

The first years of pension drawdown: decisions and review triggers

Prepared October 2026 | General information, not personal advice

The early drawdown years need a spending plan, tax-aware payment structure and a response to investment losses. Separate essential and optional withdrawals and identify what would trigger a review. Drawdown offers flexibility but does not guarantee lifetime income. A fixed withdrawal rule cannot replace assessment of the household's circumstances.

Important risks

Where money is invested, its value and income can fall as well as rise and you may get back less than you invest. No return or retirement outcome is guaranteed.

Tax treatment depends on individual circumstances and may change in the future. A general example does not establish your relief, allowance or tax liability.

General information only, not personalised financial, tax or legal advice. Suitability and available relief depend on your circumstances. Obtain appropriate advice before acting on a product, transfer or legal arrangement.

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Before you begin

Set the operating rules before the first withdrawal. Record how much spending depends on investments, what secure income already exists and which payments could change. A cash reserve needs a defined purpose and replenishment approach rather than being presented as a cure for market risk. The plan must still work after temporary employment income ends. Review progress against actual withdrawals and fund values, not only a long-term average return.

Terms in plain English

Drawdown

Taking pension withdrawals while money remains invested. Investment losses and withdrawals can reduce or exhaust the fund.

Money purchase annual allowance

A reduced saving limit that can be triggered by certain flexible pension withdrawals. Not every pension payment triggers it.

How much can I withdraw from pension drawdown each year?

Model essential and optional withdrawals separately. Include fund, platform and advice charges in the projection and distinguish spending from gross pension withdrawals. Explore what happens after a market fall, including whether spending can be reduced or secure income increased. Set review triggers so the plan changes when actual outcomes depart from the assumptions.

Decision boundary: Investment falls combined with withdrawals can erode a fund faster than expected. Ask the adviser: What would trigger a reduction in withdrawals, and which bills need dependable income?

Sources: M03, F02, G23

What if markets fall just after I start pension withdrawals?

Sequence risk is about the order of returns, not just an average annual return. Compare a projection with early losses against one with later losses using the same spending assumptions. Check what would be sold and whether optional spending could pause. A reserve should have an explicit purpose and replenishment plan, rather than being presented as a universal solution.

Decision boundary: Selling after losses can leave fewer assets participating in any subsequent recovery. Ask the adviser: What would we change if the first years of retirement were materially worse than expected?

Sources: M03, F02

How can I account for inflation in retirement?

Read the escalation terms of each scheme pension and annuity, including any caps or conditions. Use different scenarios for general spending and costs that could rise differently, such as care or home maintenance. A nominal income figure should not be described as maintaining a lifestyle indefinitely. Any inflation assumption in a calculator needs to be visible and adjustable.

Decision boundary: Level income may buy progressively less, while investments cannot guarantee an inflation-beating return. Ask the adviser: Which income increases, under what limits, and how

sensitive is my spending plan to inflation?

Sources: M04, M03, F02

Can I reduce my working hours before retiring completely?

Obtain the employer's part-time terms and scheme projections before setting a date. Map any fall in salary alongside contributions and benefits that may also change. If taxable flexible pension income is proposed, check the money purchase annual allowance first. Test the plan again after wages stop entirely rather than assuming a manageable transition proves long-term affordability.

Decision boundary: Early pension withdrawals can reduce resources available later or restrict future contributions. Ask the adviser: How do reduced hours affect benefits, pension input and the date I can fully stop working?

Sources: G08, G01, M02

Should I take all my available tax-free pension cash at once?

Separate a genuine spending requirement from withdrawing money simply because it is available. Compare leaving funds invested with holding withdrawn cash, including investment risk, interest taxation and estate planning. Ask the provider to show the tax-free and taxable elements of the proposed transaction. Taking tax-free cash does not make the remaining pension income automatically tax-free.

Decision boundary: Withdrawing unnecessarily can change investment exposure, tax treatment and future flexibility. Ask the adviser: Why withdraw this amount now, and how does it affect later income and allowances?

Sources: G04, G03, M03, G23

Your preparation checklist

- Identify essential spending that cannot readily be reduced.
- Check the payment structure and future contribution consequences.
- Include all recurring investment and advice costs.
- Agree specific conditions for reconsidering withdrawals.

Next steps

When outcomes differ from the plan, reconsider spending and income arrangements rather than assuming recovery will solve the shortfall. Check the tax and benefit rules for the actual payment method before acting. This guide does not prescribe a withdrawal amount or portfolio.

General information only, not personalised financial, tax or legal advice. Suitability and available relief depend on your circumstances. Obtain appropriate advice before acting on a product, transfer or legal arrangement.

Sources and further reading

M03: MoneyHelper / Money and Pensions Service - Take money from your pension when you need it: pension drawdown explained

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/what-is-flexible-retirement-income-pension-drawdown>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

F02: Financial Conduct Authority - Investment risk and return

<https://www.fca.org.uk/investsmart/risk-returns>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G23: HMRC / GOV.UK - Tax when you get a pension

<https://www.gov.uk/tax-on-pension>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

M04: MoneyHelper / Money and Pensions Service - How to find the best deal when taking your pension

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/shopping-around-for-pension-income-products-at-retirement>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G08: GOV.UK - Workplace pensions

<https://www.gov.uk/workplace-pensions>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G01: HMRC / GOV.UK - Tax on your private pension contributions

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

M02: MoneyHelper / Money and Pensions Service - What can I do with my pension pot?

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G04: GOV.UK - Personal pensions

<https://www.gov.uk/personal-pensions-your-rights/how-you-can-take-pension>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G03: HMRC / GOV.UK - Tax-year-specific pension allowances

<https://www.gov.uk/government/publications/rates-and-allowances-pension-schemes/pension-schemes-rates>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

Related planning information

<https://castlestonebridge.co.uk/pension-drawdown-advice>

Discuss your questions

For a discussion of your circumstances, contact Castle Stonebridge on 01246 308249 or visit <https://castlestonebridge.co.uk>. Any personal recommendation requires an individual assessment.