

Taking your Investment Builder savings

Video transcript

Here we'll have a look at when you can take your defined contribution savings.

You can start to draw savings from your Investment Builder from the minimum pension age, which is set by the government. The minimum pension age is currently age 55, but it is rising to age 57 from April 2028.

For your Investment Builder savings, you will have a Target Retirement Age (TRA) in My USS. Now your Target Retirement Age is not the same as your Normal Pension Age, which is the age at which you can start taking your Retirement Income Builder benefits in full, unreduced. Your Target Retirement Age tells USS when to start moving your Investment Builder savings into lower risk investments, if you're invested in one of the lifestyle funds, and also when USS should contact you about accessing your savings. It does not mean you have to retire at this age.

For more information about saving in the Investment Builder, there's more information on the USS website, or you might want to have a look at our webinar on Saving in the Investment Builder.

When you choose to take your Investment Builder savings, there are four main ways to do this. You can take your savings at the same time as your Retirement Income Builder benefits as a lump sum, and that might be tax-free, up to certain limits. Or, you could take some or all of your Investment Builder pot separately from your Retirement Income Builder benefits as a cash lump sum. Or you might want to leave your Investment Builder savings invested with USS until you're ready to use them. If you do not take all your Investment Builder savings, they would pass to your beneficiaries after your death. Or you could transfer your Investment Builder savings to another provider outside of USS to access other ways of using your pot of money.

We'll look at these in more detail now, starting with taking your Investment Builder pot only.

If you do not want to, you do not have to take all of your Investment Builder pot at the same time as you take your Retirement Income Builder benefits. This might be because you want to access your Investment

Builder savings before you retire, or it might be because you did not take some of your Investment Builder savings when you took your Retirement Income Builder benefits.

If you have an Investment Builder savings pot, one option available to you is to draw it out as one-off cash lump sum or make a series of withdrawals of cash. These cash sums are known as **Uncrystallised Funds Pension Lump Sums** or **UFPLS** for short.

To take cash payments from your Investment Builder separately from your Retirement Income Builder benefits, you need to be at or above the minimum retirement age, which is currently age 55, but it is rising to age 57 from April 2028.

If you're taking cash payments from your Investment Builder pot separately from your Retirement Income Builder benefits in this way, you would only be able to take a quarter (25%) of each payment tax-free, subject to HMRC limits. The remainder would be taxed as income.

And just to note that your Retirement Income Builder pension or any other pension is classed as **income**.

It's really important to note that if you take your Investment Builder pot as cash at the same time as your Retirement Income Builder benefits, you might be able to take more than a quarter of your Investment Builder pot tax-free. Whether you would be able to do this will depend on the level of your Retirement Income Builder benefits compared to the value of your pot at retirement and your individual circumstances.

With USS, you can take up to four cash payments each year from your Investment Builder pot and each payment must be a minimum of £2,000 each, unless you're taking your entire pot. Just to note though, there's no administration charge for taking cash payments from USS.

There's more information about taking cash payments, including eligibility requirements and a form to complete to access the payments on the USS website. You need to be aware though that taking cash from your Investment Builder that's not tax-free might push you into a higher tax band, so it's especially important to consider if you're taking the whole pot as cash in one go.

Also, taking any cash payments from a defined contribution arrangement, such as the Investment Builder, before you retire can restrict the amount that you pay into a defined contribution arrangement going forward, and this is known as the **Money Purchase Annual Allowance**.

There are some other things that you can do with your Investment Builder savings, but you would need to transfer your Investment Builder savings out of USS to another provider to access them. You can transfer your Investment Builder savings at any time, even if you're still building up benefits with USS.

You might want to do something such as providing a flexible retirement income, which is also known as a **flexi-access drawdown** or just **drawdown**. Drawdown is a way of leaving your savings invested and building up investment returns, but taking money out to provide an income for you to live on until the pot runs out. As a member of USS, you've got access to a drawdown arrangement that's not on the open market with a provider called LifeSight.

Or, you might prefer an annuity, which gives you a regular guaranteed retirement income for the rest of your life. With an annuity, you can usually decide on things like whether your income will increase in payment, or whether it will provide a survivor's pension after your death. How you tailor your annuity will impact what level of income you might receive, and these levels can also vary between the different annuity providers. As a member of USS, you'll have access to the guided annuity service provided by Hub Financial Solutions Limited, and they can support you if you want to buy an annuity.

Or, you might just want to have your Investment Builder savings invested with a different provider to USS; it's your choice. If you want to transfer out your Investment Builder savings, you can, and which provider you choose to transfer to.

Alternatively, you could choose to leave some or all of your Investment Builder pot invested in USS. Now, at a later date you can take cash payments, or you can choose to transfer all of your Investment Builder pot to another arrangement, even if you're still contributing to USS, or leave some of it or all of it to be paid to your loved ones when you die.

And I'll just mention here that in the Autumn 2024 budget, the government announced that from 6 of April 2027, most unused pension funds and death benefits will form part of a person's estate for inheritance tax purposes. So, if you are considering leaving some of your benefits to your loved ones or you think you might be impacted by the changes announced, we do recommend that you seek financial advice.

Now, when it comes to taking your Investment Builder savings before retirement, a word of caution. I've mentioned that you can take your Investment Builder savings earlier, with or after taking your Retirement Income Builder benefits, i.e. before, at the same time or after you fully retire. But if you take any cash payments from your Investment Builder savings before you fully retire, or transfer your savings out to another provider, it might result in a reduction to your life cover and ill health benefits if any of your Investment Builder benefits were built up from you earning above the salary threshold.

And if you take cash payments from a defined contribution scheme like the Investment Builder, now that might be as a cash lump sum or a drawdown payment, it will trigger what's known as the **Money Purchase Annual Allowance (MPAA)**. The Money Purchase Annual Allowance is the maximum amount that can be paid by you and your employer in total in the future to any defined contribution arrangement, like the Investment Builder, before getting a tax charge if you've already taken some of your defined contribution savings in certain ways. And the allowance is currently £10,000 a year.

Now, if you've taken some savings from the Investment Builder, from Prudential, or any other defined contribution arrangement as an UFPLS cash payment, or a drawdown payment, the Money Purchase Annual Allowance will be triggered. For these UFPLS cash payments 25% is tax-free and 75% (the remaining three-quarters) of the payment is taxed.

It will also apply if you transfer your Investment Builder savings to an alternative arrangement and start drawdown income payments or take cash payments from there.

This is the same for any defined contribution savings, whether it's from Prudential or outside of USS. If you take UFPLS cash payments or draw down income payments the Money Purchase Annual Allowance will apply to you.

Now, where the Money Purchase Annual Allowance does not apply is if you use your Investment Builder to provide your tax-free cash when taking your Retirement Income Builder benefits. If you and/or your employer make contributions to a defined contribution arrangement like the Investment Builder that go over the limit, if you triggered the Money Purchase Annual Allowance, which is currently £10,000, you'll need to pay additional income tax on the amount that you've gone over by. Now, this could cancel out the tax relief which you receive automatically on defined contribution contributions.

USS recommend that you seek guidance and/or take financial advice to work out what's best for you. And if you're over age 50, you might be eligible for a free Pension Wise call to discuss the options you have with any defined contribution savings. Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about your defined contribution options.

And, there's lots of information on the USS website itself about how you can start taking your savings in the Investment Builder, and that's in the **using your Investment Builder pot** page. Now, bringing this all together, you'll be able to have a look at what your Investment Builder savings might look like if you take them separately from your Retirement Income Builder benefits by using the Benefit Calculator in My USS. In here, you'll be able to see all the options that we've talked about in this section.