Your Pension Options Guide

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Introduction

As you approach retirement, understanding how to use your pension savings is key to creating the lifestyle you want. The right choice depends on your circumstances – your income needs, your health, and your other savings.

You can take your pension all at once, spread it over time, or leave it invested for longer. Many people use a combination of options to balance flexibility with security.

> **Important:** You can normally access your pension from age 55, rising to age 57 from 6 April 2028. Only in rare cases, such as serious ill health, can you access it earlier.

> *For guidance tailored to you, please speak with your independent financial adviser at Ludice Wealth Management Ltd.*

Your Main Options at Retirement

Below are the six main ways to use your pension pot. You can choose one or combine several to suit your goals.

Option 1 – Retire Later or Delay Taking Your Pension

If you don't need the money yet, you can leave your pension invested. Your pot may continue to grow tax-efficiently, although its value can also fall.

Delaying can increase your eventual income, as your savings have longer to grow and need to last for fewer years once you begin taking money. You and your employer can usually continue contributing, with tax relief, up to age 75.

Things to consider:

- Investments can fall as well as rise, so it is important to review them regularly.
- Check whether delaying affects any guarantees within your pension.
- Ask your provider about any restrictions or charges that may apply.

Option 2 – Buy a Guaranteed Income (Annuity)

An annuity converts your pension savings into a secure, regular income for life or for a set term. You can normally take up to 25% as tax-free cash first, then use the balance to buy your guaranteed income.

You can choose from a range of features:

- **Single or joint life:** income for you only, or continuing for your spouse or partner.
- **Level or increasing:** fixed payments, or payments that rise over time to help protect against inflation.
- **Guarantee period:** ensures payments continue for a set time even if you die early.
- **Value protection:** returns part of your purchase amount to your beneficiaries if you die early.

If you have health issues or lifestyle factors (for example, smoking), you may qualify for an enhanced annuity paying a higher income.

Things to consider:

- Once purchased, annuities cannot normally be changed or cancelled.
- Rates vary between providers, so comparison across the whole market is essential.
- Consider whether to include inflation protection or cover for dependants.

Option 3 – Flexible Retirement Income (Pension Drawdown)

Drawdown allows you to keep your pension invested while taking an income as and when you need it. You can usually take up to 25% of your pot tax-free, with the remainder providing a taxable income.

This gives you flexibility and control, but the value of your pot can rise or fall with investment performance.

Things to consider:

- Your income is not guaranteed and could fall if markets drop.
- Taking too much too soon could mean your money runs out.
- Withdrawals are taxed as income – larger payments could move you into a higher tax band.

Option 4 – Take Your Pension as a Series of Lump Sums

You can take cash lump sums whenever you need them. With each withdrawal, typically 25% is tax-free and 75% is taxable. You can also arrange regular payments, with a quarter of each payment tax-free and the balance taxable.

This approach provides flexibility and control, but requires careful management.

Things to consider:

- Each withdrawal may carry charges or limits.
- Large sums could push you into a higher tax bracket.
- Your pot's value can fall, as it remains invested.
- You could run out of money sooner than expected.

Option 5 – Take Your Whole Pension Pot in One Go

You can take all your pension savings as a single payment. Usually 25% is tax-free, and the rest is added to your income for the year and taxed accordingly.

While this gives you full access to your money, it can lead to a large tax bill and reduce your long-term financial security.

Things to consider:

- You could lose valuable tax advantages.
- Once withdrawn, funds may form part of your estate for Inheritance Tax.
- You will no longer have a regular pension income.

Option 6 – Mix Your Options

You don't have to choose just one approach. You can combine different options – for example, using part of your pot for a guaranteed income while keeping the rest invested for flexibility. This can balance security, flexibility, and tax efficiency.

> *For guidance tailored to you, please speak with your independent financial adviser at Ludice Wealth Management Ltd.*

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Your Options – Summary

Below is a summary of your four main income options, the key differences between them, and whether tax-free cash is available.

	Secure Income (Annuity)	Flexible Access (Drawdown)	Series of Lump Sums	One-off Lump Sum
Can I arrange to take a regular income?	Yes	Yes	No	No
Is my income guaranteed for the rest of my life?	Yes	No	No	No
Can I change how much money I receive?	No	Yes	Yes	No
Could my money run out later in retirement?	No	Yes	Yes	Yes
Can I do something different with my savings in later years?	No	Yes	Yes	No
Can I take some tax-free cash?	Usually up to 25%*	Usually up to 25%*	Usually up to 25%*	Usually up to 25%*

**You may be able to take more than 25% if you have a protected Pension Commencement Lump Sum. Your adviser can help you understand whether this applies to you.*

Important Information About Tax Allowances

The following allowances apply for the 2026/27 tax year. Tax rules can change, and your own tax treatment depends on your individual circumstances.

Allowance	What it means
Annual Allowance	The most you can save into pensions each year and still receive tax relief. For 2026/27 this is £60,000, including personal, employer, and tax-relief contributions.
Lump Sum Allowance (LSA)	The total tax-free cash you can take across your lifetime, normally £268,275.
Lump Sum & Death Benefit Allowance (LSDBA)	The total tax-free amount available during your lifetime and on death, normally up to £1,073,100.
Money Purchase Annual Allowance (MPAA)	Once you access your pension flexibly (drawdown or lump sums), the maximum you can contribute and still receive tax relief drops to £10,000, or 100% of your earnings if lower.
Inheritance Tax (IHT)	Your pension fund is currently not included in your estate for IHT purposes. This is due to change from 6 April 2027. Transfers between

Allowance	What it means
	spouses and civil partners will remain exempt, but pension funds will be included in IHT calculations for other beneficiaries.

Impact on Benefits

Taking money from your pension may affect your eligibility for means-tested benefits, including:

- Universal Credit
- Pension Credit
- Housing Benefit
- Council Tax Support

If you are over State Pension age, your pension savings may be taken into account even if you have not yet taken money out.

Getting Financial Advice

Choosing how to take your pension is one of the biggest financial decisions you will make. Each option affects your tax, investment risk, and long-term income differently.

Your Independent Financial Adviser at Ludice Wealth Management Ltd can help you:

- Compare your pension options in detail.
- Plan how much income you will need, and for how long.
- Understand the tax consequences of withdrawals and changes in legislation.
- Build a flexible, long-term and sustainable retirement income strategy.
- Provide ongoing monitoring and advice on the strategy, pension provider, and investment solution.

This brochure is for general information purposes only and does not constitute personal or professional financial advice. The information is based on our understanding of current legislation, taxation, and pension rules, which may change in the future. The value of your pension and any income from it can fall as well as rise, and you may get back less than you invested. Tax treatment depends on individual circumstances and may vary in future. You should not act or rely on the information in this guide without first seeking personalised advice from your independent financial adviser at Ludice Wealth Management Ltd.