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HEADSTART Financial Planning Ltd

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Autumn Budget 2026 tax watch

With the main taxes ruled out, attention is shifting to other revenue generators

Five questions to ask yourself before retirement

Are you doing enough today to give yourself the freedom and choices you want tomorrow?

Inheritance Tax gift rule many families may be overlooking

72% of UK adults unaware gifts from surplus income are IHT-exempt

Safeguarding your retirement wealth

From cold calls to fake investments, recognise the warning signs of pension scams

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Inside this issue

As Chancellor John Healey prepares to deliver his first Autumn Budget, speculation is mounting over where the government could raise additional revenue. With the main rates of Income Tax, National Insurance and VAT ruled out, attention could be turning to Capital Gains Tax, property, wealth, pensions and frozen tax thresholds. On page 08, we explain what might change, the potential impact on your finances and why reviewing your financial position ahead of the Budget could help you prepare rather than react.

Retirement should be a time to enjoy the life you have worked towards, but without careful planning, your savings may not stretch as far as you expect. On page 04, we explore five essential questions to help you assess your retirement goals, income needs, pension savings and potential risks, and explain why professional advice can help you build a more secure financial future.

Many families may be missing out on a valuable Inheritance Tax (IHT) exemption that immediately exempts qualifying regular gifts from surplus income. Turn to page 03 to discover how the 'normal expenditure out of income' rules work, the conditions you must meet and why careful record-keeping is essential, particularly as IHT rules are set to change from April 2027.

Pension scams are becoming increasingly sophisticated, putting years of retirement savings at risk. On page 06, we highlight the warning signs to watch out for, including unsolicited approaches, unrealistic returns and high-pressure tactics, and explain how to check whether an adviser or firm is authorised. Taking time to verify an opportunity could help protect your pension from fraud.

A complete list of the articles featured in this issue appears opposite. ♦

Helping you plan with confidence

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Life rarely follows a straight path. We can help you adapt your financial plans, pursue your ambitions and protect your family's future. To discuss your financial needs, please contact us. We look forward to hearing from you.

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Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.

The value of investments may go down as well as up, and you may get back less than you invested.

Inheritance Tax gift rule many families may be overlooking

72% of UK adults unaware gifts from surplus income are IHT-exempt

For many families, gifting money to children or grandchildren is simply a way to help with everyday costs or to give them a financial head start. However, new research suggests that almost three quarters (72%) of UK adults do not realise that regular gifts funded by spare or surplus income can be immediately exempt from Inheritance Tax (IHT)[1].

The research, based on a survey of 2,000 UK adults conducted between 17 and 20 February 2026, also found that 31% of gifts made by those over 55 in the past seven years were funded by surplus or spare regular income.

A valuable exemption

Known as 'normal expenditure out of income', the exemption allows qualifying regular gifts to be made without waiting seven years for them to fall outside the IHT calculation. Unlike many other gifts, the donor need not survive seven years, provided the strict conditions are met.

With Inheritance Tax rules changing from April 2027, more families may be considering how best to pass on wealth during their lifetime. For those with income left over after covering their usual living expenses, regular gifting could provide a tax-efficient way to support loved ones.

Three conditions to meet

There are three important tests. First, gifts must come from income rather than capital, such as savings or investments. This could include pension income, interest, dividends or rental income after tax.

Second, the gifting should form a recognisable pattern. This might be monthly payments or regular contributions for birthdays or Christmas. One-off gifts are less likely to qualify.

Third, gifts must not leave the donor unable to maintain their usual standard of living. If savings or other capital have to be used to cover normal living expenses, the exemption may not apply.

Keep careful records

Start by calculating your regular net income and deducting your usual household spending. Any genuine surplus could potentially fund a regular gifting plan. Setting up standing orders can help establish a clear pattern of payments.

Good records are equally important because the exemption may need to be demonstrated by executors after death. Keep bank statements, correspondence and a schedule of gifts. HMRC's IHT403 form includes a section for recording gifts, which can help establish whether the exemption applies. ♦

Get help if unsure

This exemption can be valuable, but the rules are specific and each family's circumstances differ. If you are considering regular gifts from surplus income, it is essential to obtain professional advice to confirm that the conditions are met and that appropriate records are kept.

For further information, or to discuss how the rules may apply to your circumstances, please contact us. We look forward to hearing from you.

Source data:

[1] Research for Canada Life was conducted among a nationally representative sample of 2,000 UK adults between 17–20 February 2026.

