

The Retirement Income Guide

Everything you need to know about turning your pension savings into the retirement income you deserve

This guide contains 16 pages and will take approximately 20 minutes to read



The Retirement Income Guide

Your step-by-step guide to understanding, planning, and enjoying your retirement income.

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What Is Retirement Income?

Retirement income is the money you receive after you stop working, usually from your pension, savings, and investments.

The amount you receive depends on how much you have saved and how long you need it for.

- The amount you receive can be fixed or variable.
- The amount you receive can be tax-free or taxable.
- The amount you receive can be paid as a lump sum or as a regular payment.



Retirement Income at a Glance

These are the key figures that you need to know for the 2025/26 tax year. Understanding these numbers is the first step towards building your retirement income plan.

£230

Full new State Pension per week (2025/26)

£268k

Maximum tax-free lump sum

£60k

Annual pension allowance

Your Key Allowances for 2025/26

£12,570

Personal allowance (tax-free income)

£20,000

ISA allowance

£10,000

Money Purchase Annual Allowance

Remember, the above figures are only a guide and do not constitute financial advice. For more information, please contact your financial adviser.

Your State Pension

The State Pension provides a guaranteed income for your retirement years. For the 2025/26 tax year, the full new State Pension is £10,902 per year, which is £908.50 per month. This forms the backbone of your retirement plans.

How Much Will You Receive?

The amount you receive depends on your National Insurance (NI) record. You need 35 qualifying years for the full amount. If you have fewer years, you will receive a proportional amount. You need a minimum of 10 qualifying years to receive any State Pension at all. You can check your NI record and the amount forecast at gov.uk.

Can You Increase Your State Pension?

If you have gaps in your NI record, you may be able to make voluntary contributions to fill them. You can also defer your State Pension, which increases your payments by 1% for every 5 weeks you defer. That is about 1.25% per year, and the increase is paid for life.

Did you know?

The State Pension is increasing by 4.1% in 2026/27 under the triple lock guarantee. From April 2026, it will rise to £11,400 per year, which is £950 per month. If you are currently receiving a lower amount, you will be able to receive the new amount from April 2026.

Understanding Your Options

Flexi-Access Drawdown

Your pension pot can be accessed from age 55 (rising to 57 from 2028) and you can choose to receive up to 25% of your pot. The amount you can draw is based on your age and the value of your pot. You can continue to draw as long as you wish, and your pension pot will continue to grow. Be aware that withdrawing your pension flexibly triggers the Money Purchase Annual Allowance (MPAA) of £10,000. This applies to those who want flexibility and are comfortable with investment risk.

Lifetime Annuity

Exchange your pension for a guaranteed income for life. Rates depend on your age, health and sex and a 50-year-old in good health could expect around 7.5% on roughly £100k per year for only £10,000. The rate will reduce with age and other considerations of a spouse's pension, but there will reduce the starting amount. The rate drops with age, severity and with a guaranteed income plan.

UFPLS (Lump Sums)

You can take lump sums from your pension. Each withdrawal is 25% tax free. The 25% is based on income. There is no limit on how many withdrawals you can make, but taking large sums in a single tax year can push you into a higher tax band. The 25% tax free lump sum is a higher tax band. The 25% tax free lump sum is a higher tax band. The 25% tax free lump sum is a higher tax band.

Key Figures

£268,275

Maximum tax free lump sum

£10,000

Money Purchase Annual Allowance

7.5%

Typical annuity rate (60)

Comparing Your Income Options

Each retirement income option has different strengths. The right choice depends on your circumstances, your needs to live, and what matters most to you.

Lifetime Annuity

- ✓ Guaranteed income for life
- ✓ No investment risk
- ✓ Simple, predictable payments
- ✗ No flexibility of payments
- ✗ No inheritance options

Net Cost
 This option costs the least and is simple.

Flexi-Access Drawdown

- ✓ Flexible withdrawal amounts
- ✓ Investment growth potential
- ✓ Flexibility to pay to family
- ✗ Income not guaranteed
- ✗ No death-in-life

Net Cost
 This option costs the most and is more complex.

Tax-Efficient Withdrawal Strategies

How you take your retirement income affects how much tax you pay. A well-planned withdrawal strategy can help keep more of your money.

