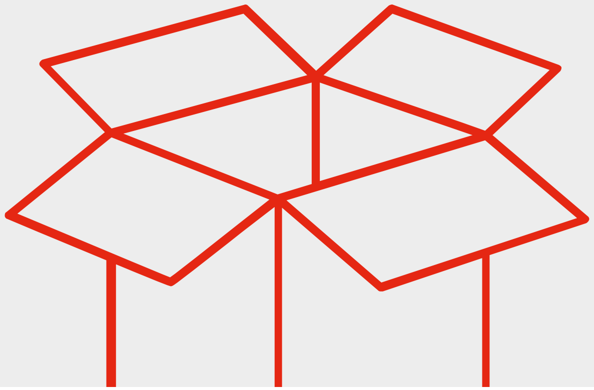
futurefocus

Your Quick Start Guide

to the HSBC pension scheme



What's in the guide?

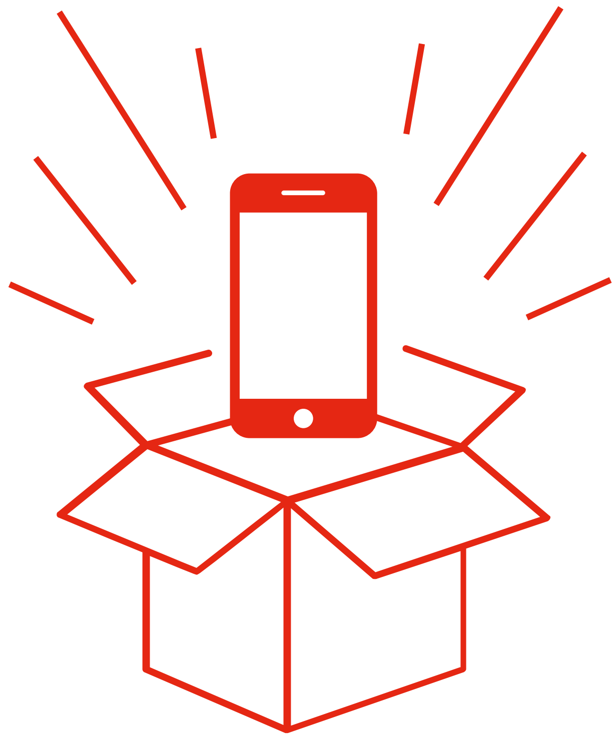
This guide is from the Trustee that looks after your money in the HSBC Bank (UK) Pension Scheme. It's like the quick start guide you get with a new phone. It will help you get up and running, so you can start making the most of your pension. As well as giving you all the basics, it tells you where you can find out more.

HSBC has made you a member of the pension scheme, so that while you're working you can build up money in a pension pot. You can use this money in various ways once you reach a certain age.

HSBC has started to put money into your pension pot. This money's been invested to give it a chance to grow. When the time comes, you can take your money out. We've assumed you'll do that when you're 65.

This guide will help you think about your options, including how your money's invested, when you take it out, and how you take it out. It also explains how to make changes if you want to.

Have a look through this guide, and start making the most of your pension.



How the HSBC pension scheme works

There are several kinds of pension scheme. The HSBC pension scheme is 'defined contribution'. This means that while you're working for HSBC, the company makes 'contributions' into a 'pension pot'. You can too if you want to.

Once you reach a certain age, you can use the money in this pension pot in various ways. How much you'll have at that point depends on how much has gone into your pension pot and whether it's grown from being invested.

There are 3 stages in the life of your pension pot:

Stage 1

HSBC puts money in, and you do if you want to

Stage 2

The money gets a chance to grow

Stage 3

You take the money out, usually to give yourself an income when you retire

Quick Links

How your pension can help protect your family

Where to find more information

Stage 1

HSBC puts money in,
and you do if you want to

Quick Links

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HSBC

HSBC puts money into your pension pot, even if you do nothing.

HSBC automatically puts money into your pension pot. The amount it puts in is a percentage of your pensionable salary – that's your salary before any overtime or allowances are added.

10%

It puts in an amount equal to 10% of your pensionable salary for the first £20,600* you earn.

*This is the yearly figure for 1 July 2017 to 30 June 2018 and is subject to change.

9%

It then puts in an amount equal to 9% of anything you earn over £20,600*, up to a certain limit, known as the Scheme Earnings Cap (SEC). The SEC is £140,000*.

* This is the yearly figure for 1 July 2017 to 30 June 2018 and is subject to change.