This article does not constitute tax, legal or financial advice and should not be relied upon as such. Estate and tax planning are not regulated by the Financial Conduct Authority. For guidance, seek professional advice.

Five questions to ask yourself before retirement

Are you doing enough today to give yourself the freedom and choices you want tomorrow?

Retirement should be something to look forward to, not a source of financial anxiety. For many people, retirement can seem comfortably distant until, suddenly, it is not. Years of working, saving and paying into pensions can create the sense that everything will somehow fall into place.

The reality is that, without a clear plan, you could reach retirement and realise that the lifestyle you imagined is more expensive than your savings can support.

The good news is that spotting a potential shortfall early gives you time to address it. Whether retirement is decades away or approaching quickly, asking yourself these five questions could help you take greater control of your financial future.

1. What does my dream retirement look like?

Start with the life you want to lead, not a pension figure. Do you dream of travelling more, spending time with family, taking up new hobbies or simply enjoying your days without financial worries?

Think about the costs involved, from essential household bills to holidays, leisure and support for loved ones. Your spending may also change over time, with higher expenditure in the early years before your priorities evolve.

2. Where will my income come from?

Your retirement income may need to come from several sources, including workplace and personal pensions, the State Pension, savings, investments or property. Knowing when each source becomes available is essential to building a sustainable income plan.

Check your State Pension forecast and National Insurance record, as gaps could affect your eventual entitlement. Understanding which income you can rely on can also help determine how much you need to generate from your private pension and other assets.

3. Am I saving enough?

Seeing a pension balance on a statement can be reassuring, but the figure alone does not tell you whether you are on track. What matters is how much income your savings could ultimately provide and whether it matches the life you want.

Consider your contributions, investment strategy, charges and the impact of inflation. If you discover a potential shortfall while you still have years before retirement, you have more time to increase contributions, review your investments or adjust your plans.

4. How will I turn savings into income?

Pension freedoms give you choices. You could use drawdown to take a flexible income while keeping your pension invested, buy an annuity to secure a guaranteed income, or combine approaches.

The decisions you make can have significant tax and investment implications. For example, taking large withdrawals in a single tax year could push you into a higher Income Tax band, while taking too much from drawdown could leave you with less money later in retirement.

5. What if life doesn't go to plan?

A retirement plan based solely on everything going right can unravel quickly. Investment markets can fall, inflation can erode spending power and unexpected costs can arise. You may also live considerably longer than expected.

Professional financial advice will help you stress-test your plans against different scenarios and consider investment risk, tax, longevity and the most appropriate way to use your assets. Most importantly, it can help turn a collection of pensions and investments into a coherent plan for the life you want. ♦

Have you given your future self more choices?

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Retirement is one of the biggest financial transitions you are likely to face. The decisions you make today could determine whether your later years feel financially secure and liberating, or constrained by money worries.

If you would like to know whether you are on track for the retirement you want, please contact us. We can review your pensions, investments and wider finances, identify any gaps and help you build a plan tailored to the future you want to enjoy.

This article does not constitute tax, legal or financial advice and should not be relied upon as such. For guidance, seek professional advice. A pension is a long-term investment not normally accessible until age 55 (57 from April 2028, unless the plan has a protected pension age). The value of your investments (and any income from them) can go down as well as up, which would affect the level of pension benefits available. Investments can fall as well as rise in value, and you may receive back less than you invest.

Protecting your loved ones with a Will

Providing greater control over your assets and protection for those who matter

A Will can help you put your financial affairs in order, plan your inheritance and ensure your wishes are known. Despite this, many people delay making one, often assuming it can be dealt with later. Without a Will, the law determines how your estate is distributed.

This may not reflect your wishes and could create further complications for those you leave behind. Writing a Will provides greater certainty, helps prevent potential family disputes and gives you peace of mind.

Decide who inherits

One of the main reasons for making a Will is the ability to decide who receives your money, property and possessions. You can also leave specific gifts, including sentimental items such as jewellery, family photographs, family heirlooms and other treasured belongings.

For unmarried couples and those not in a registered civil partnership, having a Will can be particularly important. The rules of intestacy do not generally provide the same automatic inheritance rights to unmarried partners as to spouses and registered civil partners, potentially leaving a surviving partner in financial uncertainty.

Protect your family

If you have children under 18, a Will allows you to nominate guardians to care for them if both parents die. You can also appoint executors to administer your estate and leave instructions for your preferred funeral arrangements.

