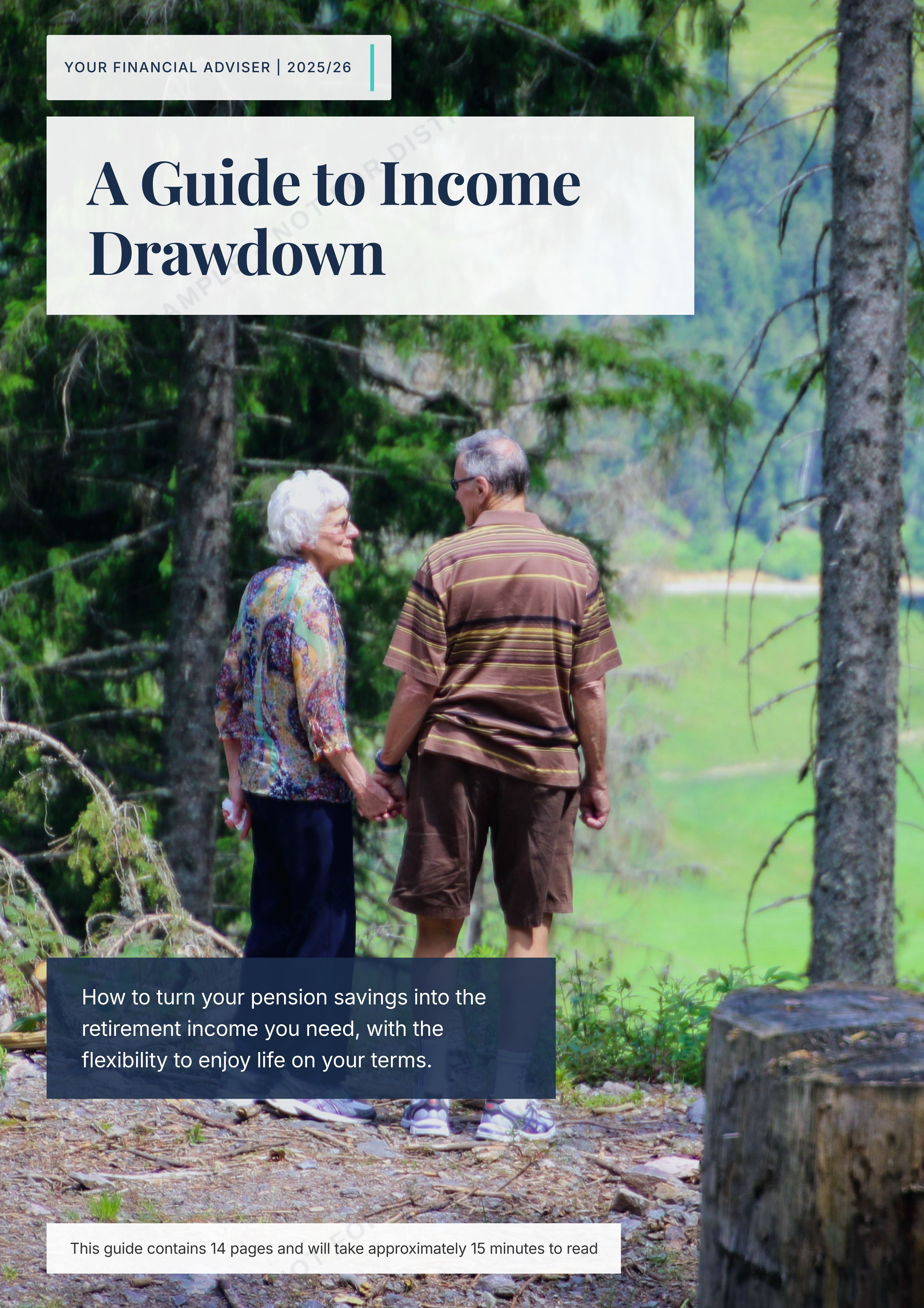
A Guide to Income Drawdown



How to turn your pension savings into the retirement income you need, with the flexibility to enjoy life on your terms.

