



Planning a Confident Retirement

Your guide to retiring on your terms.

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Retirement

What Nobody Tells You

Retirement isn't a single decision — it's a series of them, made over years, that together decide what the rest of your life looks like. When to stop working. How to draw an income. What to do with your tax-free cash. How much you can safely spend without running out.

Get these decisions right, and retirement is the freedom you've worked decades for. Get them wrong — or simply never get round to deciding — and options that were once available quietly close. This guide is here to help you approach retirement with clarity, not guesswork.

In this guide, we'll explain:

- + **How to work out when you can actually afford to retire**
- + **Your main sources of retirement income, and how they fit together**
- + **The options for turning your pension into an income — annuity, drawdown, or both**
- + **The practical steps you can take now to strengthen your retirement pot**
- + **Our process for building your retirement plan**
- + **The documents you'll need to get started**
- + **Common mistakes people make when planning retirement themselves**

When Can You Afford to Retire?

There's no single "retirement number" that applies to everyone — it depends on the lifestyle you want, the income sources available to you, and how long your money needs to last. But a few factors consistently shape the answer.

Key factors that determine your retirement age:

- + The value of your pensions, savings, and investments today
- + Your State Pension entitlement and the age you can claim it
- + Whether you have a defined benefit ("final salary") pension
- + Your expected essential and discretionary spending in retirement
- + Any outstanding mortgage or other debt
- + Whether you plan to continue working part-time or phase your retirement
- + How much flexibility you want to build in for the unexpected

A helpful starting point is income replacement

Many advisers suggest aiming to replace 50–70% of your pre-retirement income, since certain costs — commuting, pension contributions, and often the mortgage — typically fall away. But this is a guide, not a rule: the right figure depends entirely on the retirement you want to have.

The State Pension age is currently rising from 66 to 67, phased in between April 2026 and April 2028 — worth checking against your own date of birth as you plan.

Understanding Your Retirement Income Sources

State Pension

For 2026/27, the full new State Pension is £241.30 a week (£12,548 a year), requiring 35 qualifying National Insurance years. If you reached State Pension age before April 2016, the basic State Pension is £184.90 a week (£9,615 a year), requiring 30 years.

Check your own forecast at gov.uk — many people are entitled to more, or less, than the full rate →

Workplace & Personal Pensions

Built up through auto-enrolment, employer schemes, or your own personal pension and SIPP contributions. These form the flexible core of most people's retirement income, and are usually the pot you'll draw an income from via annuity, drawdown, or both.

Other Savings & Investments

ISAs, general investment accounts, rental income, and any inheritance — all of which can supplement your pension income, often more tax-efficiently if sequenced carefully alongside it.

Turning Your Pension Into an Income

Lifetime Annuity

You exchange some or all of your pension pot for a guaranteed income for the rest of your life, however long that turns out to be. Annuity rates have strengthened considerably in recent years — a healthy 65-year-old could expect a rate of around 6.5%*, meaning £100,000 could buy roughly £6,500 a year for life. **The trade-off:** once bought, the decision is normally irreversible.

Flexi-Access Drawdown

Your pension stays invested, and you draw an income as and when you need it — with full flexibility to vary the amount, or pause it altogether. A commonly cited starting withdrawal rate is around 3.5–4% of your initial pot, adjusted for inflation each year. Your remaining pot stays invested for potential growth, and can normally be passed to your beneficiaries.

A Blended Approach

Many people do both: an annuity to cover essential, non-negotiable spending — housing, bills, food — with the security of a guaranteed income, and drawdown for discretionary spending, flexibility, and inheritance planning. This is often the best of both worlds.

Strengthening Your Pot Before You Retire

Maximise Your Allowance

The pension annual allowance for 2026/27 is £60,000 (or 100% of your earnings if lower), covering contributions from you, your employer, and tax relief combined. If you haven't used your full allowance in the last three tax years, you may be able to "carry forward" unused amounts and contribute more in a single year.

Consolidate Old Pensions

Many people accumulate several workplace pensions over a career. Bringing them together — where it's in your interest to do so — can make them easier to manage, potentially reduce charges, and give a clearer picture for your retirement planning.

Plan Your Tax-Free Cash Carefully

You can normally take up to 25% of your pension as tax-free cash, up to a maximum of £268,275 across all your pensions (the Lump Sum Allowance). How and when you take it can materially affect your overall tax position — it's rarely as simple as "take it all as soon as you can".

Our Planning Process

Our Process

- Understand Your Goals
- Gather Your Financial Picture
- Build Your Cashflow Forecast
- Explore Your Option
- Agree Your Plan Implement With You
- Review Annually

Step 1

We start with a conversation about the retirement you want — not just the numbers.

Step 2

We collect details of your pensions, savings, income, and spending.

Step 3

We model your income and spending across your whole retirement, stress-tested against lower returns and a longer life.

Step 4

We compare retirement ages, income strategies (annuity, drawdown, or blended), and tax-free cash timing side by side.

Step 5

We recommend a strategy tailored to your goals, and explain exactly why — in plain English.

Step 6

We handle the paperwork and provider liaison, so the transition into retirement is as smooth as possible.

Step 7

We revisit your plan regularly to keep it on track as life, markets, and legislation change.

