



# Guaranteed income (an annuity)

You have the option of taking up to 25% of your pension pot as a cash lump sum, subject to any allowances and use the rest to provide you with a regular, guaranteed income for a fixed period or the rest of your life.

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.

This is known as an annuity.

Depending on your personal circumstances (things like whether or not you smoke or have any underlying medical conditions), you could be entitled to enhanced annuity rates. You should make sure you shop around for the best annuity deal, and consider additional features such as enabling your annuity payments to continue to be paid to your dependants in the event of your death.

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](https://unbiased.co.uk). Advisers usually charge for their services.

## Example:

Helen has decided that she's ready to retire. Her pension pot is **£150,000** and she's decided to use 25% of her pension pot as tax-free cash to pay off some outstanding debts and take a long awaited holiday.

She took some time before making a decision and has bought an annuity that's right for her personal circumstances. She'll receive a guaranteed income of **£5,265 a year**.

Helen is 66, she is entitled to the maximum State Pension so she is also receiving her State Pension of **£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 Helen.

## Here's how that all breaks down:

Helen's tax-free cash	£37,500
Helen's regular income from annuity	£5,265
State Pension	£11,502
=	£16,767
Minus the personal allowance of	£12,570
Total taxable income	£4,197
Income tax payable	£839

Helen's total taxable income is **£4,197** which means she is subject to **basic rate tax of 20%** on her income from all sources. She will have to pay **£839 in income tax** this year.

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

