GUIDE TO DRAWDOWN

HARGREAVES
LANSDOWN

IMPORTANT INFORMATION

We've written this guide to give you useful information about drawdown, but it's not personal advice.

The earliest age you can normally take your pension is 55 (rising to 57 in 2028).

What you do with your pension is an important decision. We strongly recommend you understand your options and check your chosen option is right for your circumstances. Take advice or guidance if you're unsure.

The government provides a free and impartial service to help you understand your retirement options. Go to **www.hl.co.uk/pension-wise** to find out more.

In this guide where we mention an annuity, we mean a secure lifetime annuity. It is possible to buy other types of annuities where income is not guaranteed for life.

The information in this guide is correct as at 13 March 2025, and unless noted, all figures apply to the 2025/26 tax year. Pension and UK tax rules can change though, and benefits depend on your circumstances.

INTRODUCING DRAWDOWN

A flexible way to access your pension.

Drawdown is one of the most flexible ways to access your pension. It also offers the potential for growth through investing, although investment returns aren't guaranteed.

You can usually take up to 25% of the pension you use for drawdown as tax-free cash, and keep the rest invested in the stock market. You can then take taxable income withdrawals whenever you want to.

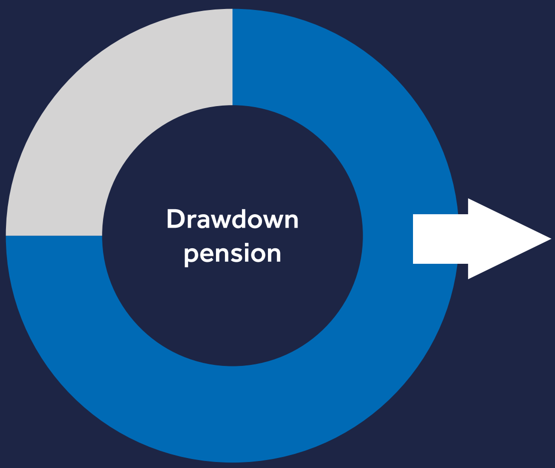
The flexibility of drawdown can be an advantage, but it also comes with more risks. Income isn't secure, so it won't be right for everyone.

If your investments perform well, you could receive a growing income throughout retirement. But if your investments don't perform as well as you'd hoped, you withdraw too much too soon, or you live longer than expected, you could run out of money.

These risks mean it's important to make sure you have enough secure income to cover your essential costs before you apply for drawdown.

Tax-free cash
Each time you move a piece of your pension into drawdown you can normally take up to 25% of that portion as tax-free cash. You can move your whole pension into drawdown in one go, or in stages.

The rest of your pension
Anything you don't take as tax-free cash or income is available to invest as you wish. You can pick the investments yourself or pay an advisor to choose for you.



Income withdrawals
You can choose how much income to take.

There's no minimum or maximum, and you can start, stop or vary the amount you take.

25%

of your pot as tax-free cash

HOW DRAWDOWN WORKS

The key steps explained.

CHOOSING A DRAWDOWN PROVIDER
You can move a pension into drawdown either with your current provider (if they offer it), or by transferring your pension to a drawdown provider elsewhere.

Be clear on the benefits you'll get in return for the charges you pay, so you can judge which provider will give you the best value for money. This could include things like where you can invest and how easy it is to take an income.

Before you transfer, check you won't lose any valuable benefits or pay high exit fees. Pensions are usually transferred as cash meaning any market rises or falls won't affect your pension value during this time, until you reinvest. It might be possible to transfer your existing investments without selling them. But it's unlikely you'll be able to change your investments while the transfer's in progress.

YOUR TAX-FREE CASH
Any tax-free cash will be paid to you as a lump sum at the start. If you'd rather not move your whole pension into drawdown at once, that's fine too. Each time you move part of your pension into drawdown, you can normally take up to 25% tax free from that portion. This is called phased drawdown.

YOUR INCOME
There's no limit on withdrawals, and you don't have to take an income right away. You could choose to receive a regular income, draw on your pension when you need to, or make no withdrawals at all – it's up to you.

Remember to factor in how long you're going to need your pension to last. If you withdraw too much too soon, there might not be enough left to last your full retirement which could be 30 years or more.

YOUR INVESTMENTS
You can pick your own investments, use ready-made portfolios, or let an adviser choose investments for you. Investment options include funds, shares, bonds and cash.

Keep in mind that the value of your investments can go down as well as up, so you could get back less than you invest.

REVIEWING YOUR PLAN
To make sure your drawdown plan is helping you achieve your goals, you need to review it regularly. This includes checking you're happy with your investment performance and income withdrawals, and making changes when necessary.

MAKING THE MOST OF YOUR TAX-FREE CASH

Short and medium term ideas.

You can usually receive up to 25% of your pension tax-free. If you move your whole pension into drawdown you'll receive all your tax-free cash in one payment. If you do it in stages, you'll receive your tax-free cash in stages too.

