

Planning for your future retirement

As you approach your retirement you will have a number of decisions to make, such as when you would like to retire, where your retirement income will come from and how to take it tax efficiently.

This workbook will help you:

- recognise what is important when you are making choices about your retirement savings
- identify a number of key risks which may be relevant when you are planning your retirement income

You will also find out more about your own retirement savings and where you can receive more information.

All information in this booklet relates to the 2026/27 tax year only and should not be used for reference beyond that.

WEALTH at work
part of the Wealth at Work group

Where will your retirement money come from?

Activity 1

Where does your money come from now?

Source of income is one of the biggest changes people go through in retirement and it is important to have a plan in place before you retire. This activity will help you identify where your money comes from now in order to consider how it will change in your retirement.

Please list your current income below.

Income-Gross

	Monthly	Yearly
Salary	£	£
Bonus/commission	£	£
Car allowance	£	£
P11D benefit (expenses)	£	£
Trust income (assets)	£	£
Rental income	£	£
PHI income (Permanent Health Insurance)	£	£
State benefits	£	£
Maintenance	£	£
Pension income	£	£
Other income - please describe below		
.....	£	£
.....	£	£
.....	£	£
	£ 0.00	**£** 0.00

Activity 2

Where will your money come from in retirement?

The money you have in retirement may come from a number of different places, so it's important you have information about the amount you will receive from each source. It will be beneficial to get an update on the different workplace and private pensions you may have and who is responsible for providing them to help understand how much you can expect to receive.

You may receive more than one type of workplace pension in retirement. There are two main types of pensions and it is important to know which you have:

- **Defined Benefit (DB) (Final Salary)** - This type of scheme is usually an employer sponsored salary related pension scheme and are also known as final salary or career average revalued earnings (CARE) pension schemes.
- **Defined Contribution (DC) (Money purchase)** - This type of scheme can be set up by an employer, who also normally contributes to the scheme, or by an individual and contributions are invested into one or more investment fund(s).

Your employer, workplace pension scheme administrators or pension provider should be able to confirm what type of pensions they hold for you.

You can use cash, ISAs, even equity from downsizing your home as well as pension savings to fund your retirement in a tax efficient way. This activity will help you identify the various savings and investments you have in order to create a retirement income.

Please list your forecasted income and capital below.

Income

Type	Investment description	Date expected to/from	Value per year
State Pension	Pension from the State		£
DB Pension 1			£
DB Pension 2			£
DB Pension 3			£
Rental Income 1			£
Rental Income 2			£
Rental Income 3			£
Other			£
Other			£
		TOTAL	**£** 0.00

Capital

Type	Investment description	Amounts/shares/units	Current Value
DC Pension 1			£
DC Pension 2			£
DC Pension 3			£
Shares 1			£
Shares 2			£
Shares 3			£
ISA 1			£
ISA 2			£
ISA 3			£
Savings 1			£
Savings 2			£
Savings 3			£
Cash deposits 1			£
Cash deposits 2			£
Downsizing			£
Other			£
		TOTAL	**£** 0.00

Did you know...?

You can check your pension forecast by completing a BR19 form which can be found at **gov.uk/check-state-pension**

How much might your retirement cost?

Activity 3

Retirement can last a long time, so you'll need to consider this when working out a budget, as it can help to estimate how much income you might need in your retirement.

Budget Planning

You should also consider how your outgoings will change in retirement as your lifestyle changes. This activity will help you compare your current outgoings, to your potential outgoings in retirement.

Please list your current and potential outgoings below to compare.

Regular commitments (on an annual basis)	Current	In retirement
Mortgage/rent	£	£
Household insurance	£	£
Council tax	£	£
Gas/electricity/water	£	£
Telephone/TV licence/satellite	£	£
House maintenance	£	£
Car tax/insurance/petrol/servicing	£	£
Savings plans/life insurance	£	£
Food/general housekeeping	£	£
Clothing	£	£
Entertainment/hobbies	£	£
Holidays	£	£
Gifts	£	£
Subscriptions/charities	£	£
Other	£	£
TOTAL	**£** 0.00	**£** 0.00

Did you know...?

