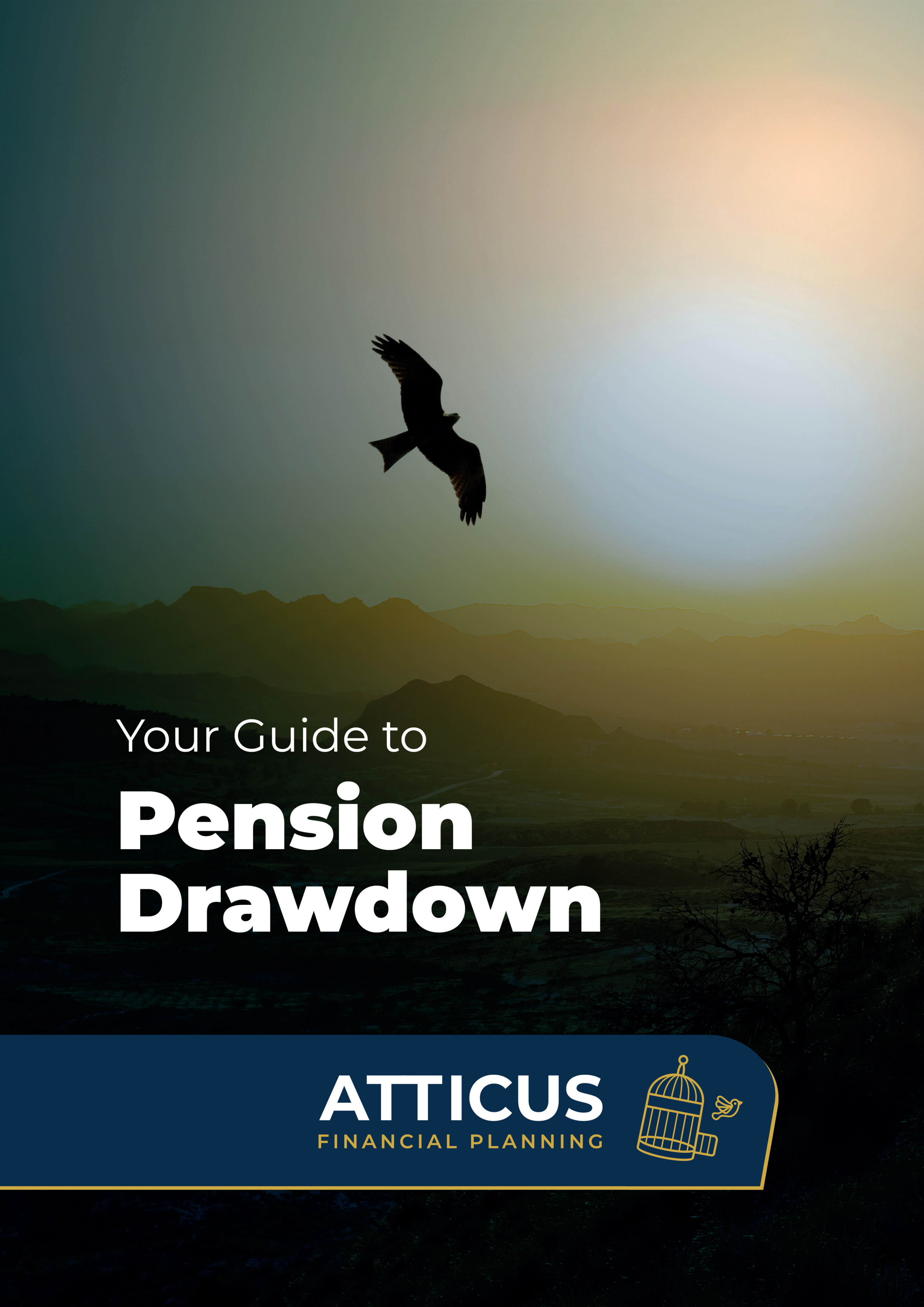

Your Guide to

Pension Drawdown

ATTICUS
FINANCIAL PLANNING

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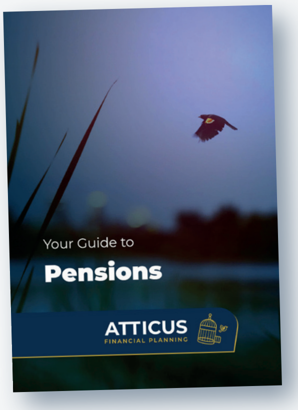
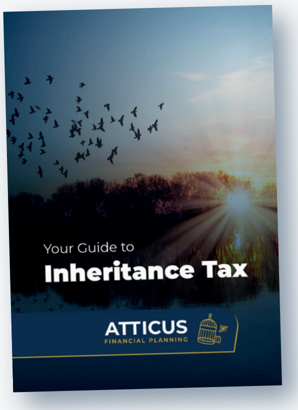
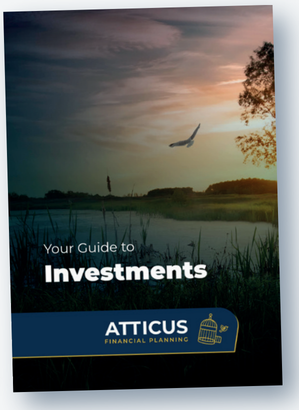






Compliance Statement

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Taxation planning is not regulated by the Financial Conduct Authority.

Liability for tax depends on your personal circumstances and tax rules, which may change over time

Workplace pensions are regulated by The Pensions Regulator (TPR).

A pension is a long-term investment the fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates, and tax legislation.

Source: *This guide contains content provided by 2plan wealth management Ltd, approved on 07.01.2026 under reference FP36692 and titled "A Guide to Pension Drawdown (v2)". It has been restyled for Atticus Financial Planning Ltd.*

Introduction

Retirement is meant to be the time when you finally get to enjoy the fruits of your labour. After decades of saving and contributing to your pension, the question becomes: how do you actually use that money to live the life you've planned?

If you've built up a pension pot, you have choices about how to access it. One of the most flexible options available to you is something called "drawdown." This guide explains what drawdown is, how it works, and why it matters enough to warrant proper professional advice before you decide.

Throughout these pages, we'll explore drawdown in plain language. We'll look at how it differs from other retirement options like annuities. We'll talk about what makes it attractive, what risks come with it, and how to think about managing it sensibly over decades of retirement.

Most importantly, we'll explain why getting advice from someone who understands your full situation is so valuable when you're making these decisions.

At Atticus Financial Planning, we believe retirement income isn't just about money. It's about security, peace of mind, and being able to do the things that matter to you.

