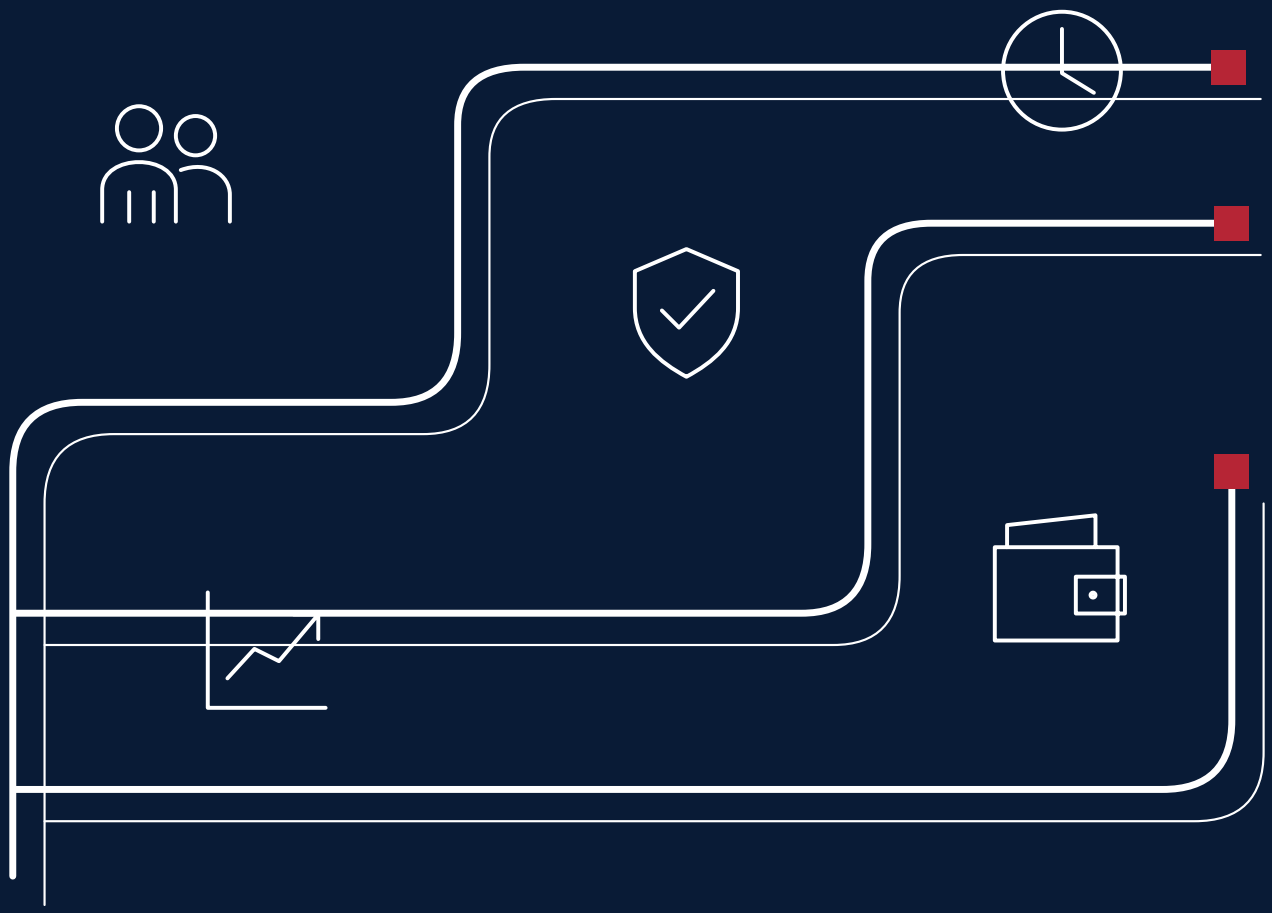
MATHER & MURRAY FINANCIAL



At Retirement Guide

Your pensions. Your choices. Your next chapter.

Discuss my retirement options

Free initial call with our new business team. Advice and fees explained separately.

INDEPENDENT FINANCIAL ADVICE

NOVEMBER 2026 EDITION

Your retirement. Your priorities.

Start with what life will cost, then match the timing and certainty of your income to those needs.

Cover the essentials

List housing, food, utilities, transport and commitments. Separate regular costs from treats and one-off spending. Allow for inflation, later-life care and a surviving partner's needs. Keep an accessible emergency reserve.

Map the start dates

Check State Pension forecasts and National Insurance records. List every workplace and personal pension, its access date and any guarantees. Your State Pension, DB pension and retirement date may all be different.

Choose what matters

How much certainty do you want? What flexibility, legacy and investment risk can you accept? Health, dependants and whether you plan to keep working can change the right balance. Review the household plan together.

