



## **Flexi-access drawdown: Using your pension pot for a flexible retirement income**

With flexi-access drawdown, when you come to take your pension you reinvest your pot into funds designed to provide you with a regular retirement income. This income may vary depending on the fund's performance and it isn't guaranteed for life.

### **How flexi-access drawdown works**

You can choose to take up to 25% (a quarter) of your pension pot as a tax-free lump sum. You then move the rest into one or more funds that allow you to take a taxable income at times to suit you. Most people will use it to take a regular income.

You choose funds to invest in that match your income objectives and attitude to risk and set the income you want. The income you receive may be adjusted periodically depending on the performance of your investments.

Once you've taken your tax-free lump sum you can start taking the income right away or wait until a later date.

You can also move your pension pot gradually into income drawdown. You can take up to a quarter of each amount you move from your pot tax-free and place the rest into income drawdown.

### **Using drawdown funds for other products**

To help provide more certainty, you can at any time use all or part of the funds in your income drawdown to buy an annuity or other type of retirement income product that may offer guarantees about growth and/or income. What's available in the market will vary at any given time so you'll need to discuss your options with a financial adviser.

### **Things to think about**

You need to carefully plan how much income you can afford to take under flexi-access drawdown otherwise there's a risk you'll run out of money. This could happen if:

- you take out too much in the early years
- your investments don't perform as well as you expect and you don't adjust the amount you take accordingly
- you live longer than you've planned for

If you choose flexi-access drawdown, it's important to regularly review your investments. Unless you're an experienced investor, you may well need a financial adviser to help with this.

Not all pension schemes or providers offer flexi-access drawdown. Even if yours does, it's important to compare what else is on the market as charges, the choice of funds and flexibility

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may vary from one provider to another. Comparing products yourself will be difficult so it's best to get financial advice.

### **What tax will I pay?**

Any money you take from your pension pot using income drawdown will be added to your income for the year and taxed in the normal way. Large withdrawals could push you into a higher tax band so bear this in mind when deciding how much to take and when.

If the value of all of your pension savings is above £1m when you access your pot (2015-16 tax year) further tax charges may apply. To find out more see [Lifetime Allowance on pension savings](#).

### **Tax relief on future pension saving**

If the value of your pension pot is £10,000 or more, once you start to take income, the amount of defined contribution pension savings which you can get tax relief on each year falls from £40,000 (the 'annual allowance') to £4,000 (called the 'Money Purchase Annual Allowance' or MPAA). If you want to carry on building up your pension pot this may influence when you start taking income. Find out more in our guide [Tax relief on pension contributions](#).

### **What happens when you die?**

You can nominate who you'd like to get any money left in your drawdown fund when you die.

- If you die before the age of 75, any money left in your drawdown fund passes tax free to your nominated beneficiary whether they take it as a lump sum or as income. These payments must begin within two years, or the beneficiary will have to pay income tax on them.
- If you die after the age of 75 and your nominated beneficiary takes the money as income, they will pay tax on it in the normal way.

### **Is Flexi-access drawdown right for me?**

Income drawdown is a complex product. A financial adviser will be able to recommend whether it's suitable for you. If it is your adviser, will compare what's on the market and find you the most competitive product.

### **Your other retirement income options**

Flexi-access drawdown is just one of several options you have for using your pension pot to provide a retirement income. For an overview of all of your options and more on where to get help and advice see our Post Retirement pages.