It's up to you how you save or spend this cash. You might decide to use some to pay off your mortgage, to take an extended trip abroad, or to help your loved ones financially. It's your money and your choice.

Remember though, inflation reduces the spending power of cash over time. So having a plan for your cash is important.

Tax rules can also change, and the value of benefits will depend on your circumstances.

SHORT-TERM:
As a general rule of thumb we think everyone should hold around 3-6 months' worth of expenditure as cash to cover essential and emergency spending. This should be held in your current account and/or an easy access savings account.

You might not get the highest interest rate, but you'll be able to access your money straight away. When you've finished work and are retired, it might be a good idea to increase the cash you hold to perhaps 1 to 3 years' worth of expenditure. You could use some of your tax-free cash to achieve this.

For any planned expenses in the next 5 or so years that can't be covered by secure income, you might consider holding more cash. For example, to cover vehicle maintenance, travel and holidays. Your tax-free cash could help to meet these needs.

MEDIUM-TERM:
Depending on how much of your pension you move into drawdown and how much tax-free cash you take, once you've got all of the cash you need for planned spending, you might consider fixed term savings for anything left. This is where you tie your money up for a set period in exchange for a rate that's higher than the interest rates typically available on easy access accounts.

You won't normally be able to withdraw the money until the term is up. But you might decide to set up a number of fixed term savings products so they mature at different times. For example, one that pays out after 6 months, another after 3 years and a third after 5 years. This gives you more flexibility and means you don't tie up all your money for longer than you want to.

HL Active Savings can help

Our Active Savings service offers easy access and fixed term savings products from a range of UK banks and building societies. Through one simple to use online account, you can move your money between banks with just a few clicks, with no paperwork and no hassle.

To find out more visit **www.hl.co.uk/savings**

HOW OTHER OPTIONS COMPARE

<table>
<thead>
<tr><th>ANNUITY</th><th>DRAWDOWN</th><th>UFPLS (LUMP SUMS)</th></tr>
</thead>
<tbody>
<tr><td colspan="3">Which option might be right for you</td></tr>
<tr><td colspan="2">You'd like to receive your tax-free cash in one payment (although you don't have to use all your pension in one go).</td><td>You'd like to receive your tax-free cash in stages, or to withdraw your entire pension in one go.</td></tr>
<tr><td>You want or need to secure yourself an income for the rest of your life.</td><td colspan="2">You'd like to decide your income level, and change it as and when you like.</td></tr>
<tr><td>You don't want to keep your pension invested.</td><td colspan="2">You want the potential to increase your pension by investing.</td></tr>
<tr><td colspan="3">Things to consider</td></tr>
<tr><td rowspan="2">Once your annuity is set up, you usually can't change or cancel it, even if your circumstances change.</td><td colspan="2">Your income won't be secure and it could run out. So these options might not be best for you unless you have other income to rely on.</td></tr>
<tr><td>As soon as you take income (but not if you just take tax-free cash), your pension contributions will be restricted.</td><td>As soon as you take your lump sum, pension contributions will be restricted.</td></tr>
<tr><td colspan="3">Do you have to use your entire pension?</td></tr>
<tr><td>No – you can choose how much you use to buy an annuity.</td><td>No – you can move money into drawdown in stages.</td><td>No – you can take cash lump sums as and when you need to.</td></tr>
<tr><td colspan="3">What decisions do you need to make at the start?</td></tr>
<tr><td>How much of your pension you want to use for an annuity (usually up to 25% of this amount can be taken as a tax-free lump sum).</td><td rowspan="2">How much of your pension you want to move into drawdown (usually up to 25% of this amount can be taken as a tax-free lump sum).</td><td rowspan="2">How much you'd like to withdraw. Usually 25% of each withdrawal is tax free, and the rest is taxable.</td></tr>
<tr><td>Which options you want to include (e.g. a guaranteed income for your partner if they outlive you).</td></tr>
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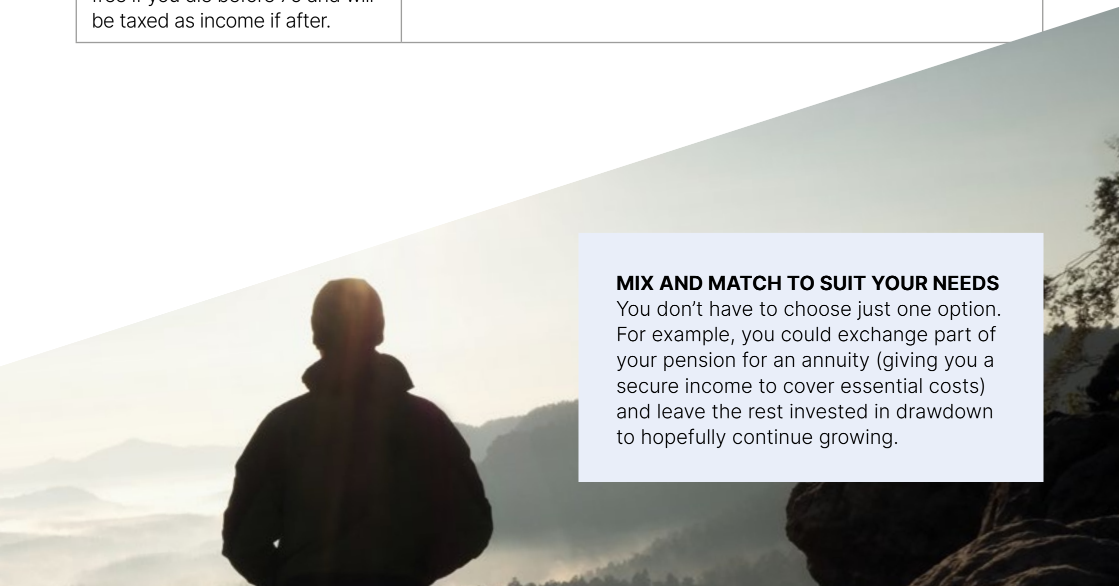
<table>
<tr><th>ANNUITY</th><th>DRAWDOWN</th><th>UFPLS (LUMP SUMS)</th></tr>
<tr><td colspan="3">What ongoing decisions do you need to make?</td></tr>
<tr><td>None – you know you'll receive the income for the rest of your life.</td><td>Where to invest your pension, and how much (if any) taxable income you'd like to take.</td><td>Where to invest any remaining pension funds.</td></tr>
<tr><td colspan="3">How much income will I receive?</td></tr>
<tr><td>It depends on the size of your pension, the options you choose and the annuity rates available (which could go up or down in the future).</td><td colspan="2" rowspan="2">You can take out as much or as little as you like for as long as your pension size and investment performance allows.</td></tr>
<tr><td>Shopping around and confirming health details before you apply could mean you get more income.</td></tr>
<tr><td colspan="3">What happens to my pension when I die?</td></tr>
<tr><td>Payments will stop unless you've chosen for payments to continue after you die, they could be passed to your beneficiaries tax free if you die before 75 and will be taxed as income if after.</td><td colspan="2">If you die before 75, your pension can be passed to your beneficiaries, tax free in most cases.

