stop working.
<b>State Pension</b>	Most people pay into a state pension throughout their working life via national insurance contributions, you then receive payments once retired based on government rules.	If you've worked for 35yrs you are likely to be eligible for the full amount. If you haven't you should explore where you currently stand.
<b>Tax Free Lump Sum</b>	A majority of pension schemes allow you take a lump sum of cash on retirement, usually tax free.	The size of lump sum you take can impact how much your pension will pay out each month subsequently, so it's important you weigh your options carefully.



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