RETIREMENT PLANNING

Making a withdrawal from your pension

All you need to know about taking money from your pension

If you are thinking about taking money from your pension savings it's important to understand how the withdrawal process works.

There are four ways you can take money out of your pension. Picking the right one for your needs could help you save tax and make the most of your savings.

Fidelity INTERNATIONAL

Is taking money from your pension right for you?

The minimum age you can normally access your pension savings is currently 55, but this is due to rise to 57 on 6th April 2028. From this age, you're usually free to take money out of your pension savings – as much as you want, whenever you want. You don't even have to retire first. Of course, you can also choose not to take any money out.

If you have no immediate plans to use the money, you can leave it invested.

Normally, you can take a tax-free lump sum worth up to 25% of the value of each of your pensions and anything else you take will then be taxed alongside the rest of your income.

This money can be used for anything you like. However, you do need to remember that your pension is there to give you an income for the rest of your life, so if you take too much too soon, you may not have enough left for what could be several decades of retirement.

Do you want to continue contributing?

This may sound like an odd question, particularly if you're ready to retire, but it's important to consider your plans for future contributions before you withdraw money from your pension savings.

If you think you'll want to put more than £10,000 a year into your pension in the future, or you want to retain the flexibility to do so, take a look at options 1 and 2 on the next page. They mean you'll still get tax relief on your full contributions (up to the annual allowance of £60,000 or 100% of your earnings if lower, of course).

With options 3 and 4, when you take taxable money from your pension, your annual allowance for future contributions drops from £60,000 to £10,000. This is called the **Money Purchase Annual Allowance (MPAA)**. It does not apply if you buy a guaranteed income for life from an annuity.

The MPAA only applies to money purchase pensions and not to defined benefit pensions (sometimes called final salary or career average) such as the NHS or other public service schemes. Please refer to the MPAA guide for more information which can be found here **fidelity.co.uk/allowances**.

Your withdrawal options

1. Take all your tax-free cash in one go

It's as simple as that. Just take out the tax-free cash (typically a maximum of 25%) and leave the rest invested in your pension plan. You won't be able to take any more tax-free cash in the future, but the rest can be withdrawn whenever you want. It will be taxed like any other earnings you receive.

2. Take some tax-free cash now and some later

Instead of taking all your tax-free cash in one go, you can withdraw some now and leave the rest for later. This can give you more flexibility with your future savings if you need a specific sum right now, which is less than 25% of the value of your pension. This is done through a process known as 'partial drawdown'.

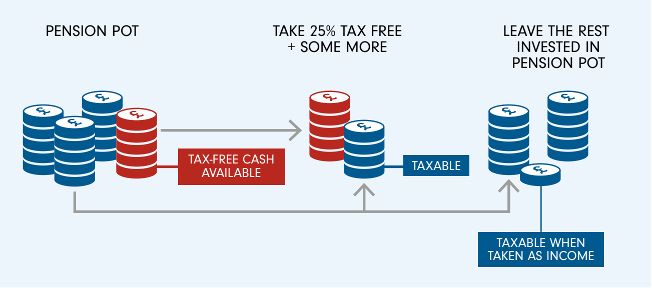
You'll also be leaving more of your money invested, so it has growth potential. This could mean that the amount of tax-free cash available at a later date will increase.

Important Information:

Please remember that the value of investments and the income from them can go down as well as up, so you may not get back as much as you invest. Tax treatment depends on individual circumstances and all tax rules may change in the future.

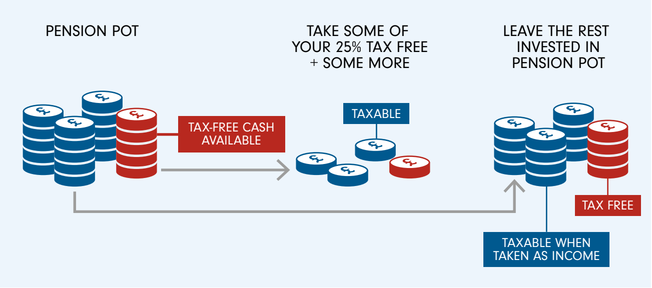
This information is not a personal recommendation for any particular product, service or course of action. Pension and retirement planning can be complex. If you are unsure about your options you may want to talk to an authorised financial adviser. You will have to pay for their advice, but this could be money well spent if it helps you avoid a larger tax bill.

3. Take more than your tax-free cash



You can withdraw as much as you want from your pension. Typically, the first 25% of the total value of the pension savings (not the value of the withdrawal) will be tax free and the rest will be taxed like any other earnings. Anything left can be taken later and income tax will be calculated and paid in the year you withdraw it. This is done through a process known as 'drawdown'.