If you die at or after 75, any withdrawals your beneficiaries make from your pension will be taxed as their income.</td></tr>
</table>



MIX AND MATCH TO SUIT YOUR NEEDS

You don't have to choose just one option. For example, you could exchange part of your pension for an annuity (giving you a secure income to cover essential costs) and leave the rest invested in drawdown to hopefully continue growing.

CHOOSING YOUR INCOME

Three main strategies.

How you decide to take an income from your drawdown pension will depend on your needs and goals for the future. You might choose one strategy that works best for you, or a mixture.

JUST TAX-FREE CASH
You don't have to take an income if you don't need or want to. You can simply take your tax-free cash and leave the rest invested, to potentially grow over time.

You can always take an income later on, or use your drawdown fund to buy an annuity if you want to.

TAKING THE NATURAL YIELD
Taking the natural yield means withdrawing only the income your investments make, without selling them to fund your withdrawals. So, if you have £100,000 invested in a fund yielding 4%, you'd take the £4,000 income and leave your £100,000 invested.

There's less chance of running out of money with this strategy because your investments are left untouched, to hopefully recover from any market falls. But remember, yields are variable and aren't guaranteed.

DRAWING FROM CAPITAL
This means selling your investments and withdrawing the cash. This could give you a higher income, but it's a riskier strategy. Selling investments after markets have fallen could mean you quickly erode the value of your fund.

Remember, taking high income withdrawals may not be sustainable.

LOOKING FOR INVESTMENT INSPIRATION?
There's more information about choosing how much to withdraw and where to invest in our guide to investing in drawdown.

Go to **www.hl.co.uk/drawdown-investment-ideas**

CHOOSING INVESTMENTS

Some thoughts to get you started.

Drawdown puts you in control of your pension. You have the flexibility to choose your own investments, based on your future goals and attitude to risk. The investments you choose and their performance will affect how your pension grows and the amount of income you'll be able to take. So choosing investments that have similar aims to your own, and complement your withdrawal strategy, can increase the chances of achieving your goals.

INVESTING FOR INCOME
If you're planning to take the natural yield as income, then you might want to look at investments which aim to pay a high yield. This can include dividend-paying shares, bonds, and funds that invest in them. But you'll need to remember that investment income isn't guaranteed, so the amount you'll get will go up and down.

If you're investing in funds, you can choose 'income units', which pay out cash dividends.

If you're planning to draw an income from your capital (selling investments to fund withdrawals), you may want to take extra steps to reduce the risk of your portfolio suddenly falling in value. This could be done by choosing a diverse spread of investments, or funds where the manager uses specific techniques to try and minimise the impact of falling markets.