If you would like to discuss any of the topics covered in this guide in greater detail, please don't hesitate to book a free initial conversation with us here at Atticus Financial Planning.

Email us at info@atticusfp.co.uk
or give us a call on **01420 446 777**

Abraham Uys
Director & Chartered Financial Planner

Let's chat, find a time that suits you...

www.atticusfinancialplanning.co.uk/services#schedule

What is Pension Drawdown?

Think of your pension pot like a bank account that you've filled over many years of saving. When you reach retirement, drawdown is a way of taking money from that pot whenever you need it, in whatever amounts you choose.

That's the simple version. Here's the fuller picture.

When you reach age 55 (rising to 57 in April 2028), you have the legal right to access your pension savings. One way to do this is called "flexi-access drawdown." This is a formal arrangement where your pension provider holds your money in an investment account. You can then take lump sums from it whenever you want, in whatever amounts suit you.

The clever bit is that the money you don't take out stays invested. This means your pension pot can potentially grow over time, even as you're withdrawing from it. It also means your money has the potential to keep pace with inflation, so your purchasing power isn't eroded away.

There's another drawdown option called "uncrystallised funds pension lump sum" (UFPLS). This lets you take smaller, one-off payments without fully accessing your pension account. It's simpler administratively but less flexible, and it's less common as a primary retirement strategy. This guide focuses on flexi-access drawdown, which is the mainstream option most people consider.

The fundamental appeal of drawdown is simple: flexibility. You're not locked into a single decision. You can take more money in years when you have big expenses. You can take less when you don't need it. You keep control. And if the markets perform well, your pot potentially grows.

