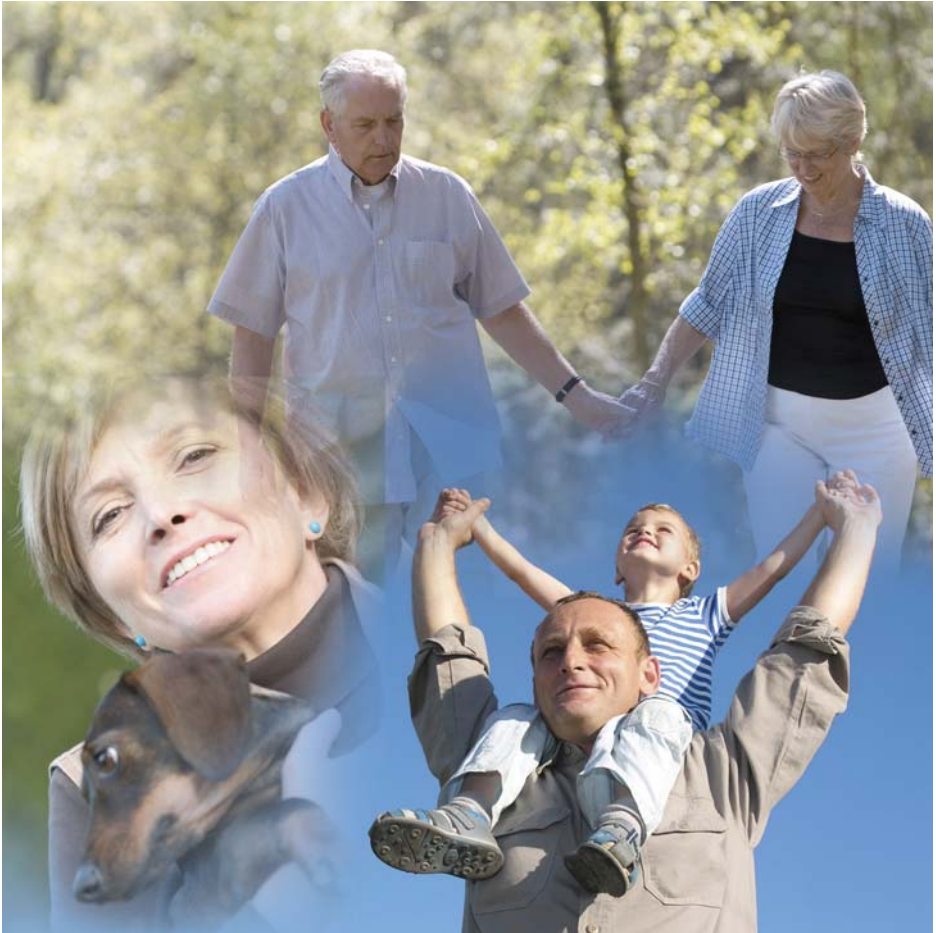


Financial Planning Guide



*For teachers who are
Approaching Retirement*

As one chapter closes, so another one begins...

First, let us be the first to offer you our very best wishes for a long and fulfilling retirement.

At Teachers Assurance, we have been advising retiring teachers for many years and recognise the contribution that you make, the challenges you overcome and the sheer hard work that you put in.

We hope that you will look back on your career in teaching with many proud and happy memories and we would love to hear your story as we help you plan the next chapter.

As you begin to look forward, it is our wish to help smooth the way for you to enter this new phase in your life, whatever it holds and wherever it may take you. We aim to apply the same level of professionalism, diligence and commitment in our work with you as you have done in yours.

Our experience, gained over 130 years of providing financial planning support to the teaching profession, tells us that many teachers have a lot of questions as they near retirement.

This guide seeks to answer the most common of those questions, provide you with a simple explanation of what you can expect from your pension scheme and point out the financial planning decisions you should be considering now.

Please note that this guide is aimed at teachers who joined the Teachers Pension Scheme before 1 January 2007.

Subjects Covered

- What are the benefits of the Teachers Pension Scheme?
- How much pension will I get and what lump sum can I expect?
- How can I top these benefits up?
- What if I have left it too late to plan ahead?
- What happens if I wish to retire early?
- What happens if I wish to take part of my pension but carry on working?
- What happens if I wish to go back to teaching after retirement?
- How do I apply for my pension?
- What other financial plans should I be making?
- Why should I choose Teachers Assurance?
- Where do I go for more help?