INVESTING FOR GROWTH
If you don't need an income yet, a common approach is to choose investments that aim for long-term growth. Often this includes funds that invest in a wide range of companies, either in the UK or across the globe. It might also include higher-risk smaller companies with the potential to grow into market leaders.

If you choose funds, you could choose 'accumulation units', which reinvest any income to help growth.

CHOOSING A MIX OF INVESTMENTS

While there's always some risk with investing, making sure that you have a good variety of investments can help reduce its impact. Different types of investments perform well at different times, and so do different stock markets around the world. So holding a mixture of investments, across various markets, can help shelter you when some areas don't perform as well as others.

Fund managers also use a variety of strategies and styles, so holding more than one fund in the same area can be a good idea, in case one of your funds' performance goes off the boil.

If you're comfortable choosing individual shares and bonds, this is an option too. But you'll need to spend more time researching and reviewing your investments, and it will be harder to spread your investments over a number of areas.

KEEPING A CASH BUFFER

It's important to consider keeping some cash to hold as an income buffer. It means when markets aren't performing well you'll have cash to draw an income from so you may not need to sell your investments.

Cash isn't risk free, it can lose value over time if interest rates are low and inflation is high. But knowing you have enough cash to cover your essentials could help you sleep at night, and stop you rushing into selling investments.

It's up to you if you hold cash within your pension, or keep a cash buffer in savings accounts outside of your pension.

Investment Pathways

If you've thought about your drawdown goals, but are unsure how to achieve them, you may want to consider investment pathways.

There are four pathways to choose from, and each matches a potential retirement goal with an investment option.

While they're tailored to specific goals, these pathways and investment options don't take your circumstances into account, or how much risk you're comfortable with. For more information visit **www.hl.co.uk/investment-pathways**

It's also important to shop around for drawdown and compare investment pathways from other providers. The MoneyHelper investment pathways comparison tool available at **www.moneyhelper.org.uk/pathways** tool could help.

Find out more at **www.moneyhelper.org.uk**

HOW INCOME IS TAXED

Some things to be aware of.

After taking your tax-free cash, any further withdrawals will be taxed as income. Your pension provider will deduct tax via Pay As You Earn (PAYE). This is similar to how your employer would have deducted tax. No National Insurance is taken from pension payments though, whatever your age.

The income you take will be added to any other income you receive that tax year, so taking large withdrawals could push you into a higher tax bracket.

You can change the amount you withdraw each year to manage the amount of tax you pay. If you need to make a large withdrawal, you might consider spreading it over more than one tax year to take advantage of your personal allowance and tax bands.

Remember, tax rules can change and benefits depend on personal circumstances.

We have a pension income tax calculator and factsheet which could help you understand more about how your pension will be taxed. Go to **www.hl.co.uk/pension-income-tax**

YOUR FIRST INCOME WITHDRAWAL

The first time you withdraw from your pension, it's usually taxed using an emergency tax code or the tax code on your P45.

HM Revenue & Customs (HMRC) guidance requires your drawdown provider to use this code on a 'Month 1' basis at first. This means all previous income and tax in the year isn't taken into account. It'll assume you're due to receive the same amount each month, meaning the incorrect amount of tax may be paid initially.

After your first withdrawal, HMRC should provide an updated tax code. The new tax code should automatically adjust any overpaid tax when you next receive a payment. You can contact HMRC directly if you think you've paid too much or too little.

Take a look at our emergency tax calculator to see how your first withdrawal might be taxed. Go to **www.hl.co.uk/emergency-tax**

PASS ON YOUR PENSION TO YOUR LOVED ONES

How to do it tax-efficiently.

For many people, having flexibility and control when it comes to passing money on to loved ones is a key benefit of drawdown.

When you die, your pension can be passed on, usually free of inheritance tax. However, from 2027, where an estate is valued over the Inheritance Tax Threshold, some pensions may be subject to inheritance tax.

For now your beneficiaries can receive what's left as a lump sum payment. Or, they can keep the pension in drawdown and take income in stages, or buy an annuity.

The tax treatment depends on when you die:

- If you die before 75, the payments your beneficiaries receive are usually tax free.
- If you die at or after 75, the payments your beneficiaries receive will be taxed as income.

If the payments are taxable, your beneficiaries might be able to reduce their tax bill by spreading withdrawals over a number of tax years.

It's important to think about who you'd like to receive this money when you die, and to then nominate your beneficiaries. The nomination isn't legally binding, but it tells your provider your wishes, which must be taken into account.

To find out more about passing on your pension, go to **www.hl.co.uk/pension-death-benefits**

UNDERSTANDING THE RISKS

With flexibility comes extra risk.

The biggest risk with drawdown is that there are no guarantees, so your pension could run out.

This could have a serious impact on your lifestyle and that of your partner or loved ones.

If you lose money in retirement it's extremely difficult to get it back again as your sources of income may be limited, and returning to work might not be an option.

If your drawdown pension will be your main source of retirement income, and you don't have secure income to fall back on, you should seriously consider whether a secure lifetime income (an annuity) would be more appropriate. If you're in any doubt at all, you should seek guidance or personal financial advice.