But that flexibility comes with responsibility. Because unlike some other retirement options, there's no guaranteed income. The amount your money earns depends on investment performance. And if you take out too much, too quickly, you risk running out of money later in retirement. That's the trade-off we'll explore in this guide.

Drawdown vs Annuity: Understanding Your Options

When you're approaching retirement and thinking about how to access your pension, you're essentially choosing between two very different philosophies. Understanding the choice between them is fundamental to making the right decision for you.

What is an Annuity?

An annuity is actually quite different from drawdown. With an annuity, you use your pension pot to buy a guaranteed income for life. You hand over your lump sum to an insurance company, and in return, they commit to paying you a fixed amount every month or every quarter for as long as you live.

That income is guaranteed. The insurance company bears the investment risk. If the markets crash, your income doesn't change. If you live to 105, they still pay you. There's complete certainty and simplicity.

The trade-off is that you lose control of your capital. Once you've bought an annuity, you can't change your mind. You don't have a pot that can be left to your family. And if interest rates rise after you've purchased, you can't benefit.

How Drawdown is Different

Drawdown keeps you in control. Your capital remains yours. You decide when to take money and how much. If your circumstances change, you can adjust your approach. You keep the potential for growth. And anything left in your pot when you die can pass to your family.

But you also keep the responsibility. You need to make decisions about how much to take and when. You're exposed to investment risk. You need to think carefully about whether your withdrawals are sustainable. And you need to review and adjust your approach as circumstances change.

The Key Comparisons

Aspect	Annuity	Drawdown
Income	Guaranteed for life	Depends on performance / withdrawals
Control	None over timing/amount	Complete flexibility
Investment Risk	Insurer bears it	You bear it
Inheritance	Nothing left to family	Capital passes on (with tax implications)
Simplicity	Very simple	Requires ongoing management
Flexibility	Cannot change your mind	Can adjust at any time

Neither option is inherently "better." The right choice depends entirely on your circumstances, temperament, and what matters most to you. Some people prefer the certainty of an annuity. Others value the flexibility of drawdown. Many people use a combination of both.

The Appeal of Drawdown

Why would someone choose drawdown over the simplicity and certainty of an annuity? The reasons are genuinely important.

Keeping Your Options Open

Life doesn't follow a straight line. Your needs change. Maybe you're planning a big trip in five years. Maybe you'll need to support a family member. Maybe you'll find a passion you want to pursue. With drawdown, you can take more money when you need it. You're not locked into a fixed amount.

Protecting Against Inflation

A fixed income from an annuity is lovely while your purchasing power is strong. But over 30 years of retirement, inflation can significantly erode what you can buy. With drawdown, your capital can grow (or at least be managed to try and keep pace with inflation). This means you're not watching your lifestyle slowly become less affordable.

Legacy and Family

Many people reach retirement with a strong desire to leave something behind. With an annuity, if you pass away, the income stops and nothing passes to your family (unless you buy a special type of annuity, which costs more). With drawdown, any remaining capital passes to your beneficiaries. That matters to many people.

Investment Opportunity

If you're someone who's interested in investment performance, or who has views on how markets might evolve, drawdown lets your money reflect that. You're not buying an insurance product. You're managing an investment portfolio.

Reacting to Circumstances

If interest rates change significantly, or your life takes an unexpected turn, you can adjust your approach with drawdown. You have the flexibility to respond.

These reasons are powerful. But they come with a matching set of responsibilities, which we'll explore next.

Understanding the Risks

Flexibility and control sound appealing. But every advantage comes with a corresponding risk that you need to understand and manage.

The big one is running out of money. With drawdown, there's no guaranteed income. You're taking money from a pot and hoping it lasts as long as you do. If you take out too much in the early years, or if investment performance is poor, your pot can deplete faster than expected. Running out of money in your 80s or 90s is a genuine concern, and it's the reason drawdown isn't suitable for everyone.

Then there's investment risk. Your money is invested, and markets go up and down, sometimes significantly. If markets fall shortly after you retire and start taking withdrawals, you can find yourself in a difficult position, needing to take income at exactly the time when your pot is smaller. This is known as "sequence of returns risk" and it's a real phenomenon that can have a lasting impact on your retirement finances.

