

Daily Mail

The complete guide to
PENSIONS
FOR THE OVER 50s

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About this guide

This guide explains how you can make the most of your pension in retirement. From understanding the different types of pensions you may have to transforming your savings and investments into an income that will last a lifetime, it will arm you with the tools you need to achieve all your retirement goals.

Who should read it?

Anyone who is approaching retirement and starting to think about how they will support themselves without a regular salary. You should



also read this guide if you are thinking about reducing your hours or going part-time.

Whether you are still a few years away from retiring or are close to taking the plunge, this guide will talk you through what you need to know.

If you have already retired, it could help you ensure you are using your savings to their full potential.

It explores, for example, how checking the fees and charges can help you make the most from your pension pots by ensuring you only pay as much as you need to. It also looks at the benefit of reviewing your pension performance and

whether your investments match with your attitude to risk to make sure you are making the most of your savings.

It may also be worth giving your children a copy of this guide so they understand what lies ahead for you.



01 | Introduction



RETIREMENT offers a new world of opportunities.

From travelling and taking up new hobbies to spending more time with your loved ones, the possibilities are limitless.

But while exciting, it is still a big step into the unknown. And for many, the prospect of giving up a regular salary can be daunting.

As there is a good deal to think about, it is worth starting five or even ten years before retirement. However, it is never too late to begin.

There is no getting away from the fact that you will be required to make a great deal of important – and sometimes complex – financial decisions.

And with other priorities such as your career and family consuming your day-to-day life it can be difficult to know where to begin.

But getting started is often the biggest

hurdle. Once you're on your way you may discover retirement planning isn't as hard as you think. Besides, you've likely spent many decades saving and laying the groundwork to ensure you can have the retirement you hope for, so it is worth spending some time to make sure you do justice to all that hard work and maximise what you have.

Retirement can be one of the best periods of your life – especially with the right planning.

Preparation is key

You've spent decades building up your wealth. Now you need to work out how you will use those savings, investments and pensions to fund your retirement.

Planning so far in advance may feel like an impossible task, but it is key to ensuring you don't run out of money too quickly – or live more frugally than necessary.

There is a great deal to think about so the earlier you start the better. But the final five to ten years before you retire are crucial.

With a regular wage coming in, understanding your finances can be relatively straightforward. Retiring will change that significantly.

Most of us will be entitled to the state pension in retirement, but it is unlikely to be enough to support you on its own.

So you need to work out how you can turn any other assets you have into an income that will support you for the rest of your life. Once you tot it all up, you might be pleasantly surprised by how much wealth you have accumulated.

Preparation is key. So before you say goodbye to your working life, put aside some time to come up with a solid strategy. That means working out how you intend to pay for day-to-day living expenses as well as any bigger ambitions.

Once you've done this, you'll be able to get on with enjoying retired life.

This guide deals primarily with pensions.

However, there are many other ways to boost your retirement income, such as renting out a spare room, downsizing or even starting a new business.

Retirement can be one of the best periods of your life – especially with the right planning

Don't be afraid to ask for help

Retiring with the right plans in place can lead to a much more comfortable retirement.

But no one expects you to become a financial expert overnight and suddenly have all the answers. So, if you are feeling overwhelmed, don't be put off as there is an

abundance of help out there.

If you are over 50 and have paid into a personal or workplace pension pot, Pension Wise is an excellent place to start. This is a free, impartial government service offering pension guidance.

A pension specialist will explain how you can access your money – from getting a regular income to taking the whole pot as a lump sum. They will also explain the tax implications and suggest some next steps. But they will never try to sell you ➤

Support Type	Description	Is it for me?
Online/Execution only	Purchase of retirement income products online at the click of a button.	If you are confident that you know what you want and the risks involved with only web content to guide you then this could be for you.
Guidance	A retirement expert informs you of your options and answers your questions so that you can then make your own decisions about which product to purchase.	If you are comfortable making your own decision, but prefer the comfort of a retirement expert to answer your questions and guide you through your options and complete the paperwork, then this could be for you.
Advice	A Financial Planner looks at your circumstances, your goals for retirement and attitude to risk, and makes a recommendation in writing on the most appropriate solutions for you.	If you want peace of mind that you have the most appropriate solution for you that is tax efficient and protects you and your loved ones then this could be for you.

anything and cannot tell you how to invest your money.

To make an appointment visit **Moneyhelper.org.uk** (Pensions & Retirement section) or call **0800 138 3944** to book a telephone appointment & **0800 138 1585** to book a face-to-face appointment. Alternatively, you can book via your local Citizens Advice office or the Pensions Advisory Service. Appointments typically last up to an hour. Make sure you have your most recent workplace and private pension documents to hand, details of the state pension you expect to receive and a recent bank statement detailing your monthly bills.

For guidance on defined benefit pensions – which pay an income based on your salary when you retire – go to the Money and Pensions Service (Moneyhelper.org.uk).

Taking advice

You do not have to take advice to access your pension pot. You could opt for what is known as an ‘execution-only’ service. This is where a company carries out your instructions but cannot offer you any

advice on your investment decisions. This tends to work out cheaper and can be a good option if you are already absolutely certain about your choice.

However, the decisions you make will have a significant impact on your retirement lifestyle and sometimes people find they need a helping hand.

Another option is a ‘non-advised’ service. This is where a firm offers you information about your options and answers your questions but leaves it to you to decide how to proceed, without giving advice on what they think is best. This is sometimes known as a guidance service.

Financial advice is another option. This is where a financial adviser assesses your likely spending habits in retirement and reviews your savings, investments and pensions. They will also take into account tax considerations that could make a serious difference to your overall wealth. Then they recommend a plan they think best suits your individual needs. A good advisor should also help ensure your plan remains up to date should your circumstances change.