If you go into drawdown, but intend to buy an annuity later, there's the risk that annuity rates may have fallen by that point. Lower annuity rates could reduce your future income dramatically.

A sensible approach could be to look at buying several smaller annuities as you grow older, using a bit of your pension at a time. Rates tend to be higher for older people, especially those with medical conditions. As you age, you'll potentially develop health conditions which, even if they're minor, could boost how much annuity income you'll receive. However, there's no guarantee the rate you get in the future will be higher than the rate you could get now.

INVESTMENT COMMON SENSE

You're responsible for your decisions. Your drawdown pension will have to work hard to keep up with income withdrawals, charges and inflation. This means you need to be comfortable with the risks of stock market investing, and happy to accept the ongoing costs and regular monitoring which drawdown needs.

As an extreme example, your fund could be entirely invested in the shares of a single company, which then goes into liquidation, meaning that you lose everything.

By adopting a sensible investment strategy and ensuring withdrawals are sustainable, you can mitigate the risks you face, but they won't go away completely. Take a look at our case study on pages 20 and 21.

You need to be comfortable with the risks of stock market investing

DRAWDOWN CASE STUDY

The following example is fictitious, but possible. It's designed to highlight the risks of drawdown, and closely follows the performance of the FTSE 100 Index from January 2000 to January 2010 (shown in the inset opposite).

SCENARIO:
A healthy non-smoking single man takes his tax-free cash and goes into drawdown on his 65th birthday. He has £250,000 invested.

- Each year, he chooses to draw an income equivalent to the annuity his drawdown fund could buy at that point. In the first year this is £19,074.84.
- Due to fluctuating markets, his fund value falls by over 50% in just three years. It then makes a modest recovery before falling again.
- This means the income he takes fluctuates in line with his falling fund value.
- At the end of ten years, his income has fallen to just £8,455.32
- If he'd decided to buy an annuity, instead of going into drawdown, he would have received £19,074.84 each year, which would have continued for life.

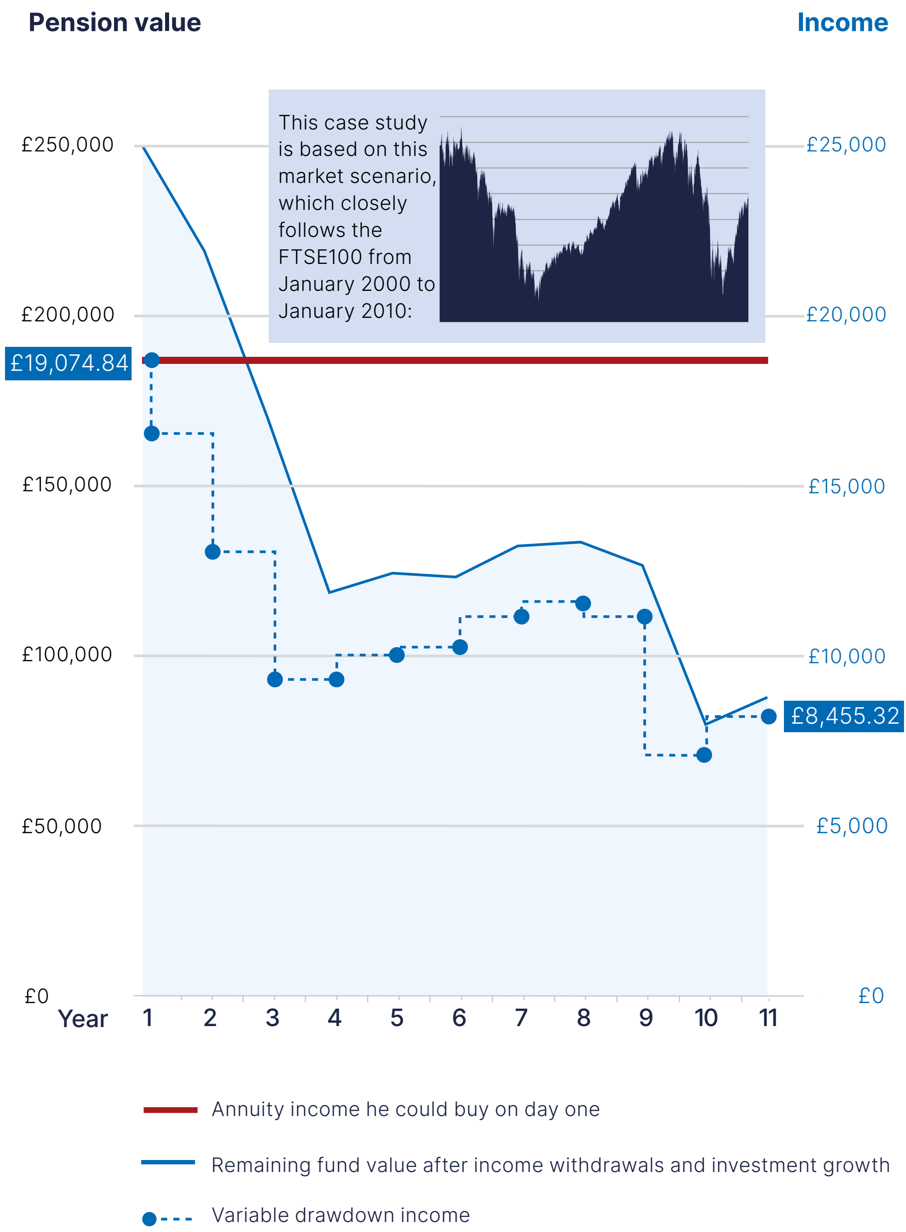
SUMMARY:
You can't rely on drawdown for a guaranteed lifetime income.