Income Source	Tax Treatment	Key Limit (2025/26)
State Pension	Taxed as income	£230.25/week
Tax-free lump sum	Tax-free	25% (max £268,275)
Pension drawdown	Taxed as income	No withdrawal limit
ISA withdrawals	Tax-free	£20,000 annual allowance
Savings interest	PSA applies	£1,000 (basic rate)
Dividend income	Dividend rates	£500 allowance

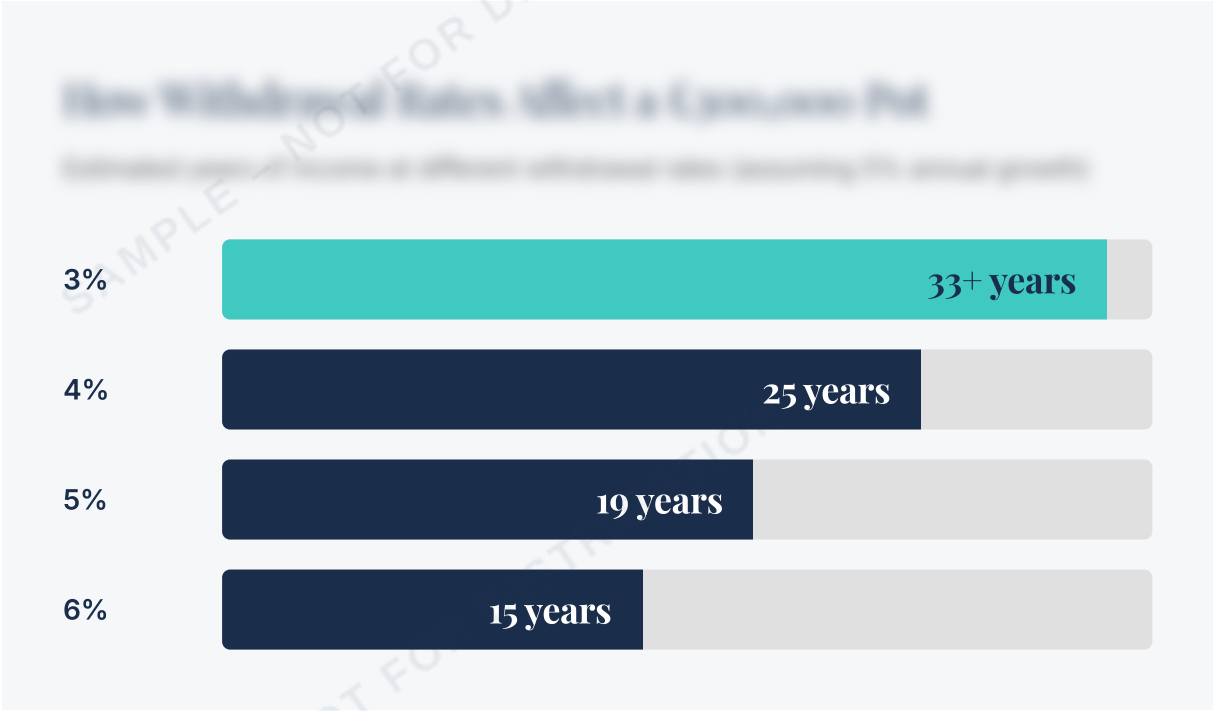
Did you know?

The order in which you take income from different sources can make a significant difference to your tax bill. Working with your financial adviser can help you plan your withdrawals to take full advantage of allowances and tax rates. This can help you keep more of your money.

Making Your Income Last

Understanding how much you can withdraw from your pension and planning for inflation can help ensure your income lasts as long as you need it.

4% Traditional "safe" annual withdrawal rate	23 yrs Average time spent in retirement	3.5% Average UK inflation (past decade)
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Margaret and David's Retirement Income Plan

How to fund an income plan that supports the retirement lifestyle you want

M&D Margaret & David, 68 and 66
Retirement income plan of £100,000

Travel Europe Help daughter buy first home Stay financially independent

SITUATION

Blurred text describing the client's current financial situation and goals.



ACTION

Blurred text describing the proposed financial actions and strategies.