Making a Will is also a time to review your wider financial arrangements. This may include reviewing life insurance, pension beneficiary nominations and other relevant protection policies, where appropriate, to ensure they remain suitable for your circumstances and to ensure they are written into an appropriate trust. Keeping these details up to date can make it easier for your loved ones to understand your arrangements.

Consider tax and charitable gifts

Inheritance Tax can be an important consideration when planning how wealth will be passed on. Depending on the value and structure of your estate, your beneficiaries may face a tax liability. Professional advice is essential to ensure you understand the available allowances, exemptions and potential planning opportunities.

You can also leave money to charities in your Will. In certain circumstances, leaving at least 10% of your net estate to charity can reduce the Inheritance Tax rate on some assets from 40% to 36%, while providing valuable support for a cause you care about.

Keep your Will up to date

Writing a Will isn't a one-off exercise. It should be reviewed regularly and whenever your circumstances change, such as after marriage or divorce, the birth of a child or a significant change in your finances. You may also want to reconsider your wishes if any beneficiaries or executors are no longer suitable.

While a Will can provide valuable protection, it must be properly drafted and kept up to date to ensure it continues to reflect your wishes. Seeking professional advice will help you understand the options available and avoid potential complications. ♦

Give yourself peace of mind

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Making a Will puts you in control of important decisions about your estate and makes things easier for your loved ones at an already difficult time.

If you don't yet have a Will, would like to review your existing arrangements or would like to discuss your options, please contact us.

This article does not constitute tax, legal or financial advice and should not be relied upon as such. Estate, tax planning and will writing are not regulated by the Financial Conduct Authority. For guidance, seek professional advice.

Safeguarding your retirement wealth

From cold calls to fake investments, recognise the warning signs of pension scams

Imagine losing your entire pension pot in the blink of an eye. Years of hard-earned savings could vanish after a seemingly convincing investment opportunity turns out to be a scam. Pension fraudsters can be persuasive, using professional-looking websites, testimonials and promises of high or guaranteed returns to win your trust.

> Promises of huge or guaranteed returns with little or no risk are a major red flag. Scammers may promote overseas property, technology ventures or other investments that appear highly profitable but may be unregulated or simply not exist.

Pension scams are becoming increasingly sophisticated, with fraudsters often posing as legitimate advisers, investment experts or representatives of genuine organisations. They may know personal details about you, making their approach seem convincing, while their real aim is to persuade you to hand over information or transfer your pension savings.

Be wary of unexpected approaches

Pension cold calling is subject to strict rules in the UK. If someone unexpectedly contacts you about your pension, the safest approach is to end the conversation and contact your existing pension provider using verified details. Unexpected emails, texts and investment offers should also be treated with caution.

Be especially wary of anyone offering a 'free pension review'. Fraudsters may use these offers to identify potential targets and then recommend transferring pension savings into unusual, high-risk or fraudulent investments. A genuine adviser should give you time to consider your options rather than pressuring you into an immediate decision.

Know the warning signs

Promises of huge or guaranteed returns with little or no risk are a major red flag. Scammers may promote overseas property, technology ventures or other investments that appear highly profitable but may be unregulated or simply not exist.

High-pressure tactics should also prompt you to pause. If someone says an opportunity is available for a limited time or urges you to transfer your pension immediately, take a step back. Don't allow yourself to be rushed into a decision that could affect your financial security for decades.

Check who you are dealing with

Before dealing with anyone about your pension, check that they are authorised by the Financial Conduct Authority (FCA) and have permission to provide the service on offer. The FCA's Financial Services Register can help you verify a firm's details and permissions.

Don't rely solely on information provided by the person who contacted you. Scammers can impersonate genuine firms, so use contact details from official sources rather than telephone numbers, links or websites provided during an unsolicited approach.

Think before transferring

If you are considering changing your pension arrangements, professional financial advice is essential to help you understand your options and the associated risks. Take time to consider any recommendation carefully, and never feel obliged to proceed simply because someone has contacted you.

It can also be worth contacting your existing pension provider directly before taking any action. They may be able to confirm whether an approach or proposed transfer is genuine and explain your current pension arrangements. If you have any doubts, pause the process until you are satisfied that the person or firm involved is legitimate. ♦

Protect your pension with confidence

Pension decisions you make will have long-term consequences, so taking time to understand your options can help you avoid costly mistakes and safeguard your retirement savings.