Valuable advice should make you the centre of the story

A good adviser should manage the whole process for you, putting you at the heart of the advice and should keep in touch with you to ensure that your product remains fit for purpose as your situation changes.

- Do you want to optimise spending or leave something for your loved ones?
- How much investment risk are you willing to take?
- What is the right balance of certainty and flexibility?

- Provide an objective view on external events
- Maintain discipline and avoid knee jerk reactions
- Stay focused on your goals and plans

For help finding a financial adviser in your local area try adviser directory services such as **unbiased.co.uk** or **vouchedfor.co.uk**. If you plan to conduct all meetings online, you may even be able to choose an adviser further afield. It can be useful to shop around until you find an adviser you like - there is no need to go for the first one you speak to.

An independent adviser can offer the full range of investment options. A restricted adviser can only recommend products from the companies they have chosen to work with.

You will have to pay a fee for advice. According to **unbiased.co.uk**, the average fee for advising on a £250,000 pension pot at retirement is around £3,000. But this could pay off in the long run as those who take advice typically achieve higher returns on their investments than those who don't. Advisers either charge a fixed fee, a percentage of your assets or an hourly rate.

You should ask your adviser what qualifications they hold and for a detailed breakdown of their charges.

For more information about choosing an adviser visit the MoneyHelper website.

Pension scams

Pension savers lose millions of pounds to scams every year so it's vital you are on your guard. Typical tactics include offering 'free' pension reviews or too-good-to-be-true investment opportunities. Crooks may also claim to be able to help you release money from your pension early.

If you receive a call out of the blue, it's safer to just hang up. Never be rushed into making any decisions about your pension and be suspicious of unexpected opportunities. Scammers are increasingly sophisticated and are now exceptionally good at masquerading as genuine financial firms. Always check the Financial Conduct Authority Register (**register.fca.org.uk**) to make sure anyone offering pension advice is authorised by the City regulator.

Visit the ScamSmart website (**fca.org.uk/scamsmart**) to learn more about how to protect yourself.



02 | What do you want your retirement to look like?



SOME people have a very clear idea of their dream retirement, while others have not really had the opportunity to give it much thought.

It can be helpful to picture what you want your retirement to look like and what you would like to do with your time.

If you have a partner you will need to talk this through with them to ensure you are on the same page. How do you both envisage your day-to-day living? Are there any major ambitions you want to fulfil? These conversations can be fun, but they can also be difficult if you've not had them before. Take time to find an approach that works for you.

Think about what you plan to do during the first few months after finishing work as well as further into retirement as how you spend your time will probably change over the years.

Things to consider include whether you see yourselves downsizing in the future and if so, when you might want to move home.

Do you plan to do more to support other family members such as children and grandchildren? Do either of you have health issues you need to take into account when considering your future?

From the mundane to the outlandish, start by writing down everything you want to achieve over the next few years.

Ask yourselves questions such as:

- How do you envision spending your free time?
- Would you like to further your education?
- Is there a hobby you want to take up?
- Would you like to volunteer for a charity?
- How many holidays do you want to take each year?
- Do you have a trip-of-a-lifetime in mind?
- Would you like to live abroad for some of the year?
- Are you ready to stop work altogether or might you like a part-time job or even to start a business?

How much money will I need in retirement?

Most people underestimate how long they will live and therefore how much money they will need to last throughout retirement.

Figures from the Office for National Statistics (ONS) show a man aged 65 today is expected to live to 85 years of age, while a woman could expect to reach her 88th birthday.

But you could easily live longer. In 2024, there were 625,000 people aged 90 and over living in the UK, according to the ONS.

It is of course impossible to predict exactly how long you will live but on average, retirees are likely to need enough savings to provide them with an income for at least 20 years.

Your new spending habits

Your spending habits will change as you move through different stages of your retirement. You typically spend less as you get older. But if you need care later down the line, your costs will likely increase again.

As a rule of thumb, you will need between half and two-thirds of the final salary you had when you were working, after tax, to maintain your lifestyle when you retire. However, if you are paying rent or a mortgage you are likely to need more.

Your day-to-day living costs will invariably change compared to what they were during your working life.

From higher energy bills because you spend more time at home to savings on petrol or train fares because you no longer commute to work, you will need to factor in significant changes to your expenses.

If you visit a financial adviser they will likely offer you a service called 'cash flow modelling'.

This is where they consider your income

and expenditure to provide a clear picture of your current and future wealth.

The idea is to estimate your cash flow for the years ahead to ensure you meet your goals and spot any shortfalls early so they do not cause problems.

The Pension and Lifetime Savings Association suggests that to enjoy a minimum standard of living will cost around £13,400 if you are single, or £21,600 if you are in a couple.

This is assuming you own your home outright – if not, your bills will be higher. With that level of income, you would likely not be able to afford to run a car, you would get about a week and a long weekend holiday in the UK every year and have around

£55 a week to spend on groceries, plus £30 a month on food out of the home and £12 a month on takeaways. If you'd like a comfortable retirement, in which you can upgrade your kitchen and bathroom, run a car and have holidays abroad, you would need closer to £43,900 a year – or £60,600 if you are in a couple.

Beware inflation factor

When you are working out how much money you will need in retirement, you should also factor in how the cost of goods and services will increase over the years. Known as inflation, this can eat into the spending power of your income.

The Bank of England has an inflation target of 2%, but prices can rise faster as we have seen recently. And some items increase by more than others.

With prices expected to continue rising over time, it is vital you protect the purchasing power of your pound. You can do this in a number of ways, such as by earning interest on your savings or keeping them invested, as we'll explore later on in this guide.

Most people underestimate how long they will live

03 | Boosting your retirement income



If you are several years away from retiring, now could be a great time to boost your pension pot.

What you do with your money over the final years of working can make a huge difference to your future.

If you have a defined contribution pension, consider increasing the amount you are paying in. If you are a member of a workplace pension, many employers offer to increase contributions when you do, which will boost your pot further. This is essentially free money and a valuable workplace perk that could significantly bolster your income in retirement.