Longevity risk is another consideration. How long will you live? Nobody knows. If you live longer than expected, your pot needs to stretch further. On the other hand, if you manage your withdrawals too conservatively because you're worried about running out, you might restrict your lifestyle unnecessarily and never enjoy the money you've saved.

Inflation is easy to underestimate. Even modest inflation over decades of retirement adds up. The buying power of your money falls year on year. If your withdrawals don't keep pace with rising prices, you'll find yourself able to afford less as time goes on.

There's also the question of complexity. Drawdown requires ongoing decisions. How much should I take this year? Should I rebalance my investments? Has anything changed that means I need to rethink my approach? For some people, this engagement is energising. For others, it becomes a source of stress and anxiety.

Finally, there are tax considerations to think about. We'll explore these in more detail later, but drawdown does bring tax implications that need managing. Take the wrong approach and you might end up paying more than necessary.

Sustainable Withdrawal Rates: The Concept Explained

One of the most important ideas in drawdown is the concept of a sustainable withdrawal rate. What does this actually mean?

Imagine you have a pension pot of a certain size. Each year, you need to take money from it to live on. The question is: what percentage of your pot can you safely take each year without running out of money?

If your pot is generating investment returns, and you're taking out less than those returns, your pot will grow or remain stable. That's clearly sustainable.

If you're taking out more than your pot is generating in returns, your pot will shrink. That's not necessarily unsustainable, but it means you're gradually running down your capital. Eventually, if you keep doing this, you'll run out.

The "right" withdrawal rate depends on several factors:

Your investment strategy

A more cautious portfolio might generate lower returns, so you'd typically need to take out less.

Your willingness to adjust

Are you comfortable reducing withdrawals if markets perform poorly? Or do you need a set amount?

How long you need the money

If you're planning for 30 years of retirement, you need a different approach than if you're planning for 20.

Inflation expectations

If you expect prices to rise, you need to account for that.

These factors are interconnected and complex. They also interact with personal circumstances like whether you have other income (from a pension, state benefits, or work), whether you're supporting others, and whether you might need lump sums for specific purposes.

This is why generic withdrawal rate figures can be misleading. What's sustainable for one person isn't sustainable for another. A professional adviser can help you think through what's realistic for your specific situation.

The key principle is this: there's a difference between what you can withdraw in good years and what you can safely withdraw as a long-term strategy. Understanding that difference is crucial.

Investment Strategy Within Drawdown

Your investment strategy matters significantly in drawdown. Unlike with an annuity, where the insurance company makes investment decisions on your behalf, with drawdown you need to think carefully about how your money is invested.

Your portfolio's performance directly affects your income. If your investments perform well, your pot can grow even as you make withdrawals. If they perform poorly, your pot shrinks faster. Over 30 years of retirement, investment performance has an enormous impact on whether your money lasts.

This creates a central tension in retirement investing. You need your money to grow to keep pace with inflation and to last for a potentially long retirement. That typically means you need exposure to growth assets like equities. But growth assets are volatile. They can fall sharply in bad years, and if you're withdrawing money during a downturn, you're crystallising those losses rather than waiting for recovery.

The answer is usually balance. A portfolio invested partly in growth assets and partly in more stable assets gives you the potential for growth while providing some protection against volatility. The exact balance depends on your circumstances, your timeline, and how much risk you can tolerate.

Growth assets

- Higher long-term returns potential
- More volatile, can fall sharply
- Help protect against inflation

Stable assets

- Lower but more predictable returns
- Less affected by market swings
- Provide stability and income

Markets move at different speeds, and over time your portfolio's balance can drift away from where you want it to be. If growth assets have a strong run, you might end up with more exposure to equities than you intended. Regular review and rebalancing helps you stay aligned with your strategy, rather than letting market movements dictate your risk level.

It's also worth emphasising the importance of inflation protection. A portfolio that's purely invested in bonds and cash might feel safe, but over time it loses purchasing power. Protecting against inflation usually means maintaining some exposure to growth assets, even in retirement.

This is another area where professional advice is valuable. A financial adviser can help you develop a portfolio strategy that balances your need for growth, your need for stability, and your ability to tolerate volatility.