If you are considering transferring your pension or would like more information about your retirement savings, please contact us to discuss your options.

This article is for informational purposes only and does not constitute tax, legal or financial advice. A pension is a long-term investment not normally accessible until age 55 (57 from April 2028 unless the plan has a protected pension age). The value of your investments (and any income from them) can go down as down, which would affect the level of pension benefits available.

Autumn Budget 2026 tax watch

With the main taxes ruled out, attention is shifting to other revenue generators

As Chancellor John Healey delivers his first Autumn Budget on 28 October 2026, the government faces a difficult balancing act. Prime Minister Andy Burnham has committed to Labour's manifesto pledge not to raise the main rates of Income Tax, National Insurance or VAT. However, the government also faces significant spending pressures and limited scope under its fiscal rules.

That does not necessarily mean taxpayers will avoid higher taxes. The Chancellor could consider wealth, investments, property, pensions and other sources of revenue. Between now and Budget day, there is likely to be no shortage of predictions about what might happen. Much of the speculation, however, remains unconfirmed.

Capital gains could come under scrutiny

Capital Gains Tax (CGT) is one area attracting particular attention. Possible changes could include raising CGT rates to bring them closer to Income Tax rates, or altering the reliefs and allowances available to investors and business owners. Such measures could affect people selling investments, second homes or businesses.

The annual CGT-exempt amount is already modest, so more investors could face tax on sales outside tax-efficient wrappers. Any further changes could make the timing of disposals and the use of Individual Savings Accounts (ISAs) and pensions increasingly important.

Property and wealth in focus

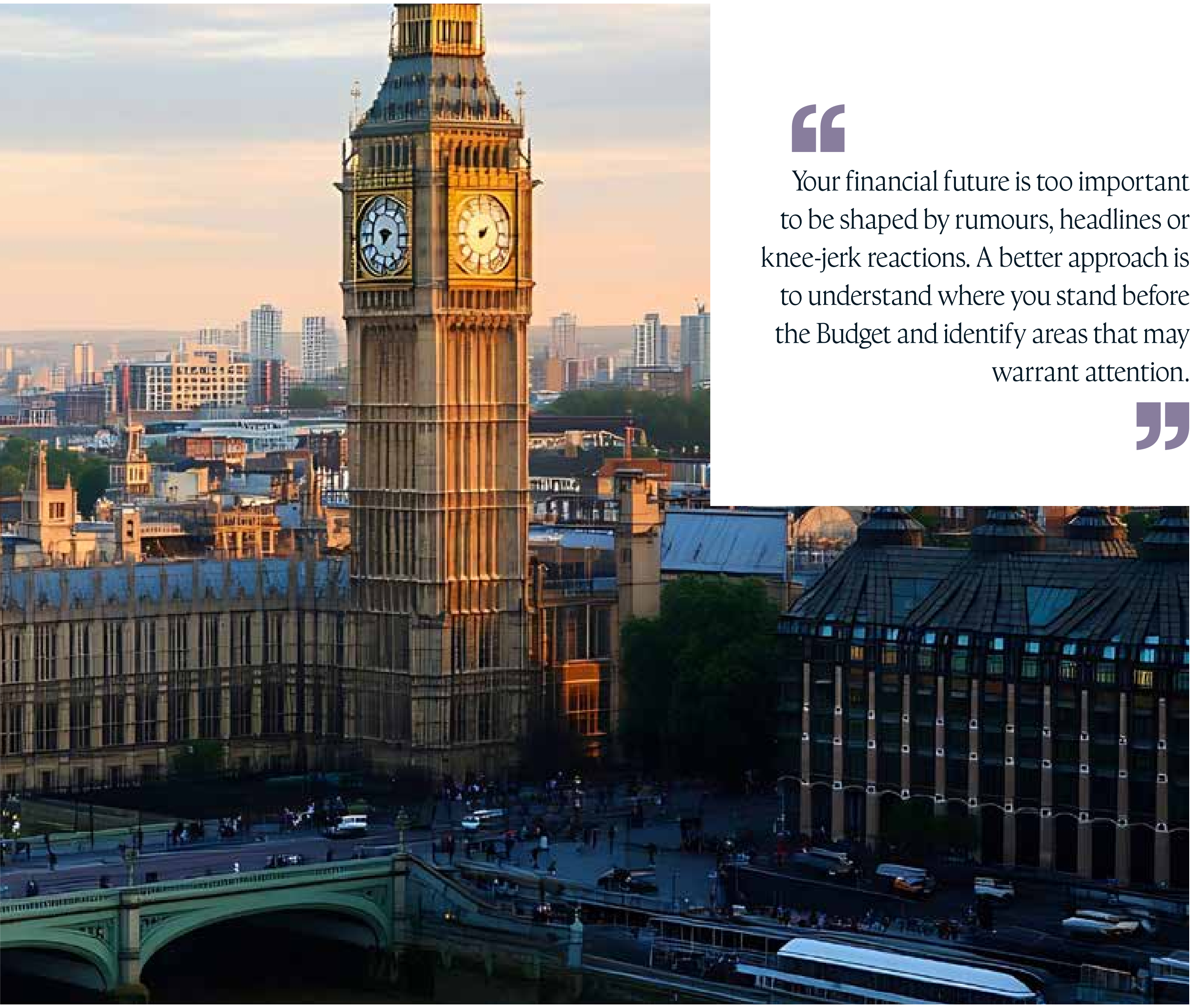
Property taxation could also feature in the Chancellor's thinking. Speculation has centred on changes affecting higher-value properties, although the government has denied reports that it plans to replace Council Tax and stamp duty with a land value tax in the immediate Budget.

