

How to Invest in a Drawdown Pension

A practical guide to making your retirement savings work for the life you want

This guide contains 14 pages and will take approximately 8 minutes to read



What's Inside

This guide explains how drawdown pensions work, how to invest wisely within them, and how to turn your pension pot into the retirement income you need.

Contents

03

What Is Pension Drawdown?

04

Drawdown by the Numbers

05

Your Tax-Free Lump Sum

06

Drawdown vs Annuity

07

Building Your Investment Strategy

08

Managing the Risks

09

How Much Can You Safely Withdraw?

10

Margaret and David's Story

11

Drawdown and Your Legacy

12

Your Next Steps

13

Your Retirement Awaits

What Is Pension Drawdown?

When you take a pension drawdown, you can access your pension pot as and when you need it. This means you can take a lump sum or a regular income, depending on your needs. You can also choose to take a combination of the two. This is known as a flexi-access drawdown pension.

The maximum amount you can take from your pension pot is 25% of the value of your pension pot at the time you take it. This is known as the '25% rule'. However, you can take more than 25% if you are over 75 years old. This is known as the '75+ rule'.

- Flexi-access drawdown pension
- 25% rule
- 75+ rule
- Maximum amount you can take



Drawdown by the Numbers

Key statistics showing the growth of drawdown plans and the amount withdrawn from pension pots.

350k

Drawdown plans accessed in 2024/25

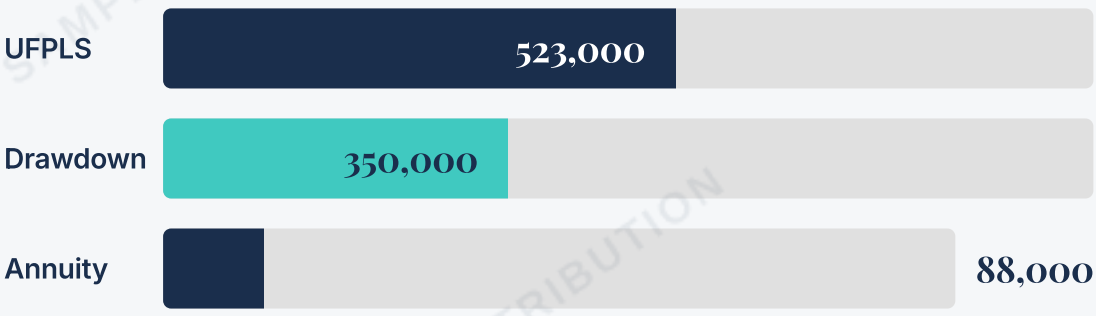
£70.9bn

Withdrawn flexibly from pension pots

25.5%

Increase in drawdown plan sales

How people accessed their pensions



Did you know?

Did you know? Over 50% of people who accessed their pensions in 2024/25 did so through drawdown plans. This is a significant increase from previous years, reflecting the growing popularity of flexible pension access options.

Your Tax-Free Lump Sum

One of the key benefits of drawing down income is a tax-free lump sum from your pension pot.

The 25% rule

You can take up to 25% of your pension pot free, known as the Pension Commencement Lump Sum (PCLS). The maximum for 2025/26 is £268,275. You can take it all at once or in stages over time.

The Money Purchase Annual Allowance

Taking taxable income from drawdown triggers the MPAA, reducing your future pension contributions allowance from £10,000 to £4,000. Taking out the tax-free lump sum does not trigger this, so plan the timing of your first taxable withdrawal carefully.

Key Pension Allowances 2025/26

£268,275

Lump sum allowance
(tax-free)

£10,000

MPAA (after first
drawdown income)

£60,000

Annual allowance
(before MPAA triggers)

Drawdown vs Annuity

The two main ways to turn your pension pot into retirement income are drawdown and annuity. Each has distinct advantages, and the right choice depends on your circumstances.

Drawdown	Annuity
<ul style="list-style-type: none"> Flexible income you control 	<ul style="list-style-type: none"> Guaranteed income for life
<ul style="list-style-type: none"> Income can increase to 25% 	<ul style="list-style-type: none"> No investment risk to manage
<ul style="list-style-type: none"> Flexibility to take a 25% lump sum 	<ul style="list-style-type: none"> Guaranteed rate for most annuities
<ul style="list-style-type: none"> Guaranteed income for life 	<ul style="list-style-type: none"> Income change once purchased
<ul style="list-style-type: none"> Risk of running out of money 	<ul style="list-style-type: none"> Linked to a bank account
<ul style="list-style-type: none"> Can adjust for changing needs 	<ul style="list-style-type: none"> No access to further lump sums
<p>Best for: Those wanting flexibility in their pension income</p>	<p>Best for: Those wanting certainty and guaranteed income</p>

Don't forget the bigger picture

Many people benefit from a blended approach, using both drawdown and annuity for different parts of their retirement income. We can help you find the right solution for your situation.

Building Your Investment Strategy

How you invest with your pension pot is just as important as how much you withdraw. The right strategy can help you grow, income and protect your pension.

Matching investments to your goals

Different funds and different investments and income needs. Where you need to be over the next few years, should be used to cover the needs, with a long-term horizon for 10 years or more can be used in more growth oriented strategies.

