

# One in four over-55s don't realise they have to pay tax on pension savings, Legal & General research shows<sup>1</sup>

***More than one in four (27%) don't know they have to pay tax on their pension savings if taken as cash<sup>2</sup>***

***- Almost half (46%) don't want to take any risk with their pension pot<sup>3</sup>***

New research by Legal & General has found that more than one in four people approaching retirement don't know that they have to pay tax on their pension savings if they take the money as cash. In a survey of more than 2000 over-55s, Legal & General found that 27% of people think they can access their pension pot tax-free, potentially leaving them facing higher tax bills than they had planned for.<sup>4</sup>

The *Price of Freedom* research also revealed that 21% of over-55s would be 'shocked' at having to pay tax on their pension and didn't expect to.<sup>5</sup> Of those who do expect to get some or all of their pot tax-free, more than a third (37%) think they wouldn't pay any tax on a lump sum greater than the 25% threshold.<sup>6</sup>

People also don't want to risk their pension savings for a better return in retirement. Over three-quarters of respondents wouldn't take up an investment in later life that would double the money they receive in retirement if it also meant the level of risk was to double.<sup>7</sup> Almost half (46%) of over-55s wouldn't take any risk with their pot and 73% would avoid any 'big risks' to their pension.<sup>8</sup> However, recent figures from the Financial Conduct Authority found that a third of people recently investing their pension funds did not know where their money had been invested.<sup>9</sup>

Earlier figures released by Legal & General found that just under a third (32%) of people aged over-55 were spending less than a week deciding how to use their pension savings.<sup>10</sup>

**Emma Byron, Managing Director, Legal & General Retail Retirement Income, comments:**

"None of us spend as much time as we should thinking about pensions and retirement planning. But leaving

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<sup>1</sup> 2018 -113Annuities Rebooted quantitative findings, slide 26

<sup>2</sup> 2018 -113

<sup>3</sup> 2018 -113, slide 27

<sup>4</sup> 2018 -113 slide 26

<sup>5</sup> 2018 -113, slide 24

<sup>6</sup> 2018 -133Annuities Rebooted excel, Open Responses, Q27

<sup>7</sup> 2018 -113, slide 28

<sup>8</sup> 2018 -113 slide 27

<sup>9</sup> <https://www.fca.org.uk/publications/market-studies/retirement-outcomes-review>

<sup>10</sup> 2018 -113 slide 18

important decisions about later life to the last minute could potentially leave you poorer in retirement. It might even put the hard-earned pension pot you've built up during your working life at risk. Many customers don't know about some of the fundamental factors that can impact how much money we have in retirement. Tax is one of these.

"Making retirement planning easier to understand and supporting consumers with good advice is crucial. The guidance and information people use needs to be clear and jargon-free, and we must engage customers more and encourage them to take financial advice. Conversations need to be about retirement goals and plans, not about products. If we as an industry can do this, improving the way we communicate with customers and providing them with the support they need to make informed decisions, then people across the UK will be in a much better place to enjoy a more prosperous retirement."

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### **FURTHER INFORMATION (JOURNALISTS ONLY)**

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