High withdrawals aren't sustainable and, in times of falling markets, can significantly reduce your portfolio's ability to recover.

The annuity incomes quoted are for a healthy non-smoker who is single, paying a level income with no death benefits, monthly in advance.

The chart assumes annuity rates as at 11 March 2025 for the varying age and fund values; in reality annuity rates fluctuate and could go up and down in future. Annuity options can be adjusted to meet your requirements, please contact us for your quote.

COMPARISON OF DRAWDOWN INCOME VS ANNUITY INCOME (SCENARIO)



PAYING INTO PENSIONS

Some rules which might affect you.

You can continue to make pension contributions, even if you've accessed your pension or moved into drawdown. These contributions can't be added to your drawdown plan, but can be added to a new or existing personal pension. You may also receive tax relief on personal contributions. But the amount you can contribute might be restricted as a result of using drawdown.

Remember, pension and tax rules can change, and any benefits depend on your circumstances.

TAX RELIEF

If you're under 75 and a UK resident, you'll receive tax relief on your personal contributions. Each tax year, you can contribute as much as you earn and receive tax relief. If you have no earnings, or earn less than £3,600, you can still contribute up to £3,600. This is the gross amount, so you'd just pay £2,880 to reach this amount once tax relief is added.

ANNUAL ALLOWANCE

Pension contributions are subject to a £60,000 annual allowance. High earners may have a lower allowance. This applies to any benefits built up in defined benefit (e.g. final salary) or money purchase (e.g. personal, self-invested) pensions. The contributions you make, your employer makes and any tax relief added by the government, all count towards this allowance.

MONEY PURCHASE ANNUAL ALLOWANCE

There's also a money purchase annual allowance (MPAA). This is triggered when you first access your pension flexibly. For example, taking taxable income from your drawdown plan. Currently, the Money Purchase Annual Allowance is £10,000 this tax year.

Once you've triggered the MPAA, future contributions into SIPPs (self-invested personal pensions) and other money purchase pensions will be restricted from that point. Just taking tax-free cash won't trigger the MPAA.

Those in capped drawdown (see page 27) who stay within their income limit, and choose not to remove the cap on their income, won't be subject to the MPAA unless they flexibly access other pension benefits.

To download our factsheet on the annual allowance and MPAA, go to **www.hl.co.uk/annual-allowance**

3 NEW ALLOWANCES

There used to be a limit to the total value of pension benefits you could build up throughout your lifetime and generally receive up to 25% tax free. This limit was known as the lifetime allowance and was set at £1,073,100 for most people. However, from 6 April 2024, the lifetime allowance was abolished and replaced with three new allowances. These are the lump sum allowance, the lump sum and death benefit allowance, and the overseas transfer allowance.

The lump sum allowance normally provides an upper limit to the tax-free amount of certain lump sums that can be taken across an individual's pensions. This allowance is £268,275 for most people. Payments that use up this allowance include pension commencement lump sums (PCLS) and the tax-free element of uncrystallised funds pension lump sums (UFPLS).

The lump sum and death benefit allowance applies to payments that use up the lump sum allowance as well as the tax-free element of serious ill health lump sums and certain non-taxable lump sum death benefits. For most people, this allowance will be £1,073,100.

The overseas transfer allowance provides a limit on transfers to Qualified Recognised Overseas Pension Schemes (QROPS). This allowance is £1,073,100 for most people. Any value that exceeds this allowance will normally be subject to the Overseas Transfer Charge (OTC).

To find out more about the new allowances, including how you may be affected if you used lifetime allowance or took benefits under the previous rules, visit **www.hl.co.uk/pensions/contributions/new-lump-sum-allowance**

TAX-FREE CASH RECYCLING

HMRC has rules in place to stop tax-free cash 'recycling' from a pension plan. Briefly, this is where a person boosts their pension savings by taking their tax-free lump sum and, as a result, increases their pension contributions with the aim of gaining more tax relief. This could even apply if the contributions are paid before the tax-free lump sum is received. The penalty for recycling could be a tax charge of up to 70% of the tax-free lump sum. Genuine retirement planning isn't intended to be caught by this rule.
Go to **www.hl.co.uk/the-recycling-rule** to download our factsheet.