Tax Considerations in Drawdown

Tax is one of those topics that makes people's eyes glaze over. But in drawdown, it genuinely matters to your retirement income. Understanding the basics means you can work with an adviser to minimise what you pay.

When you take money from drawdown, the income tax treatment depends on what type of income you're taking. If your pension provider is paying you income from your pension pot, that income is usually treated as pension income. The first part of your annual withdrawal is typically covered by your personal allowance, which is the amount you can earn before you pay any tax. Beyond that, you pay income tax at your marginal rate. If you're taking withdrawals that include investment gains, the treatment can be different. This is where it gets a bit complex, and where professional advice is genuinely helpful.

Most people are entitled to take a tax-free lump sum when they first access their pension, typically 25% of the pot. This can be a useful opportunity to fund early retirement spending or to build up cash reserves. But it's a one-time opportunity, so it's worth thinking carefully about how you use it.

One of the advantages of keeping money within a pension is the tax efficiency on investment growth. The money you don't withdraw stays invested, and if those investments grow in value, you're not paying capital gains tax on rising share prices or dividend tax on investment income in the way you would if you held those investments outside a pension. That tax efficiency is a genuine benefit of the pension wrapper.

Inside a pension

- No capital gains tax on growth
- No dividend tax on income
- Income taxed on withdrawal

Outside a pension

- Capital gains tax applies
- Dividend tax applies
- Already taxed as you go

There are also ways to structure your withdrawals more efficiently. If you have multiple pensions, you can choose which one to draw from first. If you have other income sources, you can coordinate your pension withdrawals with those to stay within lower tax bands. These strategies can make a real difference to your overall tax bill.

It's worth remembering that tax rules in the UK do change from time to time. What's true now might not be true in five years. This is why understanding the principles matters more than memorising specific figures. The principles around tax efficiency in pensions tend to be more stable than the specific rules.

An accountant or tax-specialist financial adviser can help ensure you're taking withdrawals in the most tax-efficient way possible.

The Importance of Regular Reviews

Drawdown isn't a "set and forget" retirement approach. It requires regular attention and adjustment. But this isn't a drawback. It's actually one of its strengths, because it means you can adapt as circumstances change.

And circumstances do change. Your health might change. Market conditions shift. Tax rules get updated. Your family situation evolves. Interest rates move. Inflation varies. Even your own views on retirement spending might be different five years from now compared to today. Any of these can mean that your original drawdown plan needs adjusting.

This is where regular reviews come in. Typically annual, though it depends on your situation, a review gives you the opportunity to step back and ask some important questions. Is my current approach still working? Am I on track to meet my goals? Do I need to adjust my withdrawals? Do my investments still reflect where I am in life? Sometimes the answer is simply "keep going as planned." Often, there are small adjustments to make. Occasionally, bigger changes are needed.

One area that benefits from regular attention is your investment portfolio. Markets move at different speeds, and over time your asset allocation naturally drifts away from where you want it to be. Rebalancing simply means bringing it back to your target allocation. It's a disciplined way of maintaining your investment strategy over time, rather than letting it drift with the markets.

Reviews also help you respond to market conditions. If markets fall significantly, you might need to reduce your withdrawals temporarily. Taking less in down years and more in up years is a proven approach to managing what's known as sequence of returns risk. It's one of the ways that ongoing review and flexibility actually works in your favour.

The best drawdown plans build this flexibility in from the start. Rather than committing to a rigid amount each year, they work within a range, with guidelines about when you'd increase or decrease withdrawals. This flexibility, informed by regular reviews, is what helps make drawdown work over a long retirement.

Drawdown and Inheritance: What Happens to Your Pension

One of the appeals of drawdown is that your capital can pass to your family. But it's worth understanding exactly how this works and what the implications are.

If you pass away before you've taken your pension into drawdown, the entire pot can usually pass to your beneficiaries tax-free. This is a valuable right, and it's one reason to make sure your pension's beneficiary nominations are up to date.

Once you're in drawdown, any remaining money in your pension pot can still pass to your beneficiaries. This is one of the genuine advantages over an annuity, where the income typically stops when you die and nothing is left behind.