What's more, every time you pay into a pension, you will receive 20% tax relief on top as a minimum. So for every £80 you pay into a pension, you would receive £20 tax relief, meaning £100 goes into your pot.

If you are a higher rate or additional rate taxpayer you can receive 40 or 45% tax relief, although you may need to claim through your self-assessment tax return.

You should also check your pension savings are working as hard as they can for you.

Unless you choose otherwise, your contributions are likely to have been placed into your workplace pension's default fund. This might not be the best option for your circumstances so check if there are better funds available.

Some workplace pensions automatically move your savings into less-risky investments as you get closer to retirement age. This is to reduce the risk of your pension suffering a huge fall in value right before you plan to retire. This

can be a good option, but if you are still several years away from retirement, you may be able to take on greater risk. In general, the more risk you take, the higher the possible return.

Many people's pension and investments are not invested in line with their risk level – because it's never been properly assessed. As a result they could be taking on too much risk – or not enough to achieve the growth they hope for.

Take time to work out what risk level you are comfortable with and to work out if

it matches up with your pension investments.

Some pension providers can help with this. Financial advisers can also help.

If you are in a workplace pension, you should also receive contributions from your employer. Some also operate a so-called 'salary sacrifice' scheme, which enables both you and your employer to save on National Insurance contributions when putting money into your pension.

From April 2029, the amount that is exempt from National Insurance contributions will be

capped at £2,000 a year. Therefore, if your employer does offer such a scheme, it may be worth taking full advantage until the cap comes in – and even then you could still save money using salary sacrifice, although the benefit will be limited.

If you are not on course to get a full state pension there may also be some things you can do to boost your weekly payment.

If you have gaps in your National Insurance record you may be able to increase your state pension by buying ➤

Every time you pay into a pension, you will receive 20% tax relief on top as a minimum. Higher rate taxpayers can receive 40 or 45% tax relief

extra years – known as voluntary Class 3 Nics. How much these cost and if you are eligible depends on your individual circumstances. For more information visit gov.uk/pay-voluntary-class-3-national-insurance

Do not assume you should plug any gaps. If you have not yet built up 35 years of contributions but are on course to by the time you retire it could be a waste of money. You will not get anything extra for having more than 35 years.

You can also build up extra years by

claiming certain credits. If you care for someone at least 20 hours per week, for example, you could get carer's credit to help maintain your National Insurance record.

You can also increase your state pension by deferring when you claim it. For every nine weeks you delay, your pension will increase by 1% – or around 5.8% for each complete year.

You need to actively claim state pension so it will be automatically deferred if you do nothing.

HOW MUCH CAN YOU SAVE INTO A PENSION?

When making pension contributions, there are three main allowances you should keep in mind.

Annual allowance

If you are under the age of 75 you are able to receive tax relief on pension contributions up to whichever is higher: your relevant earnings or £3,600.

However, tax charges will apply if your contributions exceed the so-called annual allowance – currently £60,000.

You can carry forward any unused allowances from the previous three tax years.

If you are a higher earner your allowance could be reduced.

Money purchase annual allowance

If you have begun making withdrawals from your defined contribution pension, you can still continue saving into it.

But the so-called money purchase annual allowance limits the amount you can pay in each year to £10,000. After this a hefty tax charge may apply which may wipe out the benefits of any tax relief.

The lifetime allowance

The lifetime allowance is the maximum amount of pension savings you can build up over your lifetime before the government starts to apply a tax charge.

The lifetime allowance was abolished from 6 April 2024. However, if you took your pension before this date, you may have been bound by it. The limit most recently was £1,073,100.

Most people are not affected by this cap but if you are concerned about exceeding the allowance speak to your pension provider.

The government offers some forms of protection to those at risk of exceeding their allowance. For more information visit gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

NOTE: The tax treatment of your pensions and investments depends on your individual circumstances and prevailing legislation, both of which may change in the future.

04 | Getting to know your pension



THERE are three main types of pension in the UK – and it's entirely possible you have all three.

So the first step is understanding which you have, how they work and when you can access your money.

Defined contribution schemes

The defined contribution, or DC, pension is now the most common type of scheme in the UK. It can be set up by you or your employer.

You might also have heard it referred to as a stakeholder pension, personal pension, self-invested personal pension, group personal pension or executive pension, among other names.

All these schemes share the same common features in that you – and often your employer – will pay into a pot of money. This is then invested, with the aim of growing it over time to provide you with an income in retirement.

There are no guaranteed retirement benefits and what the pot will be worth when you retire is unknown. The size of your income will be based on the amount paid in, how your investments perform over time and how you choose to access the pot. That's why it is called a defined contribution scheme – because the only thing that is known is the amount paid in.

Where your money is invested is determined either by you or the scheme. And it is up to you when you access the money and what you do with it.

The only restriction is that you must be over the age of 55 – rising to 57 in 2028. Although, if you are seriously ill you may be able to access the money earlier.

In this type of scheme it is up to you to ensure you are giving yourself the best possible chance at good returns. Of course, you have no control over financial markets, but that does not mean you are powerless. ►

To increase the size of your pot, you can increase your contributions – either by raising the amount you put in every month or paying in one off lump sums when you can.

You can also keep an eye on fees, as these eat into your returns and can cost you thousands over the long term.

You can also make sure you are in the correct funds, balancing the level of risk with the returns you hope to achieve. Some pension savers also have further aims they hope to achieve with their nest egg. For example, some prefer to invest in a way that aligns with their values, for example by choosing funds that take environmental, social and governance issues into consideration. Some prefer to have an element of their savings in UK companies to support British firms – although financial experts typically suggest that holding a range of investments is ideal so that all of your eggs are not in one basket.