4. Take out cash with some of it tax free



This is a slightly more complicated way of taking money out of your pension savings. You take one or a number of lump sums and, typically, 25% of each withdrawal is tax free with the remainder (75%) taxed as earnings. It's called an 'Uncrystallised Funds Pension Lump Sum' (or UFPLS) and it tends to be used when either the pension scheme doesn't offer drawdown or if there are specific tax benefits to taking your tax-free cash in stages.

It also means that when you're ready to retire or simply want to take another lump sum, you still have the same four options available to you that we've highlighted in this short guide.

Keeping your options open

Some pension plans will not give you all four options for taking money out of your retirement savings. To discuss the options you have available within your workplace pension with Fidelity, please call the Workplace Investing Service Centre on **0800 368 6873**.

The Government's Pension Wise service offers free, impartial guidance to help you understand your options at retirement. You can access the guidance online at **moneyhelper.org.uk/pensionwise** or call them on **0800 011 3797**.

Pension wise
Your money. Your choice.

How to take money from a Fidelity Workplace Pension

Before you take money from your pension, we will need to provide you with information about the options you have for taking money from your pension savings. In some cases, you may have recently received this information from us. However, if you haven't received this information from us in the last 12 months then you will need to call the Workplace Investing Service Centre who will arrange to send this to you. Once you have received this information and are ready to begin taking money out you can give our Workplace Investing Service Centre a call. They will talk you through your options, answer any questions you have and explain all the risks. The team will then send you full details of the withdrawal you are planning to make, along with a declaration you will need to sign to confirm that you would like to go ahead with it. Once we receive your declaration, we will arrange for your money to be paid into your bank account. It should arrive in five to ten working days.

At the same time as you discuss your withdrawal with us, you will need to decide how you want any money you are moving into drawdown to be invested. This will happen if you choose option 1, 2 or 3 from the previous two pages.

You can choose the same investments you had before your withdrawal, or select new investments that you think will meet your retirement income goals. You also have the option of choosing one of our Investment Pathways. These are simple investments designed around four clear targets for retirement income, ranging from 'I have no plans to touch my money in the next five years' to 'I plan to take out all my money within the next five years'. For more information visit Investment Pathways on our **website.**

To discuss making a withdrawal or if you would like to know more about what this means for your savings, please call the team on **0800 368 6868.**

A quick word about tax

If you withdraw more than your tax-free allowance, the money above this level will be taxable like any other earnings you receive (which includes the State Pension). If you take large sums, it might even move you into a higher tax band. (To check the current bands, visit **gov.uk/income-tax-rates**).

With a bit of forward planning, you could potentially reduce your tax bill simply by taking your withdrawal slightly differently. Here's an example of how it could work:

Mr Browne is still working. He earns £35,000 a year, has no other income and is a basic-rate (20%) tax payer. He could save thousands in tax simply from the way he takes money out of his pension.

- **Scenario one**: Mr Browne decides to take £30,000 from his pension pot on his 60th birthday. Only £7,500 (25%) of the withdrawal will be tax free. The other £22,500 (75%) of the withdrawal will be added to his earnings for that year. This makes him a higher-rate taxpayer, so he pays 40% tax (approx. £3,000) on some of this money.
- **Scenario two:** Mr Browne decides to take half the amount he needs from his pension pot on his 60th birthday (£15,000) and the other half a year later. Each year, 25% of the withdrawal (£3,750) is tax free and 75% (£11,250) of the withdrawal is added to his earnings. As a result, he remains a basic-rate taxpayer in both years and could save himself as much as £3,000 in tax overall (based on the tax rates and allowances in the 2024-2025 tax year for UK residents and assuming the same tax rates and allowances are used in both years). The tax rates for Scottish residents differ from the rest of the UK.

Certain options may restrict your ability to continue to contribute to a pension, for further details please visit **retirement.fidelity.co.uk/allowances**

Here to help

Whether you're approaching retirement or already there, we're here to help you through the many important decisions you need to make. We can support you with general guidance or discuss the option of receiving personalised advice. For a full breakdown of all our products, services and charges call us on 0800 368 6868.

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Guidance from the government: Pension Wise

The Government offers a free and impartial guidance service to help you understand your options at retirement. This is available via the web, telephone or face-to-face through the Pension Wise service which is now part of MoneyHelper; the easy way to get free help for all your pension and money choices. You can find out more by going to **moneyhelper.org.uk/pensionwise** or call them on **0800 011 3797**.

Workplace Investing