RESULT

Blurred text describing the expected outcomes and benefits of the plan.

Blurred text in a dark blue box, likely containing a disclaimer or summary of the plan's assumptions.

Passing On Your Pension

Current Rules (Until April 2027)

Members currently aged 75 and over can be transferred to a pension scheme up to age 75, allowing pension funds to be passed on to beneficiaries. This is subject to the pension scheme's rules and the beneficiary's age. There is a 25% tax charge on any withdrawal, but no inheritance tax applies.

What Is Changing?

From April 2027, the government plans to allow pension funds to be passed on to beneficiaries for pensioners. This means your pension could be subject to a 25% tax charge when you withdraw it, but there are exemptions for transfers to a surviving spouse or civil partner and transfers to 1855.

What You Can Do Now

Review your beneficiary nominations to ensure they reflect your current wishes. Consider whether drawing cash from your pension and gifting your estate could reduce your overall tax liability. The advice can make a difference to how you pass on your pension and ensure it is passed on to your family.

Key Figures

2027

Maximum withdrawal
25%

£125,000

25% tax charge
2025

40%

25% tax charge on cash
2025

Common Questions About Retirement Income

Answers to the questions we hear most often from people planning their retirement future.

Q **When can I access my pension?**

A Generally from age 55, rising to 57 from April 2026. State Pension age is currently 66, rising to 67 between 2028 and 2030.

Q **Can I take my entire pension as cash?**

A No, but only 25% is tax free (up to £26,000). The rest is taxed as income, which could push you into higher tax brackets.

Q **Do I have to choose just one option?**

A No, many people use a combination of annuity, drawdown, and lump sums to create a tailored strategy.

Q **How much income will I need to retire on?**

A The FRS 102 suggests a reasonable starting point is about £20,000 per year for a couple. Your needs are unique, so we can help you calculate a personalised figure.

Your Retirement Readiness Checklist

Use this checklist to make sure you have covered the essentials before you start taking retirement income.

1 Check your Social Security record. Verify your earnings history. Check for missing earnings. Verify your retirement age.	2 Review all pension statements. Check for missing payments. Verify your pension plan.
3 Check your IRA/401(k) balances. Verify your investment choices. Check for missing contributions. Verify your withdrawal strategy.	4 Check your tax withholdings. Verify your tax filing status. Check for missing tax payments. Verify your tax return.
5 Check your Medicare enrollment. Verify your Medicare benefits. Check for missing enrollment. Verify your Medicare plan.	6 Check your Medicaid eligibility. Verify your Medicaid benefits. Check for missing enrollment. Verify your Medicaid plan.
7 Check your long-term care insurance. Verify your long-term care benefits. Check for missing enrollment. Verify your long-term care plan.	8 Check your estate plan. Verify your will and trusts. Check for missing beneficiaries. Verify your estate plan.
9 Check your beneficiary designations. Verify your beneficiary designations. Check for missing beneficiaries. Verify your beneficiary designations.	10 Check your retirement income sources. Verify your retirement income sources. Check for missing income sources. Verify your retirement income sources.

Your Next Steps

Take these simple actions to start building your retirement income plan.

1 **Collect your pension documents** 15 MINS

Collect your most recent statements from all pension providers, including workplace and personal pensions. Use the Pension Tracing Service if you have lost track of any of your workplace pensions.

2 **Check your State Pension forecast** 10 MINS

Use your ID to see your projected weekly amount and check for any National Insurance gaps. You may be able to fill National Insurance gaps by making voluntary contributions.

3 **Book a review with us** 5 MINS

Get a specialist to arrange your retirement income review. We will assess your total financial picture. There is no charge for an initial consultation.

Ready to start planning?

[Get your free guide to start planning now](#)



"The best is yet to come."

Your Financial Adviser

Let us help you enjoy the retirement you deserve

Your retirement income plan should be as unique as you are. Whether you are five years away or already retired, we are here to help you make the most of what you have built. From modelling different income strategies to coordinating your tax position, we handle the complexity so you can focus on living well.

Ready to take the next step?

Our team of experienced financial advisers is here to help you make the most of your financial planning opportunities. Call us on 0800 XXX XXXX or email advice@example.com to book your consultation.

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