A broader tax on wealth has also been discussed, although there is currently no confirmed proposal for a new wealth tax. Inheritance Tax (IHT) could remain another area to watch, particularly as most unused pension funds are due to come within the IHT regime from April 2027.

Quiet impact of frozen thresholds

Tax rises do not necessarily require an increase in headline rates. Keeping allowances and thresholds frozen while wages and asset values rise can gradually increase the amount people pay through fiscal drag.

For 2026/27, the Personal Allowance remains at £12,570, while the higher rate threshold is £50,270 in England, Wales and Northern Ireland. As incomes



Your financial future is too important to be shaped by rumours, headlines or knee-jerk reactions. A better approach is to understand where you stand before the Budget and identify areas that may warrant attention.

rise, more people may find themselves paying tax or moving into higher tax bands, even though the rates themselves do not change.

Be prepared, not reactive

Your financial future is too important to be shaped by rumours, headlines or knee-jerk reactions. A better approach is to understand where you stand before the Budget and identify areas that may warrant attention.

Whether you are approaching retirement, building your investments, running a business or thinking about your family's future, potential Budget changes may make it worthwhile to review your financial position.

We can consider the following areas:

- Pension contributions and retirement planning
- ISA allowances and investment planning
- Capital Gains Tax and gains on investments or other assets
- Inheritance Tax, gifting and estate planning
- Business remuneration, dividends and extraction strategies
- The suitability of your investment strategy in changing market conditions

Review before the Budget

You do not need to predict what the Chancellor will announce. You simply need to understand your current position and where potential changes could affect you.

By reviewing your circumstances ahead of 28 October, we can identify areas that may require further consideration. Once the Chancellor has announced the measures and the details of any subsequent legislation are known, we can assess whether action is appropriate for you.

That means less guesswork, fewer knee-jerk decisions and a financial plan tailored to your circumstances, not to the latest headline. ♦

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How could the Budget affect your financial plans?

If you want to discuss how potential Budget changes could affect your finances, we can help you review your position and consider whether any aspects of your financial plan should be revisited.

To discuss your concerns or to find out more, please contact us for further information.

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Why investment diversification matters in an uncertain world

Geopolitical tensions, trade disputes and energy shocks can quickly affect markets

Diversification enables investors to avoid putting too much of their financial future at risk. Investing always involves uncertainty, but the geopolitical backdrop has become increasingly difficult to predict. Conflicts in the Middle East and Ukraine, tensions between major economies and changing trade policies can affect energy prices, inflation, currencies, company profits and financial markets around the world.

M**any commentators expect** geopolitical and policy uncertainty to remain elevated through 2027. These developments can affect different investments in markedly different ways. Energy producers, for example, may benefit from higher commodity prices, while energy-intensive businesses could face rising costs. Similarly, companies reliant on international supply chains may be affected by tariffs or trade restrictions. This is where diversification can play an important role.

Spread your investment risk

Diversification means spreading your money across different investments, asset classes, sectors and geographical regions rather than relying heavily on one area. A portfolio might include equities, bonds, property and cash, with exposure to both UK and international markets.