If you put some money into your pension pot, HSBC will put in even more

If you put some of your own money into your pension pot, HSBC will put more money in too. It will match the amount you put in up to a maximum of 7% of your pensionable salary. This is on top of the money that it automatically puts in. You can start or stop putting money in, or change the amount, whenever you want to. To make changes, go to HR Direct, My Benefits Enrolment, then My Choice and choose 'Anytime Event'.

Putting money into your pension pot can save you tax and National Insurance

You don't pay tax or National Insurance on the money that you put into your pension pot. This means that, if you're an ordinary rate taxpayer, every pound that you put into your pension pot only reduces your take-home pay by about 68 pence.

If you're earning £24,000 a year, it works like this each month...

HSBC puts in **£197**

\+ You could put in 7% **£140**

\+ HSBC matches that 7% **£140**

= **Total going in £477**

but your pay only reduces by about £95*

*Based on basic tax rate of 20% and NI savings of 12%.

What happens if you want to leave the pension scheme

If you want to stop being a member of the HSBC pension scheme, just go to HR Direct, My Benefits, then My Choice to make your change. There's more information about leaving the scheme on page 21 of **Knowing your DC pension pot.**

Leaving the scheme affects the benefits your family or other dependants may receive if you died while working for HSBC in the UK. They'd still be able to get a lump sum, but not an income.

Moving money from another pension scheme to your HSBC pension pot

If you have money in another pension scheme, perhaps from a previous employer, you might be able to move it to the HSBC pension scheme. Whether you can or not will depend on the rules of the other scheme and if we're able to accept it.

If you're thinking of moving money from another scheme, bear in mind that it might work differently from your HSBC pension. For example, it might be designed to pay you an income based on the number of years you worked for the employer, rather than helping you build up money in a pension pot.

So, it's worth thinking carefully before you move your money. You may also need to take and pay for independent financial advice.

If you do want to move money from another scheme to your HSBC pension, you need to fill in a **'transfer-in' form** and send it to the HSBC Administration team. You can find this form in the library at **www.futurefocus.staff.hsbc.co.uk**.

HMRC limits how much can go into your pension schemes without you paying extra tax

The **Annual Allowance** limits the amount that can go into all your pension schemes in a tax year, without you paying tax. If more than your allowance goes in, you'll have to pay tax on that extra money. If your taxable income is less than £110,000, up to £40,000 a year can usually go in. But if it's over £110,000, less can go in. There's a sliding scale of what can go in, down to a minimum of £10,000. Broadly speaking, you'll be at this £10,000 minimum if your taxable income plus the total amount going into your pension schemes is £210,000 or more.

If you've taken any money purchase or defined contribution benefits flexibly (for example, as a taxed lump sum or through drawdown) your money purchase allowance becomes a Money Purchase Annual Allowance (MPAA) of £4,000 with effect from 6th April 2017. This change is subject to Parliamentary approval. It is likely to be passed in the Autumn.

The **Lifetime Allowance (LTA)** limits the total amount you can build up in all of your pension schemes, without paying extra tax – the current limit is £1m. You'll pay an LTA tax charge on anything over that when you come to take the money out.

If you think you might be affected by these limits, you might want to read more about this on the **HMRC website**.

Stage 2

The money gets a chance to grow

Quick Links

The money in your pension gets invested

Your investment choices:

1. Lifecycle
2. Flexicycle
3. Freechoice

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HSBC

The money in your pension pot gets invested, to give it a chance to grow.

You can choose how it's invested if you want.

If you don't tell us what to do, we'll invest it in the Income Lifecycle option.

There's more about the Income Lifestyle option and your other investment options on the next page.

We'll also assume that you plan to take the money out when you're 65 – your 'target retirement age'.

If you want a different target retirement age, let us know through **My Pension**.

Have a look at your investment choices on the next two pages, and think about which might be right for you.

1 Lifecycle

Lifecycle invests your money for you. In the early years, it aims to grow your money. Then, 20 years before your target retirement age, it starts to move your money to different investments. It does that to try and protect any growth your money's had so far, even if that means giving it less chance to grow in future. This helps to reduce the chances of your pension pot suddenly dipping in value when you're just about to use it.

There are THREE OPTIONS with Lifecycle:

Income Lifecycle	Cash Lifecycle	Capital Lifecycle
For people who think they'll use most of their pension pot to buy a guaranteed income for life – an annuity.	For people who think they'll take most of their pension pot as cash.	For people who think they'll draw down lump sums as income, either as a one off or via a regular payment, while leaving some of their pension savings invested. To do this you'll need to transfer out of the Scheme to another provider.

