



## Ten years of pension freedoms

Research reveals worrying trends among savers

Ten years ago, pension freedoms revolutionised how people access their retirement savings. These changes offered savers over 55 greater options to withdraw and manage their pension pots. However, a decade later, research indicates that many individuals are making critical financial decisions without seeking advice or fully understanding the tax implications<sup>[1]</sup>.

The survey of UK adults aged 50 and older found that only 37% of individuals with defined contribution (DC) or personal pensions considered how a lump sum withdrawal might impact their tax rate or could potentially push them into a higher tax bracket. Additionally, only 39% of respondents consulted a financial adviser before withdrawing money from their pension.

### MAKING RASH DECISIONS AT 55

Worryingly, the research highlights a trend of individuals hastily accessing their pension funds as soon as they reach the minimum qualifying age of 55. Nearly 1 in 12 (8%) withdrew their tax-free lump sum within six months of their 55th birthday.

Since the introduction of pension freedoms in April 2015, retirees have been able to choose from a variety of options. These options include taking lump sums directly, withdrawing the entire pension pot, drawing a continuous income through income drawdown or purchasing an annuity for guaranteed lifetime income. Many even combine these choices to suit their circumstances. However, with so many possibilities, deciding on the best approach can be a daunting and complex task.

### ALLURE OF TAX-FREE LUMP SUMS

The allure of tax-free cash remains compelling, as over half (55%) of eligible individuals choose to take the maximum 25% permitted. However, questions emerge regarding how this money is being utilised. The research found that 32% of those withdrawing tax-free sums used the funds to clear debts, including 15% who paid off a mortgage and 18% who tackled other borrowing, such as credit card balances or car finance.

Others took a more cautious approach, with 26% depositing their lump sum into a savings account or bank account. On the other hand, some chose to spend their money on home improvements (19%) or to support family members (8%).

### COMPLEXITIES OF RETIREMENT PLANNING

One of the most striking revelations is how few people seek financial guidance when making these significant decisions. Alarming, 18% of those eligible to withdraw from their pension did so without consulting anyone – not even family or friends. Meanwhile, only 20% of those aged 50 or over with a DC or personal pension utilised the government-backed PensionWise service for advice.

The research also uncovered widespread concerns about the long-term impact of these decisions. Over two in five (42%) people aged 50 or above admitted they fear running out of money during retirement. ■

### NEED PROFESSIONAL ADVICE TO TAKE CONTROL OF YOUR PENSION DECISIONS?

Making the right choices regarding your pension is essential for ensuring a comfortable retirement. Whether you are considering taking a tax-free lump sum, planning for future income or are simply unsure where to begin, professional guidance can help you make informed decisions that align with your unique circumstances. Don't leave your financial future to chance. Contact us to discuss your pension options.

### Source data:

[1] Survey data collected between 17–19 December 2024 by YouGov plc on behalf of Royal London. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,012 adults aged 50+, of which 311 have done something related to their workplace defined contribution pension or Personal pension/ SIPP. Fieldwork was undertaken between 17–19 December 2024. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

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