The objective is not to eliminate investment risk, which is impossible, but to reduce your dependence on any single investment or economic outcome. If one part of your portfolio performs poorly, other holdings may provide resilience.

Look beyond your home market

Geographical diversification can be particularly valuable during periods of geopolitical uncertainty. Investing solely in the UK means your portfolio is closely tied to the performance of a single economy, currency and political environment.

International exposure can provide access to different economies and industries, whose performance may not move in step with UK investments. However, overseas investing introduces additional risks, including currency fluctuations, political instability and differing regulatory regimes.

Prepare for unexpected shocks

Geopolitical events can affect portfolios through several channels. A conflict that disrupts energy supplies could push up oil and gas prices, increasing inflation and potentially affecting interest rates. Trade restrictions can raise costs for businesses and consumers, while disruptions to global supply chains can affect company earnings.

Ongoing conflicts could lead to continued commodity-price volatility, tighter financial conditions and a heightened risk of market repricing. A diversified portfolio cannot fully protect investors, but spreading exposure can help avoid excessive reliance on a particular region, industry or economic scenario.

Diversification needs careful planning

Owning many investments does not automatically mean you have a diversified portfolio. Several funds could hold many of the same companies or be heavily weighted towards the same sectors, creating concentrations that may not be immediately obvious.

Your investment timeframe, objectives, attitude to risk and capacity for loss should determine how your portfolio is structured. Someone approaching retirement may have very different requirements from an investor with decades before they need their funds.

Keep your strategy under review

Diversification is not a one-off exercise. Market movements can cause some investments to outperform others, gradually shifting the balance of your portfolio. Regular reviews can determine whether your investments remain aligned with your objectives and whether rebalancing may be appropriate.

Above all, diversification should support a long-term strategy rather than encourage investors to react to every geopolitical headline. Markets can recover from periods of uncertainty, and making sudden decisions driven by fear can turn temporary falls into permanent losses. ♦

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Could your portfolio be better positioned for an uncertain world?

If you would like to review your investment strategy, we can assess your current portfolio, financial goals and investment horizon, and help ensure your approach remains aligned with your circumstances.

To find out more or discuss your requirements, please get in touch to arrange a review.

What I wish I'd known before I retired

Nearly a third of retirees say their standard of living is worse than before retirement

Retirement is often imagined as a chance to relax, travel and spend more time with family and on hobbies. However, new research suggests the reality can be more financially demanding than expected. Nearly a third (31%) of retirees say their standard of living is now worse than before they retired, compared with 20% who say it has improved[1].

The research also highlights a gap between expectations and reality. Nearly one in five (17%) retirees underestimated how much money they would need, while 16% did not expect retirement to last as long as it has. With people living longer, retirement savings may need to stretch across several decades, making it important to consider not only how much you save but also how those savings will support you over time.

Learning from retirement realities

Many retirees say they wish they had acted sooner. Three in ten (30%) regret not saving regularly during their working lives, while 29% wish they had started pension saving earlier. A further 16% wish they had planned more thoroughly, and 14% regret not making better use of pension tax benefits.

However, saving consistently is not always straightforward. Having children had the greatest impact on retirement savings for 15% of retirees, followed by divorce (10%) and redundancy (9%). Wider events, including inflation, market uncertainty and the pandemic, can also disrupt carefully laid plans and make it harder to maintain regular contributions.

Making savings last

Building a pension is only part of the challenge. Around one in eight (12%) retirees wish they had better understood how to convert their pension savings into an income, while a similar proportion regret spending too much too early.

The transition from saving to spending can be particularly difficult. People may be accustomed to a regular salary, so deciding how much to withdraw from a pension pot while ensuring it can support them in the long term requires careful thought.

Creating a sustainable income

Understanding what you have is an important first step. Reviewing pension arrangements, including any pots accumulated with previous employers, can help you establish which resources are available and how they could support your retirement. This can also highlight any gaps that may need addressing before you stop work.

It is also worth considering the lifestyle you want and what it may cost. Whether your priorities are covering essential bills, travelling, helping family or spending more time on hobbies, having a realistic picture of future spending can help shape your retirement income strategy.

Planning for the long term

How pension savings are converted into income can be as important as how much has been saved. Combining flexible income with guaranteed income, such as an annuity, could provide greater certainty for essential spending, depending on your circumstances. Seeking professional advice will help you understand the options and their potential implications.