Defined benefit schemes

This type of pension is always set up by your employer, and sometimes called a final salary or career average scheme. You may have one if you work in the public sector or for a large employer.

A defined benefit pension is very valuable and means you are guaranteed to receive an annual income at the scheme retirement age for the rest of your life.

How much you get depends on the number of years you have worked for the company and your salary.

The most generous schemes base your pension on your salary at retirement – your so-called final salary – but most of these schemes have now been closed down as

they are very expensive to run.

The age you can access your retirement income is determined by the scheme. But defined benefit schemes typically pay out when you reach the age of 65. You may be able to take your pension earlier but this could reduce how much you get, or you could potentially defer it and perhaps benefit from a higher income.

Your employer is responsible for ensuring there is enough money to pay your pension when you retire. You do not have any active involvement in managing the assets.

This means there is less flexibility than with a defined contribution scheme as there is no pot of money that belongs to you. You may be able to ask for a transfer value so you can move the money you are entitled to

into a defined contribution scheme – but there are risks and some schemes will not allow this anyway. Most people are better off not transferring out of such a scheme as they tend to be very generous.

Defined benefit schemes pay an income until you die. In some cases the income – or a proportion of it – may be paid out to your spouse, should you predecease them, if you are married or in a civil partnership.

Defined benefit schemes are protected by the Pension Protection Fund, which pays some compensation to members if an employer becomes insolvent. For more information visit www.ppf.co.uk

State pension

The state pension is the backbone of most people's retirement income.

How much you get depends on your National Insurance record. To get the

Keep an eye on fees, as these eat into your returns and can cost you thousands over the long term



maximum new state pension you need at least 35 years of qualifying National Insurance years.

Under the new system that took effect in April 2015, the full state pension is £230.25 a week for the 2025/2026 tax year and is set to rise to £241.05 for 2026/27. If you have between ten and 35 qualifying years you will get a proportion of this amount.

The government determines when you can access the state pension. For years, men could claim it at 65 and women at 60.

But men and women now receive their state pension at the same age, which is currently 66 but increasing over time to 68.

Your state pension is currently protected against the rising cost of living by the so-called triple lock.

This means it increases each year in line with inflation as measured by the consumer price index, average wage growth or 2.5% – whichever is highest. However, there is no guarantee that the current or future governments will retain the triple lock in the long term.

To find out what state pension you can expect to receive apply for a forecast online at www.gov.uk/check-state-pension or by calling **0800 731 0175**. Or you can write to The Pension Service 9, Mail Handling Site A, Wolverhampton WV98 1LU.

You should receive a complete breakdown of your National Insurance record to date, showing any missing years.

However, you should check that your record is correct as errors can occur that can affect your entitlement.

05 | Retirement income options

TODAY, many people have several different company pensions so your first step is to get a detailed forecast for each, showing what they are worth.

If you have lost track of any old pensions, the government runs a Pension Tracing Service. For more information visit gov.uk/find-pension-contact-details or call **0800 731 0193**.

You will then need to gather information on any assets or sources of income that you plan to use during your retirement. This could include private pensions, savings accounts, Premium Bonds, ISAs and investments. Remember to include any other sources, such as rental income from a buy-to-let or assets you plan to cash in on such as artwork or classic cars.

Turning your pension into an income

If you have a defined benefit pension, this should automatically pay you a regular, guaranteed income.

Check your latest pension statement for an idea of how much you are predicted to receive. If you haven't got one ask your pension administrator.

If you have not yet begun to claim your pension you can potentially transfer it to a defined contribution scheme. But remember, you are giving up valuable benefits and could find yourself worse off – even if your employer offers you an incentive to switch.

You are required by law to take financial advice from a regulated adviser before transferring a defined benefit pension worth more than £30,000 – but it is a

sensible idea to do this regardless.

In a bid to reduce the risk of individuals being given unsuitable advice, the City watchdog has now banned what is known as contingent charging in most circumstances. This is where financial advisers only get paid if a transfer goes ahead.

But some financial advisers may refuse to offer advice on this issue. The advice can also be expensive, which can mean transferring is not cost-effective. And if the advice is not to go ahead, some firms will refuse to accept transfers.

Defined contribution schemes

As we discussed earlier, a defined contribution pension does not offer a pre-determined income.

Instead, it is based on how much you and your employer pay in and how your investments perform over time.

When you hit retirement age, you are given a value for these savings including any investment returns.

It is then up to you to decide how you want to use this pot of money to provide an income.

Previously, rules stated that the vast majority of people with a defined contribution pension had to turn their pot into an income using an annuity.

But in April 2015, then chancellor George Osborne granted pension freedoms to anyone still to retire. This means that from the age of 55 (57 from 2028), anyone can take as much – or as little – as they want, as and when they need. ➤

**Many people have several
different company pensions
so your first step is to get a
detailed forecast for each**



There are many choices when it comes to accessing your pension money, so we will go through each option in turn.

Annuities

Even though it is now no longer compulsory to buy an annuity, they remain a popular choice because they offer peace of mind that you will get a guaranteed, regular income no matter what.

You can use all or just part of your pension to buy an annuity. And there are two main types to choose from: a guaranteed income for life or a guaranteed income for a set period of time, such as five or ten years.

The amount of income you get in return for your pension pot – the so-called annuity rate – depends on individual circumstances such as your age, postcode, health and lifestyle factors.

The rate is also based on how much the insurance company makes from the investments they use to fund the annuity – typically Government bonds called gilts.

Annuity rates have been rising in recent months. At the time of writing in December 2025, a 65 year old with a £100,000 pension pot would be able to retire with an income of around £7,724 a year for life, according to wealth platform Hargreaves Lansdown. This assumes the annuity holder's income does not increase with inflation, they are in good health, and there is no income available to a spouse should they pass away.

Some annuities may increase over time in line with inflation, for example, while others will stay the same for the duration of your life.

