



SUMMER PENSION ROUND-UP

MANAGING YOUR WEALTH

Making confident choices with your retirement savings

With life moving fast and demands on our time and finances never-ending, it's easy to push pensions down the priority list. Add to that the 'noise' created by global geopolitics, economic challenges and their impact on markets, and it's no surprise that many people feel unsure about the right way forward.

Sometimes, burying your head in the sand, preferably on a summer holiday, may feel like the most favourable option. But when it comes to your finances, neither inertia nor acting in haste is recommended. In fact, making informed, strategic, confident decisions about your wealth has arguably never been more important.

A decade of pension freedoms – but are savers better informed?

It's now been ten years since the pension freedoms were introduced in 2015, giving over-55s more flexibility in how they access their retirement savings. Yet many people are making major decisions without seeking advice or fully understanding the consequences.

Research from Royal London¹ has found that just four in ten over-50s have considered the tax implications of withdrawing taxable lump sums, and only 39% have taken financial advice. While more than half of individuals took the full 25% tax-free lump sum, many used the money to pay off debts or moved it into savings, decisions that may not always serve their long-term interests.

Worryingly, nearly one in five didn't seek any guidance at all before making these decisions. With life expectancy on the rise and some retirees expected to live well into their 80s or beyond, planning for retirement income that lasts is essential.

The 'lottery effect' and risky behaviours

A further concern is what experts are calling the 'lottery effect' — the tendency to treat pension access like a windfall. A new study from Legal & General² found that one in seven people saw their pension lump sum as a bonus, while nearly half accessed their pot simply because they could.

This kind of impulsive behaviour can be risky. With the average life expectancy of a 60-year-old in the UK now around 86, many retirees could find themselves running out of savings by their late 70s, potentially facing a lengthy period without adequate income.

Looking ahead, further change is coming. From 2027, unused pensions may become subject to Inheritance Tax (IHT), adding further complexity to long-term retirement planning. Taking advice can help reduce the risk of costly errors and ensure that your savings continue to work for you.

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Career choices and pension outcomes

It's also worth recognising how career progression can impact pension wealth. Research from Standard Life³ shows that someone earning £25,000 at age 22 with steady annual pay rises of 3.5% could retire at 68 with a £210,000 pension pot. Boost that salary growth to 5% and the pot could grow to £290,000. But retire at 58, and that same pot could shrink to £176,000.

The message here is clear: while rapid career progression can support better outcomes, early retirement or burnout may significantly reduce your retirement savings. Striking a balance between ambition and wellbeing is key.

References:

1 [Royal London](#)

2 [Legal & General](#)

3 [Standard Life](#)

We're here to help

Take control of your financial future. Speak to a qualified financial adviser to make the most of your pension.

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