A **65** year-old man has:

75% chance of living to age **79**

50% chance of living to age **86**

25% chance of living to age **92**

2.8% chance of living to age **100**

A **65** year-old woman has:

75% chance of living to age **83**

50% chance of living to age **89**

25% chance of living to age **95**

5.8% chance of living to age **100**

ONS Feb 2025

Activity 4

Your retirement lifestyle

Think about what extra activities you may want to do in retirement and how much money you might need.

Please list these extra activities and the associated costs below.

Activity Description	Cost
e.g. dream holiday	£
e.g. extreme sports	£
e.g. home makeover	£
	£
	£

Consider the risk of your retirement plan carefully

- Consider the length of your retirement
- The cost of retirement in the early years
- Changing costs throughout retirement
- Costs of health care in later life

Did you know...?

During your working life, you typically pay:

- Income Tax
- National Insurance
- Pension Contributions
- Mortgage
- Loans

However, when you retire, you typically pay:

- Income Tax

Example...

Mary's annual salary is £30,000 p.a. and she currently pays:

• Income Tax		£3,126
• National Insurance		£1,250
• Pension Contributions	(6%*)	£1,800
• Mortgage		£3,600
• Loans		£2,400
Net income after deductions		**£17,824**

*assumes pension contributions of 6% pa through salary sacrifice

Mary's annual income in retirement will be £10,000 and she will pay:

• Income Tax	£0**
• **Net income after deductions**	**£10,000**

** Mary's annual income is below the tax threshold.

See page 7 for the latest rates for the current tax year.

The above example is based on the UK rates (excl. Scotland) of Income Tax.

Generating your income

If you have a defined benefit (DB) pension, it could be beneficial to get an up to date statement from your employer or pension scheme and make sure you fully understand the options you have under the scheme rules.

If you have a defined contribution (DC) scheme, there are five main options:

1

Do nothing

From age 55, rising to 57 from 6th April 2028, your pension fund is accessible whenever you want it, but just because it is available doesn't mean you should draw benefits immediately. You can wait until it is in your best interests to start drawing benefits and in the meantime, your savings can remain within the tax efficient pension wrapper. You could also make additional contributions to your pension fund during this time*.

2

Take all your pension savings as cash

The pension freedoms allow you to take all of your pension savings as a cash lump sum. The first 25% you take will normally be tax-free and the remainder will be added to your income and taxed at your marginal rate. Care should be taken when withdrawing money from your pension, especially with 5 figure amounts, as the taxable element may take you into a higher tax bracket and you could end up with less money than you anticipated. Cashing in a pension fund may be appealing for some but it is important to consider how you are going to fund your retirement income going forward.

3

Buy a lifetime annuity

You can purchase a lifetime annuity from an insurance company who agrees to pay you a regular income until you die. The annuity available will depend upon the value of your fund, age, health, lifestyle and the type of annuity you choose. You can decide whether the payments from your annuity stay level, increase or decrease over time and whether or not you want any guarantees. If you buy an annuity you will usually have no on-going involvement with the investment of your pension fund. The purchase of an annuity is usually the right choice for those who want security of income and no on-going investment risk.

4

Utilise income drawdown

Income drawdown, also known as 'flexi-access drawdown' is available to anyone from the age of 55 or 57 from April 2028. The pension fund remains invested and you draw an income from the fund.* There is no minimum or maximum level of income, so you have flexibility to decide on the level of income which suits you.

5

Phase your retirement

Phased retirement is a strategy based on taking some of your money out of your pension savings while leaving the rest invested. This can be done as and when required; you will receive part of the payment tax-free (usually 25%) with the balance applied to provide income. This can be either by the purchase of an annuity or income through income drawdown*.

*This means that the capital value of the fund can fluctuate down as well as up, as it is subject to investment risk but continues to enjoy the favourable tax environment offered by pension schemes.



Whichever option you choose, it is important to:

- fully understand the different options available, how they work and the tax implications of your choices
- make sure the options you choose match your objectives and attitude to risk

You should consider the personal and investment risks you might come across when you retire and how they could affect your retirement choices.

For example

Life expectancy, inflation, and a rise or fall in the stock markets could have an impact on your pension pot.