With a lifetime annuity, you may also qualify for what is known as an enhanced annuity if you have a medical condition. This can be more generous to reflect the fact you may not live as long as others your age, which means the insurer does not have to pay out for as many years.

Some fixed term annuities also pay a guaranteed maturity value at the end of the term, depending on how much you decide to take out and for how long.

At the date of your maturity value, the amount of income you will be able to purchase is unknown, as it is dependent on economic and investment conditions at that time.

However, bear in mind that annuities offer very little flexibility. You have a legal right to cancel your contract within 30 days if you change your mind. But after this you cannot cancel or change any of the options you have chosen. So before you commit, it is vital you do your homework.

The good news is that because your income is not affected by investment performance, it means it cannot suddenly go down in value. However, this also

means you cannot benefit from future investment growth and increase your income either.

With a regular annuity, if you die, your pension dies with you. So, if you convert £100,000 of your pension, but have only taken income for one month before you pass away, the insurance company will keep the remainder of your money. If you want a loved one to continue benefiting from your pension, there are different ways to achieve this, however you need to purchase this option when

You may also qualify for what is known as an enhanced annuity if you have a medical condition



you set up your annuity. Some annuities do offer a guarantee that some of your money will be paid to your loved ones if you die within five years of taking out the plan.

Remember to shop around rather than just accepting the first offer from your pension provider to ensure you get the very best deal available.

Drawdown

Flexible access – or drawdown as it is commonly known – is where you withdraw enough money from your pension pot to live on, while leaving the rest invested in the stock market. Any withdrawals will be taxed at your marginal rate of income tax.

This allows money that you do not yet need to continue to grow. However, it needs careful management as investments can fall as well as rise. You will need to make sure you do not run out of money by taking too much income or through poor stock market returns.

You will need to consider what to do

with the money you leave invested.

You will be offered a range of investment options with different levels of risk. It is up to you to pick what is right for you.

Drawdown is a very flexible option, allowing you to take out money as and when you want it. It also means you do not have to take all your tax-free cash in one go.

But remember that the stock market can also go up and down, and you could get back less than you put in.

Many people in retirement stick to low risk options, because they need a dependable income and will not have the opportunity to replenish their pot once they have stopped working.

In fact, many workplace pensions are set up in a way that they automatically start to reduce the level of risk your money is exposed to within five years of your retirement date to limit the impact of any sudden stock market falls. So they might move more of your money into cash and bonds. ►

However, if you want to benefit from investment growth to counter the eroding effects of inflation you may prefer to retain a higher level of exposure to stock market-linked funds.

Not all pension providers offer drawdown or may limit the number of withdrawals you can make. If your firm cannot offer the freedom you want, you may need to transfer your pot to one that will.

In fact it is always a good idea to shop around for the best product to suit your circumstances as you may be able to get a better deal than the one offered by your existing provider.

Savers often stay with their existing provider because it feels easier, but not shopping around can cost you thousands of pounds lost to excessive fees over time. You may not even realise that you are overpaying because some providers bundle their fees for advice, investments and platform fees together, so it is unclear what exactly you are paying. Switching provider can be straightforward and overseen by the firm you are switching to.

Remember that there may be a fee to transfer your pot. You must also check with your existing provider that you will not miss out on any valuable guarantees by switching away.

Withdrawals

You can also make partial or ad hoc withdrawals from your pension.

The technical name for this is uncrystallised fund pension lump sum or UFPLS for short. This option allows you to leave your pension where it is and take your pension in chunks when you want.

Not all pension providers allow you to

do this and some may have rules on how many withdrawals you can make each year, or mandate a minimum amount.

Alternatively, you can choose a full cash withdrawal, where you take your pension in one go. But going down this route means you will then need to finance your retirement income in another way and could result in a large tax bill, depending on the size of your funds.

Tax-free lump sum

Both defined benefit and defined contribution pensions usually offer retirees the option of withdrawing a quarter of their pension fund tax-free, up to the value of £268,275.

You will often hear this referred to as your 25% tax-free lump sum.

This is a valuable benefit. Some people use this money to pay for a one-off treat such as a holiday of a lifetime, or to achieve a specific retirement goal such as investing in a holiday let. Others may use

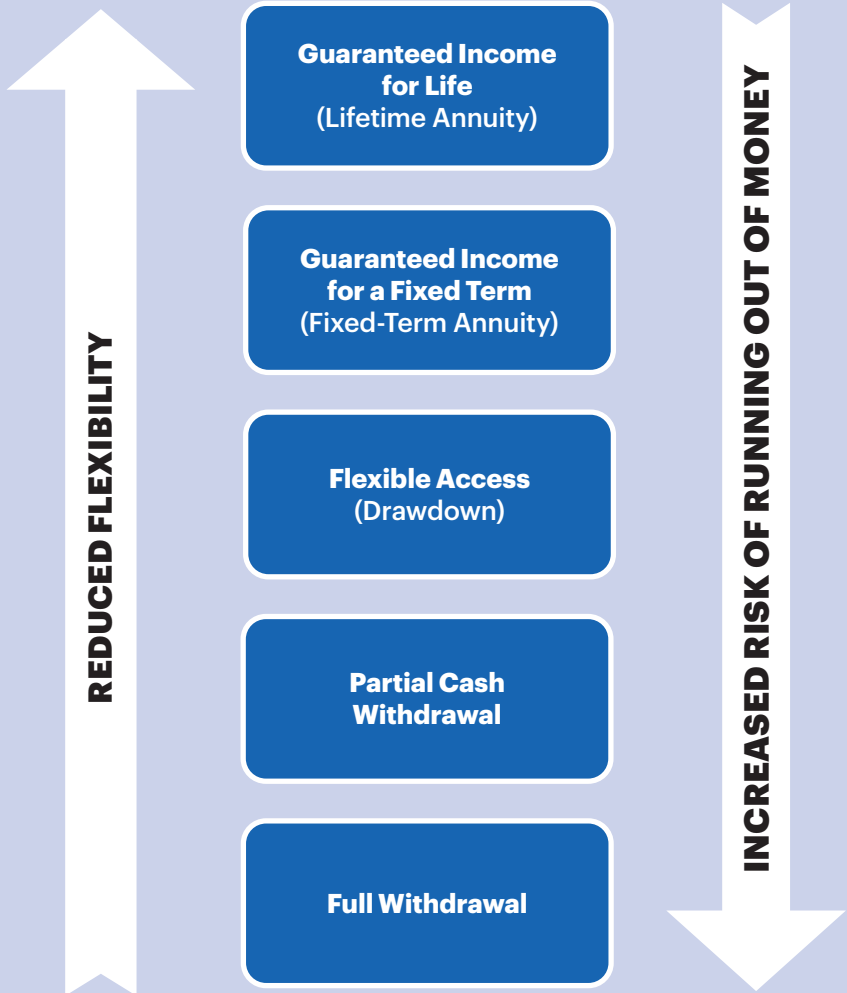
the money to pay off debt or clear the last of their mortgage, for example.