2 Flexicycle

This gives you more control over how your pension pot is invested than Lifecycle does. It lets you choose from a range of investment funds, but that range changes as you get closer to your target retirement age. It changes from funds that focus on growth, to funds that focus on protecting any growth your money's had so far, even if that gives it less chance to grow in future.

3 Freechoice

This gives you the most control. It lets you choose between 13 different investment funds. How you invest your pension pot and how you change your investments over time, is up to you.

Finding out about your investment choices and making changes

For more information about your investment choices, get **Your DC pension pot – your investment choice** from the library at **www.futurefocus.staff.hsbc.co.uk**. You'll also find factsheets about the individual funds in the library.

To change the way your pension pot is invested, log on to **My Pension** at **www.futurefocus.staff.hsbc.co.uk**.

Stage 3

You take the money out, usually to give yourself an income when you retire

Quick Links

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HSBC

Three ways to take your money out

Buy annuity	Take cash	Invest
Buy a guaranteed income for life – an annuity	Take it out as cash	Invest it and perhaps take an income from it

Taking money out of your pension pot while you're still working for HSBC

From age 55, if you take the money out of your pension pot but continue to work for HSBC, it will start again to put money into your pension pot. You can put money in too, if you want. However, HMRC has rules and limits about what can be put in. You can find out more on HMRC's website at **www.gov.uk/tax-on-your-private-pension/annual-allowance**

You can take the money out of your pension pot anytime between age 55 and 75.

You can usually have up to 25% of your money as a tax-free lump sum. After you've done that, everything else you take out is taxed as if it were income. But you won't have to pay any National Insurance contributions on it.

The three ways to take your money out and the tax-free lump sum option could change in the future, if the Government decides to alter the way the pension system works in the UK.

1 Buying a guaranteed income for life – an annuity

If you want the security of a guaranteed regular income, so there's no worry about making sure your pension pot lasts you right through retirement, buying an annuity from an insurance company might be the right option for you.

In return for some or all of your pension pot, the insurance company you choose will pay you a regular income for the rest of your life – no matter how long you live.

If you're thinking of buying an annuity, it's worth shopping around. There are two reasons for this. Firstly, it means you can find an annuity that meets your needs – for example, you might want one that would pay an income to your spouse if you were to die first. Secondly, different insurance companies offer different annuity rates – in other words, in return for the same amount of money from you, they pay a different amount of income.

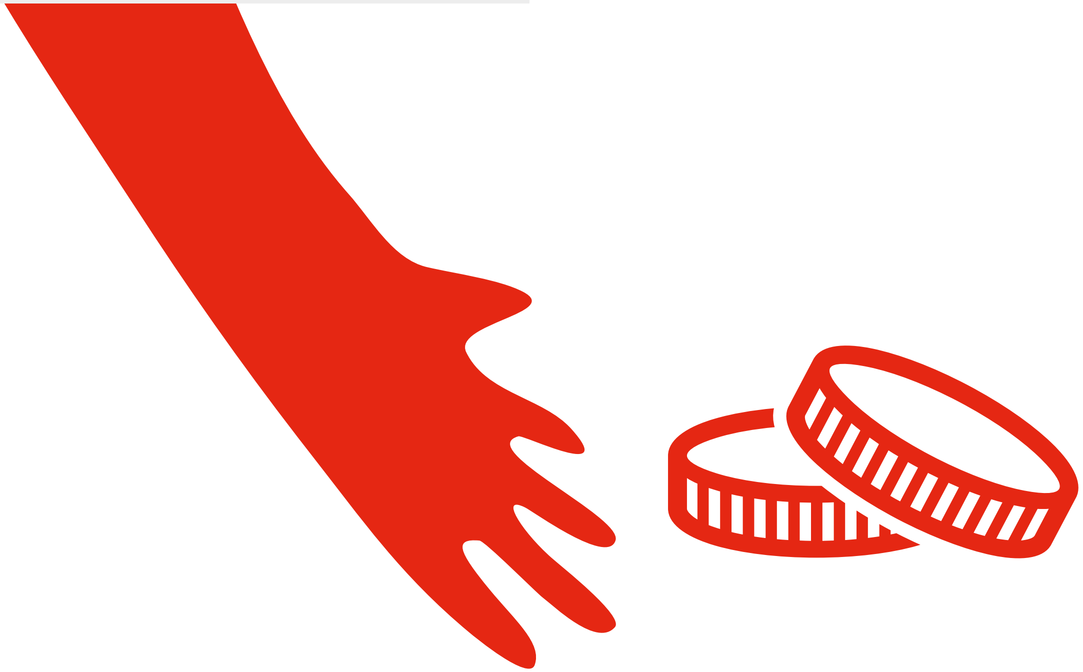
2 Investing it and perhaps taking an income from it

If you want to give the money in your pension pot a chance to continue to grow, and perhaps take an income from it, this option might be right for you. You can take a regular income, take money out as and when you need it, or just leave it all invested.

