



**FSA**®

Financial Services  
Authority

# Unlocking pensions

## Make sure you understand the risks

**This information is provided by the Financial Services Authority (FSA), the independent watchdog set up by government to regulate financial services and protect your rights.**

Please read this information sheet carefully before making any decision about taking cash from your pension early.

If you 'unlock' your pension, your income will probably be considerably less than you could expect if you waited until your retirement date. You can only use a pension fund once.

If you unlock it early, you will have less to live on when you retire.

Pension unlocking is only suitable for a very limited number of people and circumstances.

### What is pension unlocking?

Pension unlocking or pension 'release' is marketing jargon for taking pension benefits before you retire. If you have a pension fund and are 50 or over, you might be able to do this.

### What are the risks?

Unlocking your pension will rarely be to your long-term advantage:

- Unlocking your pension will almost certainly mean that you will have less income in retirement.
- The FSA considers that, because of the reduced level of income that people will receive in retirement, pension unlocking is only suitable for a very limited number of people and circumstances.

### Some points to think about

Because pension unlocking will reduce the amount of income you have in retirement, you need to ask yourself how this will affect you:

- How much pension income would you get now and how much would you get if you left it until your retirement age? Would it be enough to meet your living expenses?
- Do you really need to raise extra cash?
- If so, is there another way of raising what you need?

You should look at every other option before considering cashing in your pension early. Unlocking your pension will rarely be to your long-term financial advantage.

If you feel tempted to unlock your pension, you should also think about these questions:

- What benefits could you be giving up, for example ill-health benefits or death benefits?
- What would the effect be on your state benefits or tax position?
- Would you have to pay any penalties if you unlocked your pension?
- How much would you have to pay in charges to get your money early?
- How much would you have to pay the adviser?
- How much would your adviser receive out of your pension fund for unlocking your pension?

### **Think about any advice that you receive**

If a firm provides only a pension unlocking service it may not be able to advise you on any other options. Make sure you understand the basis of any advice that you receive.

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See also the Consumer Alert on unlocking pensions, and other useful information on the FSA website - see below.

### **Organisations that can help if you have money problems**

#### **Citizens Advice Bureaux**

Website: [www.nacab.org.uk](http://www.nacab.org.uk)

See the phone book or Yellow Pages for your local CAB.

#### **National Debtline**

Tel: 0808 808 4000 (freephone)

offers advice on debt problems and free booklets on dealing with debt.

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