Bear in mind that taking a lump sum will reduce the overall value of your pension, which could impact on your plans for using it as an income. The amount of tax-free cash that you can take may fluctuate depending on your circumstances. Please note this information is based on our current understanding of tax legislation, which may change.

You do not need to take your 25% lump sum straight away or all at once in most cases. If you have no immediate need for it, it is usually better to leave it invested where it may continue to produce returns than to take it and leave it earning little interest in a current or savings account.

You do not need to take your 25% lump sum straight away or all at once

YOUR OPTIONS IN RETIREMENT



Your options at retirement have increased over time and with each option there are different features and benefits you can select to customise your retirement plan.

**There are no guarantees of the income you could purchase with any maturity value received at the end of the term, as this will depend on economic and investment conditions at that time.*

06 | Risks to bear in mind



WHEN deciding what to do with your pension money, you do not need to restrict yourself to one option. Many retirees opt to mix and match, combining two or more.

This might mean, for example, using some of your pension pot to purchase an annuity that will cover your basic cost of living, while leaving the remainder invested to access as and when you need it.

But before making any decisions, it is

vital you understand the pros and cons of each option, and consider any risks.

We have discussed many of the pitfalls associated with the different income options in the previous section, but here we break down the five main risks to consider.

As we mentioned earlier, some options cannot be changed or even amended once you have set them up, so it's important to understand how these risks apply to you.

Savings running out

Life expectancy for men and women has increased significantly in the last 40 years thanks to better living standards and improved healthcare. The number of people aged 90 and over has increased by two and a half times in the last 30 years. For a current 65 year old there is a 10% chance men will reach the age of 96 – or 98 for women. And it is generally thought life expectancy will only continue to improve.

This is great news. But it also means your pension may well have to last longer than you anticipated. You will need to plan your retirement spending accordingly so you don't risk running out of money.

Consider how you would fund a long retirement and ensure you have enough money to pay your bills.

Not spending enough

The next risk is the reverse, and that means passing away earlier than expected. It's not something any of us like to imagine, but it is worth considering what this would mean financially for your loved ones.

Find out what happens to your pension fund or income in the event of your death. There are ways to protect your spouse or dependents so they can continue to benefit from your pension pot after you are gone, so be sure to ask about these options.

Inflation

We covered how inflation – the rise in prices over time – could hit your retirement income earlier in this guide. But as it is one of the main risks, it's worth mentioning again here.

Even small amounts of inflation will have an impact on your income. If inflation is at 2%, it effectively means that in 20 years you will have 50% less money in real terms. So it's vital you consider this risk by looking at how you can counter inflation by increasing the value of your

money, for example through investing or savings interest. Some annuities also have inflation protection, although they tend to be considerably more costly. The state pension also has inflation protection. Your spending will likely reduce as you get older, which could also help offset the impact of inflation.

Investment returns

Some of the options you have at retirement mean that your pension fund remains invested in stocks and shares. It's important to remember investments can fall as well as rise. Past performance is not a reliable indicator of future results. And it's very likely that you will experience several shocks or downturns over the course of your retirement.

When you are investing for the long term and not taking an income, this volatility is not such a big issue as you have time to make back any losses. But when you are drawing money out of your pension, selling shares at a low value means the remaining fund has to work harder to maintain the income level you require. The ultimate risk is that you run out of money.

Of course there are ways you can reduce the risk you take and still be invested. And it's wise you spread the risk by investing in a wide range of funds. But it's still important to consider how you would cope should your investments lose value. Could you afford to reduce your withdrawals? Or do you have other sources of income?

Although you need to take some risk when investing, there is no need to expose yourself to too much needlessly. For example, growing numbers are interested in new products such as cryptocurrencies and are attracted by the opportunity to make a lot of money quickly. However, cryptocurrencies are ➤

notoriously volatile and it is just as easy to lose a lot of money as gain it. Investors need to think carefully – especially as such products do not tend to enjoy the same levels of consumer protection as other, traditional ones.

Change in circumstances

A lot can change over the course of a retirement. You could separate or get divorced, have stepchildren or grandchildren you want to support financially or your health may change, impacting your income needs. You may

also receive an inheritance.

The laws governing what you can do with your pension can also change. While pensions are a long-term savings product, governments and regulators have a habit of changing the rules, sometimes quite significantly. So it is important to consider if you would feel more comfortable with certainty and a known amount of income each year, or more flexibility. It is also worth reviewing your plans on a regular basis and updating to suit your needs. An adviser can also help with this.



07 | When should you retire?



TRADITIONALLY, women retired at 60 and men retired at 65. But our concept of retirement has changed immeasurably over the years.

Today, many people of traditional retirement age do not want to stop working altogether.

