

Occasional cash withdrawals

You have the option of leaving your pension pot invested and taking lump sum payments from it as and when you wish. The first 25% of each amount is usually tax-free (subject to any allowances) and the rest may be taxed as income.

If you do this with us there is a minimum amount of £2,000 for each withdrawal. Other providers might offer different terms, so you should shop around and make sure you've got the best deal for you.

It's important you shop around to find the best option for your personal circumstances and income goals. It's a big decision so it's worth comparing what each provider can offer. [Pension Wise](#) is a government service from [MoneyHelper](#). This free and impartial service helps you understand your options for using your pension pot, so you can choose the right one for you.

We always recommend that you seek independent financial advice before proceeding. To find an adviser in your local area visit [unbiased.co.uk](#). Advisers usually charge for their services.

Important note: The money left invested has the chance to grow but it could go down in value too. If you take out too much or your investment funds don't perform as well as you'd expected, you could run out of money before you die - make sure you've planned ahead and are comfortable with the level of risk your chosen investments are subject to.

Example:

Ben is 59 and has decided to reduce his hours at work and start to slow down, so he now works part-time, three days a week. His pension pot is worth £250,000 and he's decided to take an initial withdrawal of £10,000 for the first year and may look to take more next year if he reduces his working hours again.

A 'personal allowance' is the amount of money you can earn before you have to start paying tax. This is currently £12,570 for most people, including Ben.

Here's how that all breaks down:

Ben's tax-free cash	£2,500
The remainder of his cash withdrawal	£7,500
Annual employment income	£18,000
=	£25,500
Minus the personal allowance of	£12,570
Total taxable income	£12,930
Income tax payable	£2,586

Ben's total taxable income is £12,930 which means he is subject to **basic rate tax of 20%** on his income from all sources. He will have to pay **£2,586 in income tax** for the first year.

Note: This will be deducted at the emergency tax rate, however, HM Revenue and Customs will refund the difference at the end of the tax year, or Ben could apply for the refund sooner if he wants to. However, it means that the amount of tax deducted initially is more than **£2,586** until the refund or adjustment is made.

