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ONE IN TEN WILL 'CASH IN THEIR ENTIRE PENSION SAVINGS'

- **Prudential's *Class of 2018* study shows that 10 per cent) retiring this year plan to take all their pension savings as a lump sum**
- **Up to 20 per cent) will risk unnecessary tax bills by taking out more than their tax-free allowance as a lump sum**
- **More than one in three (34 per cent) are using the lump sums to fund holidays**

Around one in 10 (10 per cent) planning to retire this year expect to withdraw their entire pension savings as one lump sum, reveals new research[1] from Prudential's *Class of 2018,* risking a potential tax bill shock and their future retirement income.

The findings are part of Prudential's unique annual research into the financial plans and aspirations of people planning to retire in the year ahead – now in its 11th year – and shows in total that one in five (20 per cent) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25 per cent limit on withdrawals.

However, they are not necessarily spending all the cash – the study found the main reason given by those taking all their fund in one go was to invest in other areas such as property, a saving accounts or an investment fund (71 per cent). And interestingly research shows around two thirds (66 per cent) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15.744 billion[2] in flexible payments.

Government estimates[3] show around £2.6 billion was paid in tax by people taking advantage of pension freedoms in 2015/16 and 2016/17 tax years with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays with 34 per cent planning to spend the money on trips. Around (25 per cent) will spend the money on home improvements while one in five (20 per cent) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages.

What they will spend their money on	Percentage
Holiday(s)	34 per cent
Home improvements/decoration	25 per cent
Gifts to children or grandchildren	20 per cent
New car or second-hand car	20 per cent
Paying off mortgage	18 per cent

Table one: Top five things retirees plan on spending their lump sum cash on

Source: Prudential *Class of 2018*

Stan Russell, retirement income expert at Prudential commented: "Pensions freedoms allows savers to have the flexibility on how and when to spend their money without being penalised by the tax system but it is worrying that so many will withdraw more than the tax-free lump sum limit.

"The risk is even greater for those who are taking all their pension fund in cash. They not only face paying more in tax than they have to but also put their long-term retirement income security at risk.

"Consulting a professional financial adviser in the run-up to retirement or seeking guidance from the free resources available including The Pensions Advisory Service can help to plan ahead. This would ensure people access their pension in a way that benefits their long and short-term aims without giving too much to the taxman."

- Ends -

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Radio interviews via ISDN or various smartphone apps can be arranged on request.

Notes to editors

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9.896 non-retired UK adults aged 45+, including 1,000 planning to retire in ***2018***.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_2018.pdf

[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/