From April 2015 everyone over 55 will be able to take their retirement savings as and when they like. The chance to take money and spend it on a holiday, buy a car or pay off debt could be very tempting but you may well be better off leaving your savings in your pension plan and using them to live on in your old age.

Here are ten simple questions to ask yourself which could stop you making a decision you may later regret.

How long will my money have to last?

People tend to live much longer than ever before. An average 65 year old in good health is expected to live for another 24 years and one in four people could now live to see their 95th birthday.

Your retirement savings are going to have to last you for a long time – perhaps 30 years or more. Leaving them where they are for longer could make a big difference to your lifestyle in old age.

# How much will my State Pension be?

Most people will be entitled to an old age pension provided by the State. The amount of this pension is not the same for everyone and will depend on your employment history and when you were born. The easiest way to find out how much your State pension will be is to contact the Government's Future Pension Centre and ask for your free personal statement <https://www.gov.uk/future-pension-centre> or Telephone: 0845 3000 168).

Remember the State pension is designed only to cover a very basic standard of living without any luxuries.

# What other savings do I have?

As well as savings in pension plans you may have other types of savings, for example bank saving accounts, premium bonds or ISAs. It may be better for you to take money from other savings first before drawing from your pension plan.

If you own your home you might be thinking about selling or renting it out to fund your retirement but remember you will still need somewhere to live.

# What are my future financial needs and how are they going to change?

Think about your living expenses, such as housing costs, the financial needs of other family members and how these will change over the next 10, 20 and 30 years. Remember to budget for treats such as holidays and also unexpected expenses such as car and house repairs.

If you have debts then you may decide to use some of your retirement savings to pay them off, particularly if you are paying high rates of interest.

Your financial needs are likely to reduce as you get older and become less active but then your ability to work also reduces. Bear in mind that in later years costs could increase as you may need to pay towards long term care for you or your spouse.

# How can I minimise my tax bill?

Retirement savings held in a pension plan build up free from tax and you can take up to a quarter (25%) of these savings as a tax free lump sum. Any retirement savings taken in excess of the 25% tax free amount are treated as your income for tax purposes.

Most people enjoy a personal income tax allowance each tax year (which run from 6 April to 5 April) and this allowance usually changes each year. For the tax year starting on 6 April 2015 the allowance will be £10,600 which means that you do not start to pay income tax until your income for tax purposes goes above this amount. Income for this purpose also includes earnings, the State pension and certain types of investment income. Further information is available at <https://www.gov.uk/tax-on-pension>

You should think about taking your retirement savings in a way which makes the most use of your personal tax allowance so you don't have to pay tax unnecessarily. For example if you have retirement savings in a pension plan of £30,000 and want to access them you could take a lump sum of £7,500 (25%) tax free. If you took the whole of the remaining £22,500 at once then you would pay income tax of £2,380 (20% on £11,900 – assuming you have no other income). You could reduce that tax to zero by spreading the taking of your retirement savings over a number of tax years and making use of your personal allowance each year.

Higher rates of tax (40% and 45%) would apply if the benefits you take push you into a higher rate tax bracket and you may need to declare the extra tax by completing a self-assessment tax return.

# Should I buy an annuity?

An annuity is a promise by an insurance company to pay you an income for the rest of your life. You pay the insurance company to give you the certainty of income each month or year – regardless of how long you live or investment performance.

Some people will welcome the certainty of an annuity particularly those who are older and/or do not want to manage their retirement savings by drawing down funds and investing the rest.

There are a number of websites that will give you an idea of the amount of annuity you could expect to buy with your retirement savings and this will depend on your age, health and the type of income stream you want (fixed or increasing in the future to compensate for inflation). Some annuities provide for payments to be made to a surviving spouse or dependant after your death. You should check the terms of the annuity before you commit as they cannot usually be changed afterwards.

You can buy an annuity from any authorised insurance company and are not tied to any one company. It is worth shopping around different insurance companies before you buy as prices can vary.

# Am I being scammed?

Unfortunately there are some dodgy people around who would love to get their hand on your money and some people have already lost most of their retirement savings through scammers.

Be very wary if someone is encouraging you to take your retirement savings or invest your money with them. If what they are offering you seems too good to be true it almost certainly is. If in doubt don't do it. Have a look at the guidance from the Pensions Regulator on its website if you need more information <http://www.thepensionsregulator.gov.uk/pension-scams.aspx>. The Financial Conduct Authority also has details on its website [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers) as to how to avoid being scammed and how to check whether your adviser is authorised.

# Will taking my retirement savings impact on my welfare benefits?

If you are receiving State benefits or tax credits then taking your retirement savings could impact on the level of those benefits. This is a complicated area and one that is expected to change in the near future. Make sure you understand how your State benefits, tax credits or long term care needs would be affected before deciding to access your retirement benefits.

# What happens when I die?

If you die before you reach 75 any money left in your pension plan will be paid to your survivors free of any tax. If you die after 75 money paid to your survivors may be subject to tax depending on their circumstances. Retirement savings which remain in pension plans are not normally counted for inheritance tax purposes. If you buy an annuity then the benefits payable after your death will depend on the terms of the contract with the insurer.

# Where do I go to get more help?

Taking your retirement savings is a big decision and not one to be taken lightly. Make sure that you contact your pension plan provider for details about your options and read your plan booklet.

There are places you can go to get more information and guidance. The Government has set up Pension wise as a free guidance service and your plan provider will give your details. You may also want to pay an authorised financial adviser to give you specific personal advice – you can find an adviser local to you at <https://www.unbiased.co.uk/>