TRANSFERRING PENSIONS

You might choose to transfer your pension to a new provider, as part of finding the drawdown plan that's right for you. If you have multiple pensions elsewhere, it's also possible to transfer them all to one provider.

Before transferring, contact your existing provider to check you won't lose any valuable guarantees, or be charged high exit fees.

Pensions are usually transferred as cash. This means, any market rises or falls won't affect your fund value for a period.

It may be possible to transfer your existing investments without selling them. This is known as an 'in-specie' transfer. You may need to confirm you want to do this when you apply to transfer. If you transfer as stock, you may not be able to change your investments while the transfer is in progress.

ANNUITIES

An annuity provides a secure income for life. You can choose features to suit your needs. This includes the income going to your spouse or partner after you die and the option to protect your income from inflation. You could get a higher income by shopping around and confirming health information.

The options you choose impact the amount of income you'd receive and once set up, an annuity can't usually be changed or cancelled, so it's important to consider the options carefully and make sure you get the best income available.

To find out more about annuities, go to **www.hl.co.uk/annuity**

THE DANGER OF INFLATION

The price of goods and services generally rise over time. Inflation at 5% a year could halve the buying power of your income in 15 years. It's important to keep this in mind when you think about your retirement income.

Drawdown could help counter the impact of rising prices if your investments perform well and you don't take too much out. But there are no guarantees.

For most people the State Pension will play an important role in defending against inflation. Under the triple lock rule, State Pensions usually increase either by inflation, earnings growth or 2.5%, whichever's the highest. From April 2025, the State Pension will increase by 4.1%, in line with inflation. If you're lucky enough to have a final salary, or defined benefit, pension this could provide the perfect combination of a guaranteed income that also keeps up with inflation.

If you have a defined contribution or private pension (e.g. workplace, or personal pension) you might consider exchanging some of it for an inflation-linked annuity, instead of moving it all into drawdown.

COSTS

With an annuity, any costs are factored in at the start. You know what income you'll receive for life. With drawdown, the charges that apply to your plan and to your investments will have an impact on how much income you can take, and how much money is left to pass on to loved ones.

It's important you shop around to find the drawdown provider, and investments, which give you the service you need, for a price you're happy with.

BEWARE OF INVESTMENT SCAMS

Unfortunately, fraudsters do try and target people at retirement. Their scams are becoming increasingly sophisticated so it's important to be careful who you trust to look after your money.

Warning signs of a scam can include pressure to act quickly, downplaying risks and promoting tempting returns that sound too good to be true. You can find out more at www.fca.org.uk/scamsmart

IMPACT ON MEANS TESTED BENEFITS

If you receive means tested benefits, you should take extra care before accessing your pension. Withdrawing money may reduce any means tested benefits you receive. Find out more at www.gov.uk/benefits-calculators

IMPACT ON DEBT

Withdrawing money from your pension could help you pay off your mortgage or other loans so you can get on top of your finances.

But if you're in serious financial trouble, you should take extra care before making withdrawals. Any money held in a pension might be protected from your creditors if you're in debt and they take action against you. Once money's taken out of a pension, any protection could be lost.

Inflation at 5% could halve your buying power in 15 years

FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

This scheme protects clients when financial firms fail and cannot pay claims against them. In most cases, SIPP investors will be entitled to the provisions of the FSCS in the unlikely event that Hargreaves Lansdown ceases trading.

Annuities are covered by the FSCS too. This could act as a safety net should an annuity company become unable to meet its obligations.

For more information about the FSCS, go to **www.fscs.org.uk**

SWITCHING FROM CAPPED TO FLEXIBLE DRAWDOWN

Before April 2015, one of the ways to access your pension was through capped drawdown. If you're in capped drawdown, there's a limit to the amount of income you can take from your pension each year.

You can move to flexible drawdown, and withdraw as much of your pension as you like. Remember, though, if you switch, there's no switching back. Once you take income from your flexible drawdown pension, future contributions to a SIPP or any other money purchase pension are affected by the MPAA. See page 22 for more details.

5 REASONS TO CHOOSE HL

- **Expert help is only a phone call away.** You'll speak to a knowledgeable person who will be happy to answer any questions you have.
- **24-hour online access.** Monitor your account around the clock and place investment instructions with a click, or the swipe of a finger with our mobile apps.
- **No time restrictions.** You can stay in drawdown indefinitely, or buy a secure income at any time.
- **Help choosing investments.** Get investment ideas and insights from our experts. Use the Wealth Shortlist, or pay for advice on where to invest.
- **Advice if you need it.** With HL you only pay for the advice you need. You can manage the account yourself, take personal advice, or pick and mix the level of help and advice you require.

HOW TO APPLY FOR DRAWDOWN WITH THE HL SIPP

In three easy steps.