Instead they are happy to continue working or just reduce their hours or go part-time for a while. Others may decide they want to try their hand at a different type of work or set up their own small business.

In fact the number of people aged over 70 who are still working has more than doubled in a decade to half a million, according to Office for National Statistics data.

So there really is no reason you cannot work for as long as you like.

And the longer you work, the more income you will earn and the more time you have to save.

If, on the other hand, you are ready to give up work, there are certain key factors you need to consider when deciding your retirement date. ►

1 When can you claim the state pension?

The state pension is a guaranteed income paid by the government. The amount you receive is based on your National Insurance contribution record.

The state pension age, which is when you can begin claiming your weekly pay out, is 66 for both men and women who are reaching state pension age now, and will increase to 67 by 2028.

Bear in mind that the state pension age could well rise further, with the government committed to reviewing it every six years.

2 When can you access your pension?

If you have a defined contribution or personal pension, you can usually access it from the age of 55 (rising to 57 in 2028, in line with the planned increase in state pension age to 67).

In theory this means you could retire as early as 55, although there are serious considerations around accessing your pension so early. If this pot of money is your main source of income, for example, it may need to last for decades.

If you are in very poor health or work in a role where early retirement is typical, you may be able to access your pension earlier. But there can be punitive tax charges if you do not meet strict criteria, so be careful.

Most defined benefit schemes typically have a retirement age of 65. This is usually when your employer stops contributing and the pension starts to be paid. Depending on the rules of your scheme, you might be able to take your pension from the age of 55, but this could reduce how much you will get.

3 When can you afford to retire?

If you have not saved enough to provide you with the income you need in retirement, you may have no choice but to continue working for a few more years.

Or it might be that you could give your finances a serious boost by hanging in there for a little longer.

However, you will need to be realistic as to whether working longer will drastically improve your retirement pot. After all, it's also important to give yourself enough years in good health to achieve everything you want from your retirement.



08 | Other retirement income options

PENSIONS are not the only way of generating an income in retirement.

ISAs

Your annual Individual Savings Account (ISA) allowance can play a big part in your retirement financial planning.

ISAs are accounts that are completely shielded from tax. There are a number of different versions, including Cash and Stocks and Shares Isas, but in all cases your money can grow without paying any tax on the return you make.

Over time the benefits can really add up. And as you do not need to pay any tax on withdrawals, it makes ISAs a useful consideration alongside your pension.

The current annual ISA allowance is £20,000 and you

can invest in cash or stocks and shares. From April 2027, under 65s will only be able to save up to £12,000 a year in a cash ISA.

Cash ISAs provide a safe home for money you may need to access quickly in an emergency.

Cash ISA rates are currently soaring and, at the time of writing, there are even some above 4.5%. Many now beat the rate of inflation.

In cash accounts, up to £120,000 of your money is protected if it is covered by the Financial Services Compensation Scheme. There is no such protection if investments perform poorly.

You and your partner can also inherit each other's ISAs, so you can keep the tax benefits of their allowance, so long as you are married or in a civil partnership. ➤





Equity release

If you have owned your home for a number of years it is likely to have soared in value.

Average house prices hit £272,998 in November 2025, according to Nationwide.

So it's little wonder that many people look to the roof over their heads as a way of boosting their finances in retirement.

One option is to downsize to a smaller property. Or you could consider unlocking some of the cash in your home using what is known as equity release.

Equity release loans allow borrowers aged 55 and over to access the wealth tied up in their homes as a tax-free lump sum or a regular income.

The loan does not then have to be repaid until the surviving borrower dies or moves into long-term care.

How much you can get from

your home depends on how old you are. Certain plans have features that allow you to take money as and when you need it or even ring-fence some of the value in your home to ensure there is an inheritance for your loved ones.

A home reversion plan is a type of equity release plan for those aged 65 or over. It allows you to exchange the ownership of some or all of your property for a lump sum of cash; in addition to giving you the right to stay in your property, rent-free, for as long as you live subject to the lenders terms and conditions.

However, equity release is a lifelong commitment. What's more, interest rates can be costly, causing the debt to grow significantly over time. So it is vital you weigh up all the options and seek independent advice.



Buy-to-let

For years, investors ploughed money into buy-to-let properties in the hope they would one day provide an income in retirement.

But stringent new tax rules means buy-to-let may not be as a profitable as it once was.

Tax perks on holiday lets were reined in last year, so they too are likely to be less profitable than in the past. Buyers of second properties in England and Northern Ireland will also now pay an additional 5% stamp duty. There are different stamp duty rules for Wales and Scotland. Landlords will also pay an additional two percentage points above

their normal income tax rates on rental income from April 2027. Basic-rate tax paying landlords will see their rental income taxed at 22 per cent, up from 20 per cent, while higher and additional rate taxpayers will pay at 42 and 47 per cent respectively. There may be other tax implications, while taking on a second property can also be time consuming. So you may want to seek professional advice before you invest.

Some people also rent out a spare room. The Government's Rent a Room scheme lets you earn up to £7,500 tax-free per year from letting out furnished accommodation in your home.



09 | After you've retired

YOU'VE done it! You're retired and having a wonderful time. But don't stop your planning now.

It's vital you review your plan every year and make sure you are still on track to meet your goals.

There will be periods where you may wish or need to increase or decrease withdrawals from your pension if you can, some of which will be planned for and others not.

Your priorities and circumstances will also change over time. You might have new important people in your life such as grandchildren or even great grandchildren and want to do more to support your family.

You also need to keep a close eye on how your investments are performing. Are they still right for you? Or has your attitude to risk changed?

It is also imperative you check they will continue to provide the income you need going forward.

If you've withdrawn too much too early you will need to re-adjust your plan to ensure you do not run out of money.

Alternatively, you may discover you can afford to spend more than you initially thought.