This guide contains 14 pages and will take approximately 15 minutes to read

Inside this guide

Income drawdown gives you the freedom to take your pension savings when you need them, while keeping your money invested for potential growth. This guide explains how it works, what to watch out for, and how we can help.

Contents

Images: Pexels

What is Income Drawdown?

Information accurate as of January 2026

Income Drawdown at a Glance

350,000
People entered drawdown in 2024/25

£70.9bn
Total withdrawn from pensions in 2024/25

78%
Growth in drawdown use since 2019/20

Your Key Figures for 2025/26

Maximum tax-free lump sum	£268,275
Annual allowance	£60,000
Money purchase annual allowance	£10,000

Important: Taking taxable income from drawdown triggers the money purchase annual allowance, reducing your annual allowance to £10,000.

What This Means for You

Drawdown vs Annuity

The two main options for turning your pension into income are drawdown and annuity. You do not have to choose one or the other: many people use a combination of both.

Income Drawdown

- Flexible income you control
- Pension stays invested for growth
- Pass funds to beneficiaries
- Change your income as needed
- No guaranteed income
- Investment risk remains with you

Best for: Those wanting flexibility and control over their retirement income

Annuity

- Guaranteed income for life
- No investment decisions to make
- Protection against living longer than expected
- Cannot change once purchased
- Funds usually cannot be inherited
- No potential for investment growth

Best for: Those wanting certainty and a secure, predictable income

The blended approach

Many people use drawdown for flexibility early in retirement, then purchase an annuity later to secure a guaranteed income. We can help you find the right balance.

Information accurate as of January 2026

How Tax Works in Drawdown

[illegible]

Your Tax-Free Lump Sum

[illegible]

How Withdrawals Are Taxed

[illegible]

Did you know?

[illegible]

Information accurate as of January 2026

Making Your Money Last

[illegible]

[illegible]

Key Considerations

- [illegible]
- [illegible]
- [illegible]
- [illegible]

Information accurate as of January 2026

Withdrawal Strategies That Work

[illegible]

The Bucket Strategy

[illegible]

Managing Sequencing Risk

[illegible]

[illegible]

Key Figures

3.9%

[illegible]

£230.25

[illegible]

2 years

[illegible]

Information accurate as of January 2026

Case Study: Margaret and Peter

MP

Margaret and Peter, both 63

Former NHS manager and self-employed electrician, mortgage-free

GOALS

FINANCES

Margaret and Peter's annual income

State Pension (both)	£23,940
Drawdown income (3.9% of £315,000)	£12,285
Total annual income	**= £36,225**

WHAT THIS MEANS FOR MARGARET AND PETER

Information accurate as of January 2026

Drawdown and Your Estate

[illegible]

Feature	Before April 2027	From April 2027
Pension included in estate for IHT?	**No**	**Yes**
Death before 75: beneficiary tax	Tax-free lump sum or income	Income tax at beneficiary's rate, plus potential IHT
Death after 75: beneficiary tax	Income tax at beneficiary's rate	Income tax at beneficiary's rate, plus potential IHT
Spousal exemption	**Yes**	**Yes, if long-term UK resident**
Charity exemption	**Yes**	**Yes**

[illegible]

Information accurate as of January 2026

Protecting Your Plan

[illegible]

1 [illegible]

2 [illegible]

3 [illegible]

4 [illegible]

5 [illegible]

6 [illegible]

7 [illegible]

8 [illegible]

Your Next Steps

[illegible]

Gather your pension statements

30 mins

[illegible]

Check your State Pension

10 mins

[illegible]

Think about your retirement goals

20 mins

[illegible]

Book a review with us

5 mins

[illegible]

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Your Financial Adviser

Your retirement deserves expert guidance

Income drawdown is one of the most important financial decisions you will make. The right strategy can mean the difference between a retirement spent worrying about money and one spent enjoying the life you have worked for. We are here to help you get it right.

Ready to take the next step?

Call us on 0800 XXX XXXX or email advice@example.com to book your free initial consultation.

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FCA Number XXXXXX | Guide reference: YFA-DRAWDOWN-2526