1. UNDERSTAND THE RISKS

First you'll need to call our Pensions Helpdesk on 0117 980 9926. They'll cover your options for drawdown and complete a set of risk questions with you over the phone. You may have already completed the risk questions online. If certain circumstances change or you don't choose to proceed with drawdown within six months of completing the risk questions, you'll need to complete them again. Please note that for each drawdown application, you'll need to complete a new set of risk questions.

2. ASK FOR AN ILLUSTRATION AND APPLICATION FORM

Once you've completed the risk questions you can ask the Pensions Helpdesk for an illustration. The illustration will show you:

- How your withdrawals could affect how long your pension lasts
- What different growth rates could mean for your pension value
- What might be left to pass on to your loved ones
- How much of your drawdown account will be made up of uninvested cash, or investments similar to cash

3. COMPLETE AND RETURN THE APPLICATION

Once we have received your application, we will move your holdings into your drawdown account. Then we'll pay out your tax-free cash.

Applying to transfer a drawdown plan or inheriting a SIPP?

The steps you'll need to follow are the same except we won't send your illustration until we've received your application telling us what you want to do. This is so we can put together an accurate illustration of what you'll be holding in drawdown.

If you're transferring a drawdown pension, we'll request the transfer on your behalf and let you know once your transfer is complete. You won't be able to take an income from your pension while the transfer is in progress. Call our Pensions Helpdesk on 0117 980 9926 to get started.

Remember to check that you won't lose any valuable guarantees, or will be charged high exit fees by transferring.

HOW TO APPLY ONLINE

If you have an existing HL SIPP, you can normally apply for drawdown online by visiting **www.hl.co.uk/retirement/drawdown/apply-for-drawdown** and logging into your account.

During the application process we'll generate an illustration for you and you'll be asked to complete a set of risk questions. If you're happy to accept the risks you'll just need to finish the online application form.

If you'd like to request a taxable income payment, as well as your tax-free cash entitlement, you won't be able to apply online.

ABOUT US

We're Hargreaves Lansdown – the UK's no.1 platform for investments and savings, trusted by over 1.9 million clients. We take account security seriously and have over 40 years experience in empowering people to save and invest for a brighter future.

Our clients like our wide investment choice, and how easy it is to manage their pension online and with our app. Our pensions helpdesk is here six days a week to help.

EXPLORE MORE

You can continue your research by online at **www.hl.co.uk/retirement**

- Try the HL drawdown calculator to see how long your pension could last
- Discover our latest drawdown investment ideas
- Learn more about the HL Self-Invested Personal Pension
- Learn more about annuities
- Compare lump sum withdrawals

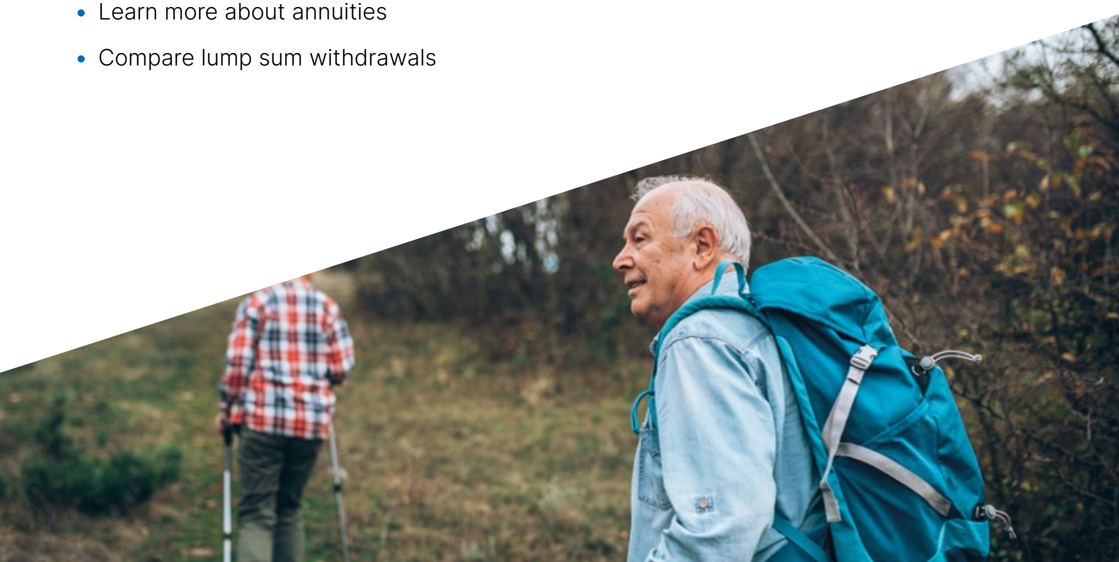
GET IN TOUCH

Call us: **0117 980 9926**
(Monday to Friday 8am-5pm and Saturday 9:30am-12:30pm)

Email us:
sipp@hl.co.uk

Write to us:
Hargreaves Lansdown
One College Square South
Anchor Road
Bristol
BS1 5HL

Awarded Best Buy Pension 2025



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