






















## Defined Benefit Pension Transfer Information

### Key Differences Between Defined Contribution and Defined Benefit Pensions

	Defined Contribution Pensions	Defined Benefit Pensions
<b>Running of scheme</b>	Can be run by an employer or by an individual personally.	Run by an employer.
<b>Tax-free cash entitlement</b>	Usually 25% of the fund can be taken as a tax-free lump sum or 25% of all income can be tax-free.	Usually 25% of the benefits can be taken as a tax-free lump sum.
<b>Income in retirement</b>	Possible to purchase an annuity to guarantee an income for life. Can also use 'flexi-access drawdown' to take any amount of income at any time with complete flexibility.	A guaranteed income is provided, usually rising in line with inflation (or higher).
<b>Investment returns</b>	Based on underlying investments. This means the returns are unknown and are likely to fluctuate. The value of your fund can fall.	All the investment risk is borne by the pension scheme. Your income is guaranteed.
<b>Death benefits</b>	Your spouse, partner or other dependants can access you pension as a lump sum or use it for income.	Most schemes will pay out a reduced spouse/partners pension and some pay a dependents pension. Typically, no lump sum can be passed on.
<b>Ill health benefits</b>	Possible to purchase an 'impaired life annuity' to provide a higher level of guaranteed income or leave your residual pension fund to your beneficiaries.	A reduced spouse/partners pension is usually paid following your death.
<b>Scheme security</b>	Schemes in default covered by the 'Financial Services Compensation Scheme' protecting up to 100% of the value.	Schemes in default are covered by the 'Pension Protection Fund'. This covers 100% of payments for those receiving their pension and up to 90% for those not yet receiving their pension.

## Typical Advantages & Disadvantages of Defined Contribution and Defined Benefit Pensions

	Defined Contribution Pensions	Defined Benefit Pensions
Transfer value available to invest		
Guaranteed known income in retirement		
Personal control of pension		
Income escalation in payment		
Flexibility of retirement income		
Spouse/partner pension following death		
Tax-free lump sum available from age 55		
No investment risk		
Death benefit lump sum payable		
Income secured for life		
Ability to pass on retirement fund following death		

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