You do not have to choose once

Leave some money invested, secure part of the income and take other benefits in stages. A temporary income bridge can cover the years before a scheme or State Pension starts. Revisit the mix as life changes.

Your route: DB pensions 3 • pension-pot choices 4 • annuities 5–6 • drawdown 7 • staged access 8 • tax 9 • combining options 10 • family 11 • next steps 12.

Discuss my retirement options →

A pension promise. Understand what you keep.

Defined benefit (DB) pensions normally pay a scheme income for life. They differ from a pot you invest and draw down.

Final salary

Typically based on pensionable service, final pensionable pay and an accrual rate. Example: 20 years × £36,000 × 1/60 = £12,000 a year before tax. Actual definitions and scheme rules vary.

CARE and mixed schemes

Career average revalued earnings (CARE) builds a pension slice each year and revalues it under scheme rules. £36,000 × 1/60 gives a £600 annual pension slice for that year. Some schemes combine different benefit sections.

Check the retirement quote

Compare normal, early and late retirement terms, inflation increases and caps, survivor benefits and any guaranteed period. Taking cash may reduce income through the scheme's commutation rate. Different service periods can have different rules.

Treat a transfer with care

Most people are best advised to keep their DB pension, says the FCA. A transfer can permanently surrender valuable guarantees. Some public-service benefits cannot transfer to flexible DC arrangements. Specialist advice may be legally required; check adviser permissions.

You can often combine a DB income with separate defined contribution (DC) savings. Transferring a DB pension is not necessary to use those other pots flexibly. Consolidating pensions can lose protected benefits.

Four routes. One personal plan.

For defined contribution pensions, the main choices below can be used separately, in stages or together.

01 / Annuity

Use pension money to buy a contractual income: usually for life, or for a fixed term. Choose the income pattern and protection features before purchase. See pages 5–6.

02 / Flexi-access drawdown

Move money into a drawdown arrangement, usually taking available tax-free cash at that point. Leave the balance invested and choose taxable withdrawals when needed. See page 7.

03 / UFPLS lump sums

Take payments directly from uncrystallised pension savings. Each eligible payment is normally 25% tax-free and 75% taxable, within available allowances. You receive both parts together. See page 8.

04 / Take the whole pot

Normally up to 25% can be tax-free within available allowances; the rest is taxable income in that tax year. A large withdrawal may push you into higher tax bands, affect benefits and leave less for later life.

You can also leave a pot untouched. Access is normally from age 55, rising to 57 on 6 April 2028, with exceptions and protections. Your provider may not offer every route.

Choose the income. Then choose its features.

These categories answer different questions. Enhanced terms can apply to a lifetime annuity; escalation and survivor benefits are separate choices.



Lifetime pension annuity

Pays a guaranteed income for the rest of your life. Usually bought with pension funds after any available tax-free cash. Income is taxable. Once set up, it usually cannot be changed or surrendered.



Fixed-term pension annuity

Pays income for an agreed term. Some contracts include a guaranteed maturity amount; others differ. At the end, you must plan the next step. Future annuity rates and available options are uncertain; this is not automatically income for life.



Enhanced annuity terms

Health conditions, medication, smoking and lifestyle may qualify you for a higher income. Give full, accurate information and compare providers. Eligibility and the improvement depend on underwriting and the features selected.



Purchased life annuity

Bought with non-pension capital, such as savings or tax-free cash already taken. A calculated capital element is generally exempt from Income Tax; the income element is taxable. It is distinct from a pension annuity and is not a second pension tax-free allowance.

Investment-linked annuities can pay variable income and retain investment risk; check any minimum guarantee. Shop around and check existing guaranteed annuity rates or safeguarded benefits. Conventional annuities are usually irreversible after cancellation rights expire; purchased life annuities also commit capital. Product availability and terms vary.

Shape the payments. Protect the people.

The features you select affect the starting income. Compare quotations with the same options, rather than comparing headline rates.

Level or increasing income

Level payments start higher than comparable increasing payments but lose buying power as prices rise. Fixed escalation rises by an agreed percentage. RPI- or CPI-linked payments follow the specified index, subject to contract rules, caps and any floors.

Single or joint life

Single-life income normally ends on death unless a protection feature pays out. Joint-life arrangements can continue an agreed proportion to a partner or eligible dependant. Check eligibility, the continuation percentage and how increases apply.

Guaranteed payment period

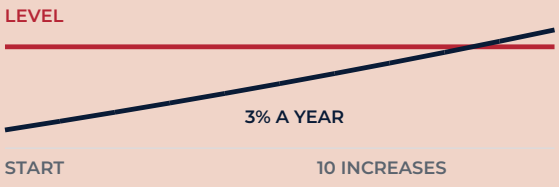
Can continue payments, or provide a payment under the contract, if you die within the selected period. It protects an agreed period, rather than automatically providing lifelong income for your partner. Check interaction with joint-life cover.