The tax treatment depends on your age at death. If you die before age 75, the money typically passes to your beneficiaries tax-free. If you die after age 75, your beneficiaries will pay income tax on what they receive, at their marginal rate. Either way, they still inherit the money.

You die before age 75

- Tax on inheritance is usually tax-free

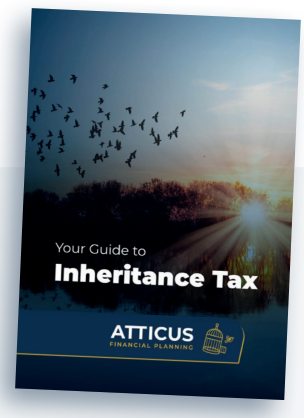
You live past age 75

- Tax on inheritance at beneficiary's marginal rate

It's important to make sure your pension provider knows who you want to inherit your pension. Most providers use "expression of wish" forms for this. It's not a legally binding will, but it's a strong signal about your intentions, and pension trustees will typically follow it. Professional advisers often help clients review and update these to make sure they reflect current wishes.

For some people, the ability to leave pension wealth to family is a key part of their retirement plan. For others, it's a secondary consideration. Either way, it's worth thinking about and discussing with an adviser, particularly as your circumstances change over time.

More information about **Inheritance Tax** is available in our other guide at www.atticusfinancialplanning.co.uk



Six Common Drawdown Mistakes to Avoid

Over the years, people make patterns of mistakes with drawdown. Understanding them in advance can help you avoid them.

1. Withdrawing too much, too soon

Perhaps the most common pitfall when retirement finally arrives, is the temptation to feel like it's "time to enjoy the money." But the early years of drawdown set the pattern for everything that follows. Taking out more than is sustainably affordable at the start can genuinely jeopardise your finances later in retirement. It's worth having someone challenge your assumptions before you commit to a withdrawal level.

2. Excessive caution

At the other end of the spectrum, some people move their pension into very conservative investments, assuming this is the safest approach. In some ways it is, but cash and low-risk assets don't keep pace with inflation. Over 30 years of retirement, excessive caution can actually increase risk rather than reduce it. Finding the right balance depends entirely on your circumstances.

3. Failing to review

It's easy to take a drawdown plan seriously when it's first written, then never revisit it. But circumstances change, and missing opportunities to adjust means your plan gradually drifts out of alignment with your life. Annual reviews don't need to be onerous, but they do matter.

4. Wrong pot, at the wrong time

If you have multiple income sources like a workplace pension, state pension arriving later, or other investments, the way you structure your drawdown should reflect that. Taking from the wrong pot at the wrong time can increase your tax bill unnecessarily. This brings us to another oversight: tax efficiency. It's easy to focus on investment performance and forget that how you withdraw matters too. An inefficient approach can cost thousands over the course of retirement.

5. Getting emotional

Then there's the emotional side. Markets go up and markets go down. Some people panic during downturns and sell at exactly the worst time. Others become overconfident during booms and withdraw too much. Reacting emotionally to market movements is rarely optimal, and a steady, considered approach almost always serves you better.

6. Planning for an early grave

Finally, people often underestimate how long they'll live. If you're approaching 65, there's a reasonable chance you'll reach your 90s. Planning as though you'll only need money for ten or fifteen years is a genuine mistake. Longevity is something to celebrate, but only if your finances can support it.

Why Professional Advice Matters for Drawdown

At Atticus, we believe that understanding clients comes first. And nowhere is that more important than with drawdown.

The truth is, there's no one-size-fits-all approach to retirement income. What works for someone with significant assets and a strong pension looks very different from someone relying entirely on their pension pot. Someone retiring at 55 faces a completely different set of considerations from someone retiring at 70. A financial adviser sits down with you, understands your full picture, and helps you develop an approach that actually fits your life. That's not something a generic guide can do.

There's also the emotional side to consider. Making retirement decisions, especially ones with no guaranteed income, can be anxiety-inducing. "Will my money last?" is a serious question, and it deserves a serious answer. An adviser can help you think through scenarios, stress test your plan, and give you the confidence that you're approaching retirement in a sensible way.

