Pensions Drawdown

Clarity Wealth Limited

Pension Drawdown

Flexibility to choose how much income to take

What is Pension Drawdown?

Pension Drawdown gives you the flexibility to choose how much income to take and allows you to change the amount without limits or restrictions. It generally means the funds remain invested so they could be depleted during your lifetime depending upon the amount you withdraw and the performance of the underlying investment. You can use some or all of the drawdown fund to buy an annuity at any time. If you’re 55 or over and do not need a secure income, a drawdown fund can be a great way of maximising the financial returns from your pension savings. It goes without saying that the investments may not perform as well as you’d like and should you take too much income out of the pension fund, there may not be enough remaining to cover your needs as you get older. When you die, the remaining drawdown fund can be passed on to your family as an income, lump sum or a combination of both.

Pension drawdown is often referred to as income drawdown, and the two types of pension drawdown are capped drawdown and flexi-access drawdown.

How does pension drawdown work?

Firstly, your pension fund needs to be with a pension provider that facilitates drawdown. Drawdown is provided by a number of different pensions. SIPP gives you a range of choices to flexibly access your pension. Switching a pension from your current scheme may not always be to your benefit and if you're in doubt you should speak to us.

You do not need to place the whole of your pension into drawdown at once and you can use various options. For example, you could set up a drawdown fund with a percentage of it and use the rest of the funds to provide a secure financial income through an annuity. Much will depend on the amount of income you need at various times in your future and any other income streams you have.

You may take 25% of the amount you are accessing as your tax-free lump sum. You could use your fund to drawdown a combination of tax-free cash and taxable income each month. How much cash you need, will determine just how much of your fund you put into drawdown. If you do not need the cash right now, you may consider leaving the fund in the investment or perhaps not put all of the pension fund into drawdown.

You should then decide how much income you want to withdraw and how often.

How much income can I withdraw from my pension pot?

Since the introduction of pension freedoms in 2015 you can withdraw as little or as much income as you like from your pension fund. The income from your SIPP can then be paid on a regular basis, whether this be paid monthly, quarterly, half-yearly or annually or as ad hoc single amounts. Take caution here though, as you should think about how long you would like your retirement income to last for and ensure that the level of income you have withdrawn doesn't result in a shortage of money later on in life. Your income can vary at any time and the money needs to be available in your SIPP to cover the income paid to you. Your pension is paid into your chosen bank account.

Investment Planning

Retirement Planning & Pensions

Business & Protection

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