Value protection

May pay a lump sum on death based on the protected purchase amount less payments already made, under contract terms. This differs from a guarantee period. More protection or escalation generally means a lower initial income.

ILLUSTRATIVE INCOME

£6,000 level vs £4,800 rising 3%.
After 10 increases: £6,451.
Invented figures, not quotes or an RPI forecast.



Discuss my retirement options →

Flexible income. An ongoing responsibility.

Your pension remains invested. You decide the withdrawals, but neither returns nor the length of time your money will last is guaranteed.

How it works

When benefits are crystallised, normally up to 25% of that amount can be taken as tax-free cash within your available allowance. The remainder enters drawdown. Withdrawals from that drawdown balance are normally taxable income.

Control and trade-offs

Vary income, take occasional sums or buy an annuity later. Investments, charges, inflation and living longer than expected can reduce what is sustainable. High withdrawals after falls can make recovery harder. No single withdrawal rate is safe for everyone.

Why the order of returns matters

Start with £200,000; withdraw £10,000 at the start of each year. Returns of −20% then +25% leave £177,500 after two years. The same returns reversed leave £182,000. This simplified example excludes charges and tax.

Build a review rhythm

Review spending, withdrawals, investments, charges and cash reserves at least regularly and after major changes. Consider what spending you could reduce after poor returns. Match risk to your needs and capacity for loss, and revisit any later annuity purchase.

Taking taxable flexi-access drawdown normally triggers the money purchase annual allowance (MPAA). Taking tax-free cash alone, with no taxable flexible income, normally does not. See page 9.

UFPLS or phased drawdown? The difference matters.

Both can release pension benefits gradually. Their payment mechanics and control over the taxable element are different.

UFPLS

Each payment splits

An uncrystallised funds pension lump sum (UFPLS) is paid from untouched pension funds. Normally 25% of each eligible payment is tax-free and 75% is taxable, within available allowances. You cannot leave its taxable portion in drawdown.

Worked example

Take £12,000: £3,000 is tax-free and £9,000 taxable. If all £9,000 falls in a 20% band, tax is £1,800 and net cash is £10,200. Emergency PAYE can affect the initial payment. UFPLS normally triggers the MPAA.

PHASED DRAWDOWN

Separate decisions

Crystallise part of your pension at a time. Take available tax-free cash and move the rest into drawdown; choose whether and when to withdraw taxable money. The untouched portion remains uncrystallised and invested.

Worked example

From a £200,000 untouched pot, crystallise £20,000: normally £5,000 tax-free cash and £15,000 in drawdown, with £180,000 untouched. Taking only that tax-free cash normally does not trigger the MPAA; taxable flexible income normally does.

Phasing spreads access; it does not create extra tax-free entitlement. These examples assume full eligibility and sufficient allowances. Small-pot rules and protected benefits can work differently.

Plan the net income. Check before withdrawing.

2026/27 figures. Tax applies to your total income, so timing and the size of withdrawals matter.

Tax-free pension cash

The standard lump sum allowance is £268,275 across your pensions, not per pot. The standard lump sum and death benefit allowance is £1,073,100. Previous use, protections and transitional rules can change what remains. Not every pension payment is eligible for 25% tax-free cash.

Income Tax and first payments

The standard Personal Allowance is £12,570 and reduces above £100,000 adjusted net income. Taxable pension income adds to other taxable income; Scottish rates differ. Large lump sums may lose allowances or benefits. An initial flexible payment may use emergency PAYE; overpaid tax can be reclaimed.

Contributions / £60,000 and £10,000

The standard annual allowance is £60,000, subject to tapering and other rules. Taking taxable flexible DC benefits normally triggers the £10,000 MPAA for money purchase saving, including employer contributions. Carry forward cannot increase the MPAA.

Before pressing withdraw

Tax-free cash alone, a DB pension or a conventional lifetime annuity normally does not trigger the MPAA. Personal tax relief also depends on relevant earnings and age. Check existing guarantees, exit charges, protected access ages and effects on means-tested support.

Pension income is generally not subject to National Insurance. Pension lump-sum recycling rules can apply. Confirm current rules, remaining allowances, effects on benefits and the net result before acting.

A secure foundation. Room to be flexible.

A combination can match reliable income to essentials while retaining flexibility for changing needs. These examples are fictional.

Example / fill an income gap

A couple have £22,000 gross yearly DB and State Pension income and a £28,000 gross-income target for essentials: a £6,000 gap. Assume £100,000 of already-crystallised pension funds buys £6,000 yearly lifetime annuity income.

Example / keep a flexible balance

From £250,000 of crystallised funds, that purchase leaves £150,000 invested in drawdown. An £8,000 withdrawal brings gross annual income to £36,000 and leaves £142,000 before returns and charges. The assumed 6% annuity figure is not a market quote or a sustainable withdrawal rate.