Asset allocation basics

A well diversified portfolio typically includes equities, bonds, cash, for stability, and cash for short-term needs. A common starting point for someone entering drawdown is 60% equities, 30% bonds, and 10% cash, though this varies with your risk tolerance and time horizon.

Investment Pathways

The UK's investment tax advantages for pension drawdown are a key feature. It allows you to access your pension pot as you need it, without incurring the usual 25% tax charge on lump sums. This is usually using long-term income, or withdrawing and paying with the state.

We manage this for you

We continuously monitor and rebalance your investments, adjusting the mix as markets move and your needs change over time.

Key Figures

60/20/20



Equities 60%
Bonds 20%
Cash 20%

0.75%-2%

Target real return
Target inflation
Target return

Managing the Risks

Investment offers flexibility, but it also means taking on risks that an annuity would not. Here are the key risks and how we manage them.

 <p>Longevity risk The risk that you will live longer than expected and outlive your funds.</p>	 <p>Market risk The risk that the value of your investments will fall.</p>
 <p>Liquidity risk The risk that you will need to access your funds when you need them.</p>	 <p>Interest rate risk The risk that interest rates will rise, reducing the value of your investments.</p>

How we protect you

We consider these risks carefully, spreading your investments into a portfolio that suits your circumstances. Our risk buffers protect you from selling investments during downturns, while our active management helps your retirement stay sustainable.

Don't forget the bigger picture

Investment works best as part of a broader plan. We consider your State Pension, Pensions, and other savings to build a complete retirement income strategy.

How Much Can You Safely Withdraw?

The 4% rule, and why it may not be enough

A flexible approach

Example: Annual income from a pension pot

Pension pot after 25% tax-free	£225,000
Annual withdrawal at 3.9%	£8,775
Plus full State Pension	+ £11,500
Total annual income	= £20,275

Margaret and David's Story

Every retirement is different. We can help you create the best plan for your needs through a personalised pension drawdown strategy.



Margaret and David, 65

Former teachers with combined pension pots of £200,000, looking to retire in 18 months in order to travel.

- Travel in retirement
- Help grandchildren
- Stay independent

SITUATION

Blurred text describing the initial situation of Margaret and David.

ACTION

Blurred text describing the actions taken to address their situation.

RESULT

Blurred text describing the positive outcomes of their strategy.

How the pension drawdown strategy works

Blurred text explaining the mechanics of a pension drawdown strategy.

Drawdown and Your Legacy

One of the biggest advantages of drawdown is the ability to plan for your remaining lifetime. This means that you can take the steps to protect your legacy.

1 Consider your beneficiaries The first step is to consider who you want to leave your money to. This could be your spouse, children or other family members.	2 Understand the age limit The age limit for taking drawdown is 75. This means that you can start taking drawdown from the age of 75.
3 Think about the amount The amount you can take from your drawdown is based on your age and the amount of your pension pot. This is known as your 'crystal ball'.	4 Consider your overall financial picture It's important to consider your overall financial picture when taking drawdown. This includes your other income, savings and investments.
5 Think about the tax implications Drawdown is subject to income tax. This means that you will pay tax on the amount you take from your drawdown.	6 The amount you can take The amount you can take from your drawdown is based on your age and the amount of your pension pot. This is known as your 'crystal ball'.
7 Consider the impact on your estate Taking drawdown can have an impact on your estate. This is because the amount you take from your drawdown is subject to inheritance tax.	8 Drawdown and your will It's important to have a will in place when taking drawdown. This ensures that your money is distributed to your beneficiaries in the way you want.
9 Think about the impact on your children Taking drawdown can have an impact on your children. This is because the amount you take from your drawdown is subject to inheritance tax.	10 Drawdown and your legacy Drawdown can be a great way to protect your legacy. This is because you can take the steps to ensure that your money is distributed to your beneficiaries in the way you want.

Your Next Steps

Getting started with a drawdown pension can seem a bit complicated. Here are four simple steps you can take today to help planning your retirement income.

1

Collect your pension statements

15 MINS

Collect recent statements from all your pension providers, including workplace pensions, and any old pensions you may have not heard of.

2

Check your State Pension forecast

10 MINS

Use your ID to request your State Pension statement and check for any gaps in your National Insurance record that could affect your entitlement.

3

Think about your income needs

20 MINS

Work out your essential monthly costs and the flexible spending that matters most to you. This helps us build a withdrawal plan that fits your life.

4

Book a meeting with us

5 MINS

Contact us for a complimentary drawdown advisory. We will review the numbers for your situation and recommend the right strategy for you.

Ready to take the next step?

Call us on [0800 000 0000](tel:0800 000 0000) or visit [advisors.com](https://www.advisors.com) to book your free advisory.



The journey is not the end of the road, it is the beginning of the open highway.

Your Financial Adviser

Your retirement, your way

A drawdown pension gives you the flexibility to enjoy retirement on your terms. We are here to help you invest wisely, manage the risks, and make the most of every pound in your pension pot.

Ready to take the next step?

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

Your Financial Adviser | 123 High Street, London EC1A 1AA

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