What are the benefits of the Teachers Pension Scheme?

The Teachers Pension Scheme is known as a “final salary” scheme. This means that you contribute towards the scheme each month in return for a pension at retirement, which is based on your salary and your length of service.

- In addition to your contribution, your employer also makes a substantial contribution towards the cost of your pension benefits.
- When you retire, the Teachers Pension Scheme provides you with a guaranteed, regular, taxable income for the rest of your life. This income is index-linked to protect its value against the effects of inflation.
- At retirement, the scheme will also provide you with a tax-free cash lump sum.
- If you become too ill to work, you may receive your pension early.
- Should you die before retirement, the scheme will pay a lump sum and may also pay a pension to your family or dependants. Should you die after retirement, the scheme may also provide a pension to your family or dependants.

Please note that all full time teachers are automatically members of the scheme unless they elect to opt out. Part time teachers who have started a new contract on or after 1st January 2007 will automatically become a scheme member.

If you are a part time teacher and your current contract commenced before 1st January 2007 and you have not previously elected to join the scheme, you will not automatically become a scheme member, but you can still join by making an election to Teachers Pensions.

How much pension will I get and what lump sum can I expect?

Pension

To determine your pension income, the Teachers Pension Scheme takes into account $\frac{1}{80}$ th of your Final Average Salary* for every year that you have worked. You will need a minimum of 2 years' membership of the Teachers Pension Scheme to qualify for pension benefits.

This can be expressed as follows:

$$\frac{\text{Number of years service}}{80} \times \text{Final Average Salary}^* = \text{Pension per annum (before tax)}$$

The pension will be taxable, in the same way as earned income and the normal retirement age is 60.

*See next page for explanation of Final Average Salary.

Standard Tax-Free Cash Lump Sum

Your standard tax-free pension lump sum (Standard Pension Commencement Lump Sum) will be equal to three times the amount of your Pension before tax.

Higher Tax-Free Cash Lump Sum

Following a change to the pension rules, it is now possible to take up to 25% of the capital value of your retirement benefits as a tax-free lump sum. This figure will be higher than the standard tax-free cash lump sum shown above. If you do this, your pension will be permanently reduced by an appropriate amount.

You do not have to take the maximum 25% of the capital value of your retirement benefits – you can choose a lump sum between this figure and the standard lump sum if you prefer. This

option involves a more complex calculation an example of which is shown below.

NOTE: The tax rules could change in the future.

Final Average Salary

Your pension is based on the higher of either: -

- The average salary of the best consecutive 3 years in the last 10, revalued in line with the Retail Price Index each year up to April 2011 when it will be revalued in line with the Consumer Prices Index; or
- The pensionable salary received in the last 12 months before retirement.

There are however restrictions in place where there have been significant increases in salary in the run up to retirement.

Example

A teacher joins the scheme aged 22 and retires at 60 on a final "average" salary of £33,000.

Pension

$\frac{38}{80} \times £33,000 = £15,675$ p.a.
(before tax)

Standard Lump Sum

$£15,675 \times 3 = £47,025$ (tax free)

Highest Lump Sum

£83,972 which reduces the pension to £12,597 p.a (before tax)

Ready Reckoner

To work out your likely pension and standard lump sum, complete the boxes below:

No. years of service (from joining to age 60)	(A)
Final salary	(B)
Pension : Divide (A) by 80 and multiply the answer by (B)	(C) Pension per annum (before tax)
Standard Lump Sum : Multiply (C) by 3	(D) Standard Lump Sum

If this is not enough, read on....

How can I top up these benefits?

If you feel that your pension and lump sum will not be sufficient to meet your requirements in retirement you have a number of options:

First, you need to determine whether you require a bigger lump sum (capital) or a greater amount of income in retirement.

If you require more income

The option to purchase Past Added Years is no longer available although if you elected to do this before the end of 2006, this will still be honoured.

Instead, you can now buy a fixed additional



amount of pension income of between £250 and £5,600 per annum. You can choose to pay for this additional benefit by either lump sum or regular deduction from your salary. These deductions are made before your salary is taxed so you effectively receive tax relief on your contribution at the highest rate at which you pay income tax.