Retirement planning should also evolve over time. Regularly reviewing withdrawals, investments and personal circumstances can help ensure your plans remain appropriate. Unexpected costs, shifting priorities and market conditions can all affect how long savings need to last.

Taking action before retirement

The lessons from today's retirees highlight the value of starting early, saving consistently and understanding how pension savings will be used. Even modest regular contributions can benefit from tax relief, employer contributions and potential long-term investment growth. Reviewing your plans at key life stages can also help you adapt as circumstances change.

While nobody can predict exactly how long retirement will last or what the future economy will look like, preparing for different scenarios can provide greater financial confidence. Understanding your pension, setting realistic expectations and seeking help where needed can all make the transition from work to retirement easier to navigate. ♦

Are you planning for a more confident retirement?

Retirement planning can feel complex, particularly when it comes to deciding how much you need and how to make your savings last.

If you are approaching retirement or would like to review your pension and retirement plans, please contact us for further information and professional financial advice tailored to your circumstances.

Source data:

[1] Research conducted by the Phoenix Group for Standard Life plc, alongside the launch of its 'For the life we live' campaign focused on retirement and financial planning. The supporting research comprises an Ipsos survey of 6,000 UK adults conducted in June 2025 and Opinium research among 4,000 UK adults conducted in January 2026, with both studies weighted to be nationally representative.

Understanding pension drawdown

Taking control of your pension income means considering the tax consequences

Pension drawdown enables you to take money from a defined contribution pension while keeping the rest invested. Rather than receiving a fixed income, you decide how much to withdraw and when, giving you flexibility to adjust your income as your circumstances change.

There are several ways to access a defined contribution pension. You could take your tax-free lump sum and leave the rest invested in drawdown, take smaller withdrawals as needed or use part of your pension to buy an annuity that provides a guaranteed income. You could also take your entire pension as cash, although this can create a significant tax bill and leave you without a long-term retirement income.

How does drawdown work?

You can normally access a private pension from age 55, although the normal minimum pension age is due to rise to 57 from 6 April 2028, subject to certain exceptions. Once eligible, you can usually move some or all of your pension into flexi-access drawdown and take income as needed.

For example, someone might take 25% of their pension as tax-free cash, leave the remaining 75% invested, and then withdraw a regular monthly income. Alternatively, they could take occasional lump sums when larger expenses arise. This flexibility can be useful, but withdrawals need to be managed carefully to avoid the pension running out prematurely.

What tax will you pay?

You can usually take up to 25% of your pension as tax-free cash, subject to the relevant allowances. The standard lump sum allowance for 2026/27 is £268,275, although some people may have a higher protected allowance.

The remainder of your drawdown withdrawals are generally taxable as income and are added to your other taxable income for the year. For 2026/27, the standard Personal Allowance is £12,570, and Income Tax is generally charged at 20%, 40% or 45% in England, Wales and Northern Ireland, depending on your taxable income.

Different ways to access your pension

Drawdown is just one option. Flexi-access drawdown allows you to take taxable income while keeping the remaining pension invested. Annuities can convert some or all of your pension into a guaranteed income, usually for life.

You can also take uncrystallised funds pension lump sums (UFPLS), with each withdrawal typically comprising 25% of the fund, which is paid tax-free (if it is within the individual's Lump Sum Allowance), and 75% taxable income. Taking your entire pension as a lump sum is another option, but the taxable portion could push you into a higher Income Tax band.

Why timing matters

Taking a large withdrawal in a single tax year could increase your Income Tax bill by pushing more of your income into a higher tax band. Spreading withdrawals across tax years may therefore be more tax-efficient, depending on your circumstances.

It is also important to consider other income, including salary, the State Pension, investment income and rental income. These can all affect your overall tax position and the amount of pension income you can take without moving into a higher tax band.

Watch the contribution rules

If you continue contributing to a defined contribution pension after accessing any defined contribution pension flexibly, the Money Purchase Annual Allowance (MPAA) applies. For 2026/27, the MPAA is £10,000, which may limit the amount you can contribute efficiently.

The standard annual pension allowance is £60,000, though this can be reduced for some higher earners. Understanding these rules is particularly important if you plan to take pension benefits while still working. ♦

Get advice before withdrawing

Choosing how and when to access your pension can have long-term consequences. The right approach will depend on your income needs, tax position, investment strategy, health, other assets and how long you expect your money to last.

If you are considering pension drawdown and would like to understand the tax implications or compare the ways to access your pension, please get in touch.

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