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INVESTMENT

Is Taking Your Tax-Free Cash the Right Move?

Over the first two articles in this series we've covered how much tax-free cash you're entitled to, and the different ways you can take it. The final question is the most personal one: does it make sense for you, and if so, when? Research suggests over-55s are often drawn to taking it all in one go as a psychological milestone — but that isn't always the most financially efficient choice.

Reasons people take it

- **Clearing debt** — particularly a mortgage, to enter retirement with lower fixed outgoings.
- **A sense of milestone** — for many, taking the lump sum marks the psychological start of retirement.
- **Gifting or supporting family** — for example, helping with a house deposit, subject to inheritance tax planning considerations.
- **Simplifying finances** — many people prefer to enter retirement with as few moving parts as possible.

Reasons to think twice

- **Loss of the tax-free wrapper** — cash taken out and not spent, then reinvested elsewhere, is no longer sheltered from tax on its growth or income.
- **Reduced future growth potential** — money left invested within the pension has the potential to keep growing, though this isn't guaranteed and values can fall as well as rise.
- **Means-tested benefits** — if you receive, or might rely on, benefits such as Universal Credit or Pension Credit, accessing pension savings can affect your entitlement.
- **Irreversibility for DB members** — commuting guaranteed income for cash from a final salary scheme cannot usually be undone.

> ### A word on timing and future changes
> The Lump Sum Allowance has been confirmed unchanged for the current tax year, but pension tax rules have a long history of being adjusted at future Budgets. This uncertainty is a legitimate factor in planning, but it shouldn't be the only reason to act — the right decision still depends on your own income needs, tax position and objectives.

Sequencing matters if you have multiple pensions

If you have several pensions, the order and timing of withdrawals can be an important planning consideration, particularly where you hold defined benefit pensions, historic protections or different tax-free cash entitlements. Your available Lump Sum Allowance is shared across your pension arrangements, so previous withdrawals need to be taken into account.

The bottom line

There's no single right answer — the value of tax-free cash lies in matching how and when you take it to your own income needs, tax position, and plans for the money. A lump sum to clear a mortgage might make complete sense for one person, while phased withdrawals alongside ongoing income might suit another far better.

If you're weighing up your own tax-free cash options — whether that's timing, sequencing across multiple pensions, or simply whether to take it at all — we'd be glad to talk it through with you. Contact us at **info@synergi-investment.ch**

This article is for general information only and does not constitute financial or tax advice. It reflects our understanding of HMRC rules for the 2026/27 tax year, which are subject to change, and does not take into account your personal circumstances. You should seek personalised advice before making any decisions about your pension.