To find out more, contact the Teachers Pension Scheme on Tel: **0845 6066166** or visit the website at **www.teacherspensions.co.uk**

Should this option prove unsuitable for you, please contact us for further assistance as we may be able to suggest an alternative.

If you require a lump sum

You can give up part of any additional pension benefit you buy in exchange for a tax-free lump

sum. If you wish to invest to create a bigger lump sum in retirement there are various options available to you. The best option for you will depend on a number of factors including:

- Your timescale
- Your attitude to investment risk
- Your tax position
- The nature of any other investments you already hold
- Whether you wish to invest a lump sum or a regular amount for capital growth

At Teachers Assurance, in consultation with our customers, we have designed a range of products that are specifically tailored to the needs of teachers.

We offer a range of savings plans and lump sum investment plans that might prove suitable for you, including Unit Trusts, Individual Savings Accounts (ISAs), Bonds, Guaranteed Savings Plans and Tax Free Savings Plans.

We also offer a straightforward range of fund choices, so whether you prefer to invest in a cautious, balanced, adventurous or ethical way, we have a simple solution for you.

To obtain free advice, without obligation, on our most suitable savings or investment plans, to fit your needs, please telephone us on Freephone **0800 731 1093** or visit our website at **www.teachersassurance.co.uk** using the Contact Us option to request an appointment with one of our Financial Consultants. You can opt to receive advice at a time and place to suit you either face to face or over the telephone.

Please note that all of our Financial Consultants have expert knowledge of the Teachers Pension Scheme and will also be able to answer any questions you may have about your scheme. In addition to talking to you about the Teachers Pension Scheme, our consultants provide information and advice on investment, savings, protection and pension products and services from Teachers Assurance and selected third party providers.

What if I have left it too late to plan ahead?

Don't worry if you are getting really close to retirement. Our Financial Consultants can provide you with advice on how to invest your lump sum to maximise your income or create additional capital in the future.

In addition, they may be able to help you re-organise your finances in order to save you money on a monthly basis.

What happens if I wish to retire early?

You can choose to retire from age 55 onwards. Your pension will be actuarially reduced to take account of the fact that its likely to be paid for longer. The earlier you retire, the lower your pension will be.

Example

A teacher joins the scheme at age 22 and retires at age 55 exactly on a final "average" salary of £33,000.

Pension

$^{33/80} \times £33,000 \times 0.794$ (reduction factor)
= £10,808 p.a. (before tax)
+ tax free cash sum of £32,424

Standard Lump Sum

$£13,612 \times 3 \times 0.794$ (reduction factor)
= £32,424

Highest Lump Sum

£57,899 which reduces the pension to
£8,686 per annum

To obtain a specific personal calculation, please telephone Teachers Pensions on **0845 6066166** or visit the website at **www.teacherspensions.co.uk**.

Alternatively, if you require advice on planning for early retirement, please telephone us on Freephone **0800 731 1093** or visit our website at **www.teachersassurance.co.uk** using the Contact Us option to request an appointment with one of our Financial Consultants.

What happens if I wish to take part of my pension but carry on working?

This is known as “phased retirement” and subject to your employer’s permission, you can choose this option from aged 55 onwards, whereby you can draw up to 75% of your pension and still work and continue to make contributions to the scheme. You must reduce your salary by at least 20% for a period of no less than 12 months. The part of your pension that you draw will be actuarially reduced as you are taking it early.

What happens if I wish to go back to teaching after I have retired and drawn my pension?

You are able to work as a teacher and make additional pension contributions after retirement, but you must be careful that your earnings plus your annual pension do not exceed your “salary of reference”. Your salary of reference will be shown on your statement of benefits sent to you when you retire and is based on the highest salary you earned either in the last 12 months you were working or in the best three years of the last ten years.

If you earn more than your salary of reference in any tax year, your pension will be stopped for the rest of that tax year. This does not apply if you have taken actuarially reduced pension benefits.



How do I apply for my pension?

You must apply for your pension at least 4 months before your intended retirement date. You can get a form from your employer or download one from the Teachers Pension Scheme website at www.teacherspensions.co.uk.

Our Financial Consultants will be happy to help you complete the form as part of our advice process.

What other financial plans should I be making?