There are companies that will help you invest your money and take an income in this way. They sometimes call it 'income drawdown' or 'flexi drawdown'.

You might be able to transfer the whole of your pension pot to them, take up to 25% as a tax free lump sum, invest the rest and take an income when you like. If you do this, the income you take will be taxable. Or, you might be able to transfer your pension pot and take out cash amounts. If you do this, the first 25% will usually be tax free and the rest taxable.

3 Taking your money as cash



It can be very tempting just to take your money in your pension pot as cash. If you do, you'll need to think about how you're going to make it last.

This can be tricky, as you don't know how long you're going to live! If you do decide to take it as cash, you'll usually be able to take the first 25% tax free. The rest will be taxed as if it's income. So, you'll need to think about the tax you'll be paying on the money you take out.

How your pension can help protect your family

If you're working for HSBC in the UK and die before you take the money from your pension pot, we can pay out the following benefits – usually to your family, dependants or someone else you tell us about:

- a lump sum of four times your benefit salary – unless you choose a different amount through My Choice. They get this even if you opt out of the pension scheme,
- all the money you've put into your pension pot – but not the money HSBC has put in,
- a pension for your spouse or civil partner equal to 30% of your pensionable salary. However, if they're more than 15 years younger than you, it will be less than 30% - for each year beyond these 15 years, it goes down by 2.5%,
- an allowance for a dependant if you don't have a spouse or civil partner,
- an allowance for dependent children – this would be higher if your spouse, civil partner or dependant doesn't receive a pension.

If you've stopped working for HSBC but you haven't taken the money from your pension pot, your family or dependants could get all the money in your pension pot. This would include all the money that HSBC has put into it.

You can find out more about these benefits on page 18 of **Knowing Your DC pension pot.**

Let us know your wishes

You can choose who you want to receive any benefits if you die. This includes things like how you'd like benefits to be shared amongst your children if you have them.

To let us know your wishes, you need to fill in a form. For tax reasons, the trustee doesn't have to follow your wishes in the form, but it will take them into account.

Go to **www.futurefocus.staff.hsbc.co.uk**, click on **My Pension**, then go to 'My Beneficiaries'.

Where to find more information

To find out more about the pension scheme
Visit futurefocus: **www.futurefocus.staff.hsbc.co.uk**

To change how much is going into your pension pot

Go into HR Direct, My Benefits Enrolment, then to My Choice.

To find out how your pension pot is doing and change how it's invested

Visit futurefocus – **www.futurefocus.staff.hsbc.co.uk** and click on **My Pension**. If you're logging on from outside HSBC's network, you'll need your user ID and password to do this. **My Pension** also has a modeller to help you think about how much you might want to build up in your pension pot.

To find information about how to use your pension pot

The Government has set up an information service about using the money in your pension pot. It's called Pension Wise and if you're 50 or over, you can also get free personal guidance, visit **www.pensionwise.gov.uk** to find out more.

If you're under 50 or just starting to build up a pension, you can get more information from the Pension Advisory Service - **www.pensionadvisoryservice.org.uk**

To find general information about money matters

HSBC can help you think about lots of things to do with your money – like making it grow, reducing debt, and planning for your future. If this would be useful, visit KnowYou – **www.knowyou.staff.hsbc.co.uk**

To find personal financial advice

This guide is not giving you any financial advice about what you should do, you should talk to a financial adviser. To find an adviser, go to **www.moneyadviceservice.org.uk** and search 'adviser'. You'll probably have to pay for their advice.

About this guide

This guide reflects UK tax and social security law as it stood in December 2016. If there are differences between this guide and the Trust Deed and Rules of the HSBC Bank (UK) Pension Scheme, the Trust Deed and Rules will overide. You can find the Trust Deed and Rules in the library section at **www.futurefocus.staff.hsbc.co.uk**.

Pension Quality Mark PLUS

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