



Flexible retirement income (or flexi-access drawdown)

You have the option of taking up to 25% of your pension pot as a cash lump sum and leave the rest invested to provide you with a regular income, and occasional lump sums if required.

You can normally take up to 25% of your pension pot as tax-free cash, subject to allowances. But the rest will be taxed as income.

It's important you shop around to find the best option for your personal circumstances and income goals. It's a big decision so it's worth comparing what each provider can offer. [Pension Wise](#) is a government service from [MoneyHelper](#). This free and impartial service helps you understand your options for using your pension pot, so you can choose the right one for you.

We always recommend that you seek independent financial advice before proceeding. To find an adviser in your local area visit unbiased.co.uk. Advisers usually charge for their services.

Important note: The money left invested has the chance to grow but it could go down in value too. If you take out too much or your investment funds don't perform as well as you'd expected, you could run out of money before you die - make sure you've planned ahead and are comfortable with the level of risk your chosen investments are subject to.

Example:

David has decided to retire. He has a pension pot of **£300,000** and has spoken to a financial adviser to fully understand his options and how these could affect his income.

He's decided that he would like to take a quarter of his pension pot as tax-free cash for a holiday and treat his daughter to a new car.

That leaves him with **£225,000** which he has chosen to leave invested and use to provide a regular income of **£1,000 (£12,000 a year)** to cover his day-to-day expenses.

David is 67, he is entitled to the maximum State Pension so he is also receiving his State Pension which is **£11,502 a year**.

A 'personal allowance' is the amount of money you can earn before you have to start paying tax. This is currently **£12,570** for most people, including David.

Here's how that all breaks down:

David's tax-free cash	£75,000
Value of David's income from his pension pot	£12,000
State Pension	£11,502
=	£23,502
Minus the personal allowance of	£12,570
Total taxable income	£10,932
Income tax payable	£2,186

David's total taxable income is **£10,932** which means he is subject to **basic rate tax of 20%** on his income from all sources. He will have to pay **£2,186 in income tax** this year.

These figures are calculated for the 2024/2025 tax year.