Example / bridge to a DB pension

Sarah retires at 63; her DB pension starts at 65. In each bridge year, she crystallises £40,000: £10,000 tax-free cash and £30,000 in drawdown. She withdraws £12,570 taxable drawdown and adds £1,430 savings to give £24,000 cash.

Other investments can help

ISA withdrawals are normally free of UK Income Tax and CGT. Investment bonds can provide tax-deferred withdrawals within their rules: the familiar 5% allowance is a deferral, not an exemption. Use these alongside pensions where appropriate, without overlooking charges, risk and future tax.

Sarah's example assumes an unused £12,570 Personal Allowance, no other taxable income and sufficient pension allowances. It triggers the MPAA. After two years, £34,860 remains in drawdown before returns and charges.

Plan beyond your own income.

A good retirement plan considers the household, the people you leave behind and the practical support you may need.

When a partner dies

Check which DB and State Pension payments continue and what stops. Annuity survivor income depends on the features selected at outset. Compare the surviving household's income with its costs; expenses rarely halve when one person dies.

Pension death benefits

DC benefits on death before 75 can often be paid free of beneficiary Income Tax, subject to conditions, deadlines and allowances. From age 75, payments are generally taxable at the recipient's rate. Scheme rules and the form of payment matter.

Inheritance Tax changes

From 6 April 2027, most unused pension funds and pension death benefits are due to come within the estate for Inheritance Tax, with exceptions. This is separate from beneficiary Income Tax. Review the plan rather than assuming a pension is always outside the estate.

Put the practical details in place

Review beneficiary nominations, wills and powers of attorney, and tell the right people where records are kept. Pension nominations do not replace a will or guarantee a payment decision. Consider care costs, vulnerability and how a trusted person could help manage finances.

An annuity, DB pension and drawdown can leave very different benefits on death. Check the actual scheme or policy terms and review after marriage, divorce, bereavement or a major health change.

Discuss my retirement options →

Bring the details. Build the plan.

A focused conversation helps you compare the choices in the context of your whole financial life.

01 / Gather your pensions

Bring statements, scheme retirement quotes, State Pension forecasts and details of any guarantees, protected benefits or previous tax-free cash. Check for forgotten pots and confirm the provider's available options and costs.

02 / Bring the household picture

List income, debts, savings, investments, essential spending and planned one-off costs. Note health, medication, dependants and any expected changes. Include wills, powers of attorney and beneficiary nominations where relevant.

03 / Ask for a clear comparison

Compare income after tax, inflation protection, flexibility, death benefits, charges and risks. Ask what happens if markets fall, you live longer or a partner dies. Understand how an initial decision could affect later options and future contributions.

04 / Take the right support

Pension Wise offers free, impartial guidance to eligible people aged 50 or over with a UK DC pension. Guidance differs from a personal recommendation. Be alert to unsolicited approaches, pressure, "guaranteed" returns and promises of early access; check firms with the FCA.

With Mather & Murray Financial, agree the implementation steps, costs and review arrangements before proceeding. Contact details are on the back page.

Clarity first. Personal advice next.

Prepared 24 November 2026 · figures refer to 2026/27 unless stated. Read the qualifications below alongside the examples.

General information

This guide is for UK readers and is not a personal recommendation to buy, sell, transfer or take benefits from any pension. The right approach depends on your circumstances, health, objectives, capacity for loss, tax position and pension terms.

Investment and income risk

Investments can fall as well as rise and you may get back less than invested. Drawdown and lump-sum withdrawals can deplete a pension. Past performance and projections are not reliable guides to future results. Inflation reduces purchasing power.

Tax and eligibility

Tax treatment depends on individual circumstances and may change. Eligibility, access ages, guarantees, payment choices and benefits depend on scheme and provider rules. Tax-free amounts are subject to available allowances and any protections. Verify current rules before acting.

Examples and illustrations

All people, budgets, returns and annuity figures in the examples are fictional. They simplify real decisions and are not quotations, predictions or recommendations. Charges, market movements and some tax effects are omitted where stated. No withdrawal rate or retirement outcome is guaranteed.

About Mather & Murray Financial

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FURTHER GUIDANCE / TAP TO OPEN

State Pension forecast

FCA: defined benefit transfers

Annuity choices and protections

UFPLS: multiple lump sums

2026/27 pension allowances

Tax on inherited pensions

Free Pension Wise guidance

Purchased life annuity tax rules

Defined benefit pensions

Your pension pot choices

Flexible pension drawdown

Phased / partial drawdown

Money purchase annual allowance

Pensions and Inheritance Tax: 2027

FCA: avoid pension scams

ISA withdrawals



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Your next chapter starts with a conversation.

Independent financial advice, built around your life.

Discuss my retirement options

Free initial call with our new business team. Advice and fees explained separately.

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