Getting Started: What We'll Need From You



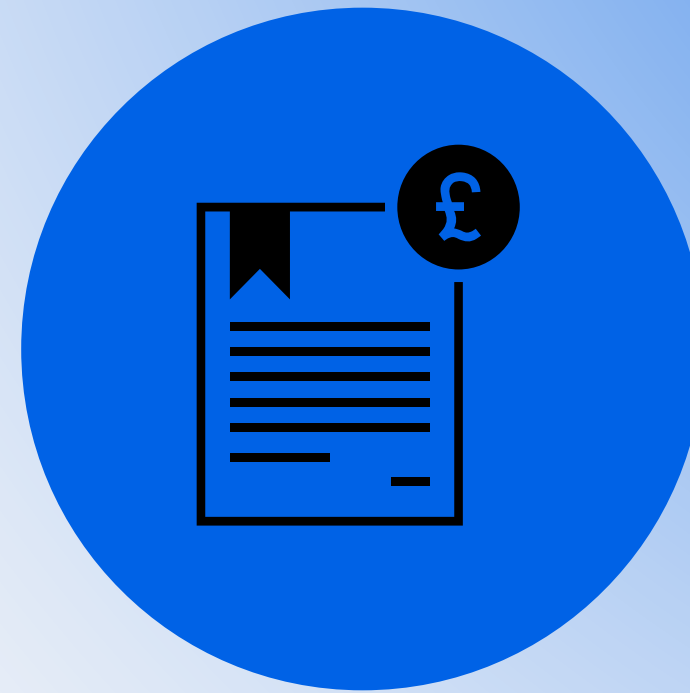
Identification

Statements for all workplace and personal pensions, your State Pension forecast from gov.uk, and details of any defined benefit schemes.



Income & Spending

Recent payslips, and a realistic picture of your current and expected retirement spending.



Savings & Other Assets

Statements for investments, ISAs, savings accounts, and details of any property, mortgage balance, or expected inheritance.

Common Retirement Planning Mistakes

Not Checking Your State Pension Forecast

Assuming you'll receive the full amount without checking your NI record — gaps are common and can significantly reduce what you're entitled to.

Taking Tax-Free Cash Without A Plan

Withdrawing a lump sum as soon as it's available, without a strategy for how it will be used, invested, or taxed if left in a bank account.

Choosing An Income Option Too Quickly

Buying an annuity — an irreversible decision — or committing to a drawdown withdrawal rate, without first stress-testing how it holds up over a 25–30 year retirement.

Not Planning for a Longer Life Than Expected

Underestimating life expectancy at 65, which now averages around 19 further years for men and 21 for women, meaning many plans need to work for longer than people assume.

Case Study

Margaret came to us six months from her planned retirement date, with a pension pot of £310,000 and a strong sense that she “should probably get some advice” but no clear plan. She was torn between buying an annuity for the security, and using drawdown to give her more flexibility to help her son with a house deposit.

Pension pot at retirement	£310,000
Tax-free cash taken	£77,500
Strategy	Blended: partial annuity + flexi-access drawdown
Guaranteed annual income (annuity + State Pension)	£18,200
Additional flexible income from drawdown	£8,000–£10,000 (variable)
Pot sustainability (stress-tested)	To age 96+

What Worked

Rather than choosing one option and hoping for the best, Margaret was able to see exactly how a blended strategy covered her essential costs with guaranteed income, while still leaving room to help her son and maintain flexibility for the years ahead.

How we Supported

We modelled several scenarios together, including what would happen if she delayed retirement by a year, and stress-tested her plan against a market downturn in the first five years of retirement — a period that carries particular risk for drawdown investors. Margaret retired on schedule, with a plan she understood and trusted.

Your Retirement Checklist

- ☐ Checked your State Pension forecast and qualifying years
 - ☐ Located statements for all pensions, including old workplace schemes
 - ☐ Worked out your expected essential and discretionary spending
 - ☐ Considered whether an annuity, drawdown, or a blend suits you best
 - ☐ Thought about how and when you'll take your tax-free cash
 - ☐ Reviewed your annual allowance and any carry forward available
 - ☐ Booked a conversation with an adviser to build your full plan
- Six months out or six years out — the earlier you start planning, the more options you keep open. Get in touch**

Frequently Asked Questions

How do I know if I have enough to retire?

There's no universal number — it depends on your spending needs and income sources. A cashflow forecast is the most reliable way to test whether your specific plan will support the lifestyle you want, for as long as you need it to.

What age can I access my pension?

Normally from age 55, rising to 57 from 6 April 2028 for most people, unless you hold a protected pension age. Your State Pension is separate and paid from your State Pension age.

Should I choose an annuity or drawdown?

It depends on your priorities. Annuities suit those who want guaranteed income and certainty; drawdown suits those who want flexibility and the ability to pass on remaining funds. Many people choose a blend of both.

How much tax-free cash can I take?

Normally up to 25% of each pension, capped at £268,275 in total across all your pensions for most people (2026/27 figures).

What if I want to keep working part-time?

Many people phase their retirement, drawing a partial income while continuing to work. This can be built into your plan and often makes your pot last considerably longer.

Can I change my mind after choosing an income strategy?

Drawdown can usually be adjusted as circumstances change. An annuity, once purchased, is normally a permanent decision — which is why we recommend fully exploring the alternatives first.

How often should I review my retirement plan once I've retired?

At least annually. Markets move, spending needs change, and rules around pensions and tax are updated regularly — a plan built once and never revisited can drift off track.

What happens to my pension if I die before I've spent it all?

Under current rules, drawdown pensions can usually be passed to your beneficiaries, often free of tax if you die before age 75. Rules in this area are changing, so it's worth checking your specific position with us.

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Speak to 1st Financial Foundations

Ready to Plan Your Retirement With Confidence

The best time to start planning is well before you need to. Let's build a plan together.

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