Most people's finances are more complex than they realise. Pensions, investments, property, income from different sources. An adviser helps you see how all of these pieces fit together. A withdrawal strategy that looks sensible on its own might not make sense when you consider the full picture.

And the mistakes we mentioned earlier? They're not hypothetical. People make them, and they can cost tens of thousands of pounds over a retirement. Professional advice, even just once, can help you sidestep these pitfalls before they happen.

Perhaps most importantly, your adviser isn't someone you see once and never speak to again. They review your situation with you regularly, help you adjust when circumstances change, and keep you on track over decades of retirement. Life rarely goes exactly to plan, and having someone in your corner makes a real difference.

Fundamentally, good financial advice gives you peace of mind. You're not lying awake wondering whether you've made the right decision. You're not second-guessing yourself every time the markets move. You can focus on actually enjoying your retirement.

That's genuinely valuable.

Key Questions to Consider Before Choosing Drawdown

Before you decide that drawdown is right for you, take some time to sit with these questions. They're worth discussing with a professional adviser.

1. **Do you have a clear picture of your retirement spending?**
   Can you articulate roughly how much you'll need each year?
   If you can't, working this out is the first step.
2. **How comfortable are you with investment volatility?**
   Drawdown means your pot will fluctuate in value. How does that feel to you?
   If the thought of it keeps you awake, drawdown might not be the right choice.
3. **Do you have other income sources?**
   State pension, other pensions, savings, rental income, continued work.
   These all affect whether drawdown is suitable for you.
4. **Are you comfortable making or reviewing decisions?**
   Drawdown requires engagement. Or do you prefer simplicity?
   An annuity is simpler and more passive.
5. **What matters more to you: certainty or flexibility?**
   If certainty is paramount, drawdown might not suit you.
   If flexibility is important, it might be exactly right.
6. **Do you want to leave money to your family?**
   Or is your priority maximising your own spending?
   This genuinely affects which option makes sense.
7. **How long do you expect to live?**
   This isn't morbid. It's practical. If you're expecting 35 years of retirement, you need a different plan than ten years.
8. **Are you willing to adjust your spending if markets perform poorly?**
   Flexibility is one of drawdown's advantages. But it only works if you're genuinely willing to reduce spending when needed.
9. **Do you have access to professional advice?**
   Drawdown is more complex than annuities. Having professional advice available (and being willing to take it) makes a real difference.

These questions don't have "right" answers. But working through them, ideally with an adviser, helps you understand whether drawdown is genuinely the right choice for you.

Moving Forward

Retirement is one of the most significant financial decisions of your life. How you access your pension shapes the next 30, 40, or even 50 years. That deserves proper thought and proper advice.

Drawdown is a powerful tool. It offers flexibility, control, and the potential for your money to grow over time. It allows you to keep capital that can be passed on to family. But it also requires engagement, careful planning, and a realistic understanding of the risks involved. It's not a decision to take lightly, and it's not right for everyone.

Whether drawdown suits you depends entirely on your circumstances. What matters is making an active, informed choice based on a clear understanding of how it works and what it means for your life.

At Atticus, we believe that financial planning starts with understanding you. Not just your numbers, but your goals, your concerns, your temperament, and what actually matters to you.From that understanding, we help you develop an approach to retirement that works for your life, not just your finances.

If you're considering drawdown, we'd encourage you to speak with a qualified financial adviser. They can help you think through whether it's the right choice for you, and if it is, how to approach it in a way that gives you confidence and peace of mind.

Because retirement should be something you look forward to, not something you worry about.

About Us

We believe in the importance of money, not as an end in itself, but as a **facilitator of dreams**. With true financial planning, money becomes a means by which **lives can become richer** and more fulfilled and individuals can be freed to follow their true purpose.

At Atticus Financial Planning we feel that our clients choose to partner with us in making their dreams a reality. Together we work to create a meaningful and rich future, built upon a sound and robust financial plan. This forms the foundations that allows them to flourish, not just financially, but also mentally, physically and spiritually.

Our aim is to offer simple, effective advice that works and makes a difference in the lives of our clients.

Contact us to start your journey to financial freedom by email at info@atticusfp.co.uk, give us a call on 01420 446 777, or find out more at www.atticusfinancialplanning.co.uk

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