Tax tables

Below are the tax rates for the current tax year for you to check which tax band you fall in to.
This will help avoid any unexpected tax charges and to plan your retirement in a tax efficient manner.

Income Tax

	UK Tax Rate	UK Tax Band	Scottish Tax Rate	Scottish Tax Band
Personal Allowance	0%	£0 - £12,570	0%	£0 - £12,570
Starter Rate	N/A	N/A	19%	£12,571 - £16,537
Basic Rate	20%	£12,571 - £50,270	20%	£16,538 - £29,526
Intermediate Rate	N/A	N/A	21%	£29,527 - £43,662
Higher Rate	40%	£50,271 - £125,140	42%	£43,663 - £75,000
Advanced	N/A	N/A	45%	£75,001 - £125,140
Additional/Top Rate	45%	£125,140+	48%	£125,140+
If total earnings exceed £100,000 the Personal Allowance is reduced by £1 for every £2 over £100,000 until it reaches £0				
Scottish Income Tax and rate bands apply to earned, pensions and property income of Scottish taxpayers. UK Income Tax rates and bands apply for other income, including savings and dividend income, of Scottish taxpayers.				

Capital Gains Tax

The first £3,000 of realised gain is exempt

	Residential Property*	Other Chargeable Assets
Basic Rate	18%	18%
Higher & Additional Rate	24%	24%

*Does not apply to your main home

Tax rates are based on the UK rates and bands of Income Tax

Dividend Tax

Basic Rate	10.75%
Higher Rate	35.75%
Additional Rate	39.35%
A Tax Free Dividend Allowance applies to the first £500 of dividends received	

Tax rates are based on the UK rates and bands of Income Tax

Personal Savings Allowance

Tax rate (UK rates)	Tax-free allowance
Basic 20%	Up to £1,000
Higher 40%	Up to £500
Additional 45%	No personal savings allowance

Pensions

Annual Allowance (AA)	£60,000*
An eligible scheme member can contribute the higher of £3,600 p.a. and 100% of relevant UK earnings and receive tax relief, subject to the overriding annual allowance (£60,000). You can 'Carry Forward' unused AA from previous 3 years (subject to HMRC rules)	
*If threshold income is over £200,000 and adjusted income is over £260,000 the annual allowance is reduced by £1 for every £2 that adjusted income exceeds £260,000. The annual allowance will not be reduced below £10,000.	
If you use the new retirement flexibilities to access a defined contribution pension plan, this may reduce your Annual Allowance to £10,000	
Lump Sum Allowance £268,275 Lump Sum Death Benefit Allowance £1,073,100	

Individual Savings Account

ISA Allowances	£20,000	Up to £20,000 can be held in cash and/or shares.

Did you know...?

Marriage Allowance lets you transfer £1,260 of your Personal Allowance to your husband, wife or civil partner if they earn more than you. To benefit as a couple, you (as the lower earner) must have an income of less than £12,570.

You are entitled to Marriage Allowance if all the following apply:

- you're married or in a civil partnership
- you don't earn anything or your income is under £12,570
- your partner's income is between £12,571 and £50,270 (UK excl. Scotland) or £12,571 and £43,662 (Scotland)

You can still apply for Marriage Allowance if you or your partner:

- are currently receiving a pension
- live abroad - as long as you get a Personal Allowance

Your retirement income checklist

Activity 5

Use this checklist as a guide when planning for your retirement.

Things to consider

- [ ] Plan your career leading up to retirement
- [ ] Consider what lifestyle you want in retirement
- [ ] Figure out what acceptable income level you will need
- [ ] Identify your current assets and liabilities
- [ ] Consider the assets you are planning to build up towards retirement

State Pensions

- [ ] I have visited www.gov.uk/check-state-pension and completed form BR19 to request a pension forecast
- [ ] Find out your State Pension Age and the amount you may receive

Workplace Pensions

Defined benefit (DB) / Final salary schemes

- [ ] I have details of all of my DB pensions
- [ ] I know when I can take my DB pensions
- [ ] I know the impact of taking my pension early from my DB scheme i.e. before my scheme's retirement age
- [ ] I know how much my income from my DB scheme will be