Our Financial Consultants can assess your financial planning requirements as you approach retirement. Common areas where we may be able to help include:

- Estate planning – making a will and addressing inheritance tax issues
- Mortgage planning - revising mortgage arrangements that continue into retirement to save money*
- Buildings and contents insurance – revising your cover to take advantage of discounts available to retired teachers



- Life assurance – bridging the gap between retirement and when you can draw income from any invested lump sums (to protect your spouse or partner from a drop in income in the event of your death)
- Saving for your children or grandchildren – tax efficient savings plans to help give someone you love a start in life.

*Your home is at risk if you do not keep up repayments on your mortgage.

Teachers Assurance

To obtain advice on how to plan for and in retirement:
Complete the attached coupon or call us now on Freephone

0800 731 1093

or visit our website at
www.teachersassurance.co.uk

Why should I choose Teachers Assurance?

Our credentials

Teachers Assurance has been looking after the financial interests of education professionals and their families for over 130 years.

As a member-owned mutual society, we have no shareholders so the only people that benefit from the profits we make as a company are our members. Should you choose to invest in one of our with-profit funds, you too will become a member of Teachers Assurance.

Our people

Our Financial Consultants, some of whom hail from the teaching profession themselves, mainly deal with teachers and have expert knowledge of the Teachers Pension Scheme and its associated benefits.

Our service

You can choose to receive advice face to face at a time and place convenient to you, or over the phone if you prefer. We have a nationwide team, so we can help you wherever you are now and wherever you choose to move to. All consultations are free and without obligation.

Our products

We offer a bespoke range of competitively priced, easy to understand savings and investment plans.

To complement our range, we also offer products from a carefully selected panel of companies.

Our aim is simple - to provide you with straightforward value for money.

Our consultants provide advice on investments, savings, protection and pension products and services from Teachers Assurance and selected third party providers.



Teachers Assurance Financial Consultants advise on the products and services from Teachers Assurance and other selected third party providers.

Where do I go for more help?

Teachers Pension Scheme

To obtain further information or accurate illustrations of your benefits:

Address: Teachers' Pensions, Capita Hartshead, Mowden Hall, Darlington, DL3 9EE

Telephone: 0845 6066166

Website: www.teacherspensions.co.uk

Teachers Assurance

To obtain advice on all aspects of your financial planning:

Complete the attached coupon or telephone us now on Freephone 0800 731 1093 or visit our website at www.teachersassurance.co.uk using the Contact Us option to request an appointment with one of our Financial Consultants

My personal details are

Title _____

Surname _____

Forenames _____

Address _____

Postcode _____

Email _____

Contact telephone number: _____

Best time to contact: _____

Would you prefer advice

At home? Over the phone?

Date of birth _____

Marital status _____

Workplace _____

Years of Service _____

Retirement Checklist

Are you retiring this year? Yes No

Expected retirement date _____

Have you completed your application to retire?

Yes No

Would you like to see if we can save you money on your home and contents insurance?

Yes No

Renewal Dates: Buildings (Month) _____

Contents (Month) _____

Please hand to your Financial Consultant or post to:
**Teachers Assurance, Tringham House,
Deansleigh Road, Bournemouth, BH7 7DT**



Customer Notification / Marketing Consent

Your information will be held by the Teachers Assurance group of companies and added to our marketing databases. It may be used to keep your records up to date, for business analysis and market research purposes and to advise you by post, telephone and/or electronic methods about any products and services that may be of interest to you. We may pass your details to other carefully selected organisations but only for the purposes mentioned above.

If you do not want to receive such marketing information, please tick this box []

Subject to payment of a fee, you can ask for a copy of the personal information we hold about you by writing to the Data Protection Officer, Teachers Assurance, Tringham House, Bournemouth, BH7 7DT. For details of the Teachers Assurance group of companies, please refer to our website www.teachersassurance.co.uk

Teachers Assurance

Tringham House, Deansleigh Road, Bournemouth BH7 7DT Tel: 01202 435000 www.teachersassurance.co.uk

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The Teachers Assurance companies which are authorised and regulated by the FSA, include Teachers Assurance Company Limited No. 314801, Teachers Financial Services Limited No. 3401635 and Sovereign Unit Trust Managers Limited No. 2072297. Teachers Management Services Limited No. 3401641 is not a regulated company.

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