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What Is A Pension Allowance And Can You Take An Early Pension Release?

Have you made the essential savings for a comfortable retirement? Do you need to take an early [pension release](#) ?

The gloomy among us keep repeating that a difficult retirement lies ahead for us all unless we get saving now. But what number of us truly understand what an annuity is and what we are required to do to ensure an easy retirement?

A pension is essentially merely a long term savings plan and its sole purpose is to give you a healthy retirement revenue. Essentially, a little cash gets squirrelled away every month through your working life - and by retirement, this should have built into a tidy sum. That sum is then (most widely) used to purchase a pension, which will pay you back a fixed, regular amount, perhaps monthly and so support your way of life well into old age.

To encourage you to start saving, the Government provides tax benefits on contributions. For instance, in the UK, basic rate tax payers take home £80 for every £100 earned (not including national insurance). Nevertheless if that £80 is then placed in a pension, the Government rebates the £20 tax paid, allowing the full £100 to be invested. Likewise, subject to maximum limits, higher rate taxpayers get £100 invested for laying out only £60 of their take home pay.

There are 2 common types of annuity - a private annuity, which is a pension started by an individual , or an occupational scheme pension, arranged by an employer. The latter then breaks down further to 'defined contribution ', where a fixed amount goes into the scheme and the payout relies on the growth of assets, and 'defined benefit ' (now increasingly rare), where contributions vary but the amount the scheme pays out is concluded in advance.

More popular these days is the taking of an early one-off sum payment after review by a professional pension adviser. If an individual is over 55, they may be entitled to take up to 25% of their annuity pot early and pay no tax on it in any way.

Info courtesy of the Adviser-hub.co.uk. It is always recommended that qualified annuities advise is sort by way of a full [pension review](#) to absolutely appreciate the potential effects on taking an early [pension lump sum](#) if that is what is required.