Defined contribution (DC) schemes

- [ ] I have details of all my DC schemes
- [ ] I have up to date valuations for my DC pots
- [ ] I know when I can access my DC pots
- [ ] I know what my options are
- [ ] I know that my DC scheme can offer all the options I might want to choose
- [ ] I have used the Pensions Tracing Service gov.uk/find-pension-contact-details

Other Pensions

- [ ] I have details of all my personal pensions
- [ ] I know when I can take them
- [ ] I have up to date valuations on my personal pensions
- [ ] Check the value of previous pension schemes

Other savings and investments

- [ ] I have up to date valuations of my ISAs
- [ ] I have details of shares and investments I own
- [ ] Are your other savings and investments aligned with your plans?

Calculations

- [ ] Calculate your pension after Income Tax deductions
- [ ] Work out the tax free cash sums from your pension
- [ ] Add up your existing savings and investments
- [ ] Calculate the income you need from your investments
- [ ] Can you benefit from greater tax efficiency

Help and advice

- [ ] I have made a written plan for my retirement, including my sources of income
- [ ] I have used the Money Helper budget planner to work out the income I need: moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner
- [ ] I have had a Pension Wise appointment
- [ ] I have spoken to my pension scheme manager/providers
- [ ] I have spoken to a regulated financial adviser



Consider the risk of your retirement plan carefully

Everyone will have a different retirement plan and make different choices about the way they use their pensions, savings and investments to generate an income in retirement.

It is important to be clear about your choices, identify the risks involved and also understand the tax you may have to pay.

You should also be aware of pension scammers by checking whether they are registered with the Financial Conduct Authority. If they aren't listed then there will be no place to go if the investment turns out to be a scam.

ScamSmart: fca.org.uk/scamsmart

Useful links

Please see useful links* listed below which may help you to plan your retirement.

General Finance Retirement income is not the only financial consideration in retirement. The opposite links will help with other needs such as mortgages, insurance, etc.	Links www.fca.org.uk/consumers www.moneyhelper.org.uk/
Regulated advice Getting regulated advice at an early stage rather than going it alone can help you make the right choices at retirement and can prevent costly mistakes being made.	Finding an Adviser Money Helper provides helpful tips and pointers when seeking financial advice www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser my wealth my wealth helps individuals to understand their personal financial situation, whether they're saving for their future or looking how best to maximise income at the point of retirement. www.wealthatwork.co.uk/mywealth
Tax & National Insurance Keeping up with tax rates and your National Insurance record can help you keep track of the tax you should pay, avoid unexpected tax charges, and plan your retirement in a tax efficient manner.	HMRC www.gov.uk/guidance/hmrc-tools-and-calculators Tax code checker www.gov.uk/check-income-tax National Insurance credits www.gov.uk/check-national-insurance-record
Pensions It is likely that your pension will be your main source of income in retirement and it is important to have everything in place before your scheduled retirement date.	Workplace Pension www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise State Pension www.gov.uk/browse/working/state-pension www.gov.uk/check-state-pension Pension Tracing Service www.gov.uk/find-pension-contact-details
Benefits State benefits can be complicated and it's important to make sure you get all the help you are entitled to.	Government Website www.gov.uk/browse/benefits Citizens Advice www.citizensadvice.org.uk Turn 2 Us www.turn2us.org.uk
Volunteering It is important in retirement to maintain a sense of purpose. Transferring your energies towards volunteering can help achieve this.	Further information www.gov.uk/volunteering

*Any hyperlinks or references to third party websites are provided for your convenience only. We have no control over third party websites and accept no legal responsibility for any content, material or information contained in them. The display of any hyperlink and reference to any third party website does not mean that we endorse that third party's website, products or services. Your use of a third party site may be governed by the terms and conditions of that third party site.

Other useful links...

Education

Learning a new subject or skill can provide brain stimulation and can potentially widen your opportunities in retirement.

Higher education
www.gov.uk/higher-education-courses-find-and-apply

Health

Research has shown that physical health can be improved at any time of life. Retirement presents a good opportunity to review and make some changes.

NHS
www.nhs.uk/livewell
www.nhs.uk/conditions/social-care-and-support-guide/

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To discuss your options with **my wealth**, please contact:

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