Tax in retirement

Even if you're retired you normally still have to pay tax on any income at your usual rate.

However, if you are still working after reaching the state pension age you will no longer have to make National Insurance contributions, unless you are self-employed in which case you should speak



with your accountant.

You are generally entitled to take 25% of your pension pot as a tax-free lump sum.

If the rest of your total income adds up to more than your personal allowance you will then have to start paying tax. Pensionable income may include the state pension, annuities and other investments.

You may be entitled to other tax allowances such as the marriage allowance or blind person's allowance, for example.

Any tax owed may be collected by HM Revenue & Customs via your tax code or you may need to fill in a self-assessment form.

For more information on tax in retirement visit the Low Incomes Tax Reform Group website (litrg.org.uk/tax-guides/pensions).

The order and way in which you use your savings and investments in retirement will have tax implications, not only from a personal tax point but from a legacy planning view point. So you may want to speak to an adviser. They will also ensure you are using all the tax allowances available to you.

10 | Looking after your legacy



What happens to my pension when I die?

When you die your various forms of retirement income are treated differently.

And if you have a workplace pension, the rules differ depending on whether you have a defined contribution or defined benefit pension.

In the Autumn Budget 2024, the government announced that from April 6 2027, unused pension funds will count towards your estate for inheritance tax purposes.

The government is currently consulting on how the new rules will be implemented as they will create admin for executors and pension scheme administrators.

It may be worth keeping an eye on the outcome of this consultation and considering how you and your loved ones may be affected.

Until the new rules kick in, if you die before the age of 75, any money paid to

your family within two years of your death will be tax-free.

If you die aged 75 or over any money taken as a lump sum or as income will be subject to income tax.

What will remain unchanged is that any money you take out of your pension before you die, such as a tax-free lump sum, will become part of your estate for inheritance tax calculation purposes.

Be sure to contact your pension provider and nominate who you wish to inherit your pension in the event of your death.

The pension can be passed on more than once, meaning a large pot could be accessed by two or more generations.

If you have a defined benefit pension – or final salary pension – a reduced amount (usually half) will often continue to be paid to a spouse or dependent until they die. But you should check with your pension provider exactly what benefits are due and who can claim them. ➤

Beware that any assets transferred before someone's death may be scrutinised by the taxman if it is thought the move was to avoid inheritance tax and could result in an unexpected tax bill.

If you receive an income from a single life annuity, this will usually stop – unless you chose an annuity that would continue to pay out after you die. If it was a joint life annuity, income will continue to be paid to the survivor until their death – often at a reduced rate. You should check with your annuity provider the exact amount they would receive.

State pension payments usually just cease. But your spouse or civil partner may be entitled to extra pension payments following your death, depending on the amount of national insurance contributions you made and when you and your spouse reached the state pension age. Contact the Pension Service on **0800 731 7898** to find out more. There is also a useful online tool (www.gov.uk/state-pension-through-partner) that will tell you where you stand should you or your partner die.

Getting organised

It's not the easiest subject to contemplate, but while you are thinking about what will happen to your pension money when you're gone you should use the opportunity to get organised in general.

Make a list of important documents and tell a trusted family member where it is. Include contact details for professionals such as your lawyer, financial adviser and doctor.

Talk through your plans with loved ones so they know what you want. It can provide great peace of mind to know that everything has been discussed in advance.

Consider if it might be sensible to invest in a financial product such as life insurance

or a funeral plan that would pay out if you or your partner were to die.

Writing a will

As you are looking at your inheritance plans, it makes sense to think about your will.

Many people fail to write a will, even though it costs relatively little to set one up.

If you haven't made one already it is absolutely vital you do so now. It is the only way to make your wishes clear after you are gone.

It will also make sure no one is overlooked or forgotten. If you don't make a will and die intestate it could cause difficulties for your loved ones.

For those who have already made a will, it may need updating. This could particularly prove the case if your personal circumstances have changed in recent years.

Making financial decisions

As you are considering options for your financial future, you should think about drawing up a Lasting Power of Attorney (LPA).

This is a legal agreement that ensures that those you trust the most can make decisions on your behalf about your finances, property, health and general welfare when you are no longer able or no longer wish to decide yourself.

If you are a couple, both partners should make an LPA. Without one, decisions about your finances and health will be made by the Court of Protection, which will decide who can act for you and in what capacity. This can be a costly and time-consuming process.

You need to be mentally capable to set up an LPA so even if you don't think you need it now, arranging one sooner rather than later will give you peace of mind.

11 | What to do next?

WHATEVER your needs and priorities, this guide is designed to help you understand some of your options – but it is not a substitute for proper financial advice.

Think of this guide as an overview of the important issues you need to consider before giving up work or going part-time. If you have a good understanding of the basics you will be more confident that you are asking

the right questions when speaking to an expert.

It should also help form the foundation of your own research and ongoing conversations with family members and loved ones as you plan the next stage of your life.

We hope you are now better placed to begin those conversations, start thinking about the possibilities ahead and plan for the retirement of your dreams.



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We have teamed up with Pense to deliver the Mail Finance Retirement Planning Service. Their team of regulated financial advisers provide a free, no-obligation pension review, helping you understand how your pension is performing, what you are paying in fees and charges, and what options are available to you.

For those considering a guaranteed income, Pense compares annuities from the whole of the market to help secure the best available rate. If drawdown is more suitable, they use a low-cost investment approach, partnering with Aviva for the platform and Timeline as the discretionary fund manager.

They are so confident in the rates and service available that they offer a Best Annuity Rate & Service Guarantee, if they don't beat a like-for-like lifetime annuity quote, they will send you £200*.

There is no cost to you for the guidance service from Mail Finance Retirement Planning Service. The advice review is free of charge, they only charge a fee if you choose to go ahead with the recommendation. The fee is 5% of your pension savings after you have taken your tax-free cash, up to a maximum of £2,995.

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