GILSONGRAY
FINANCIAL MANAGEMENT

Think about the order in which you use your retirement pots

The way you access your funds can make a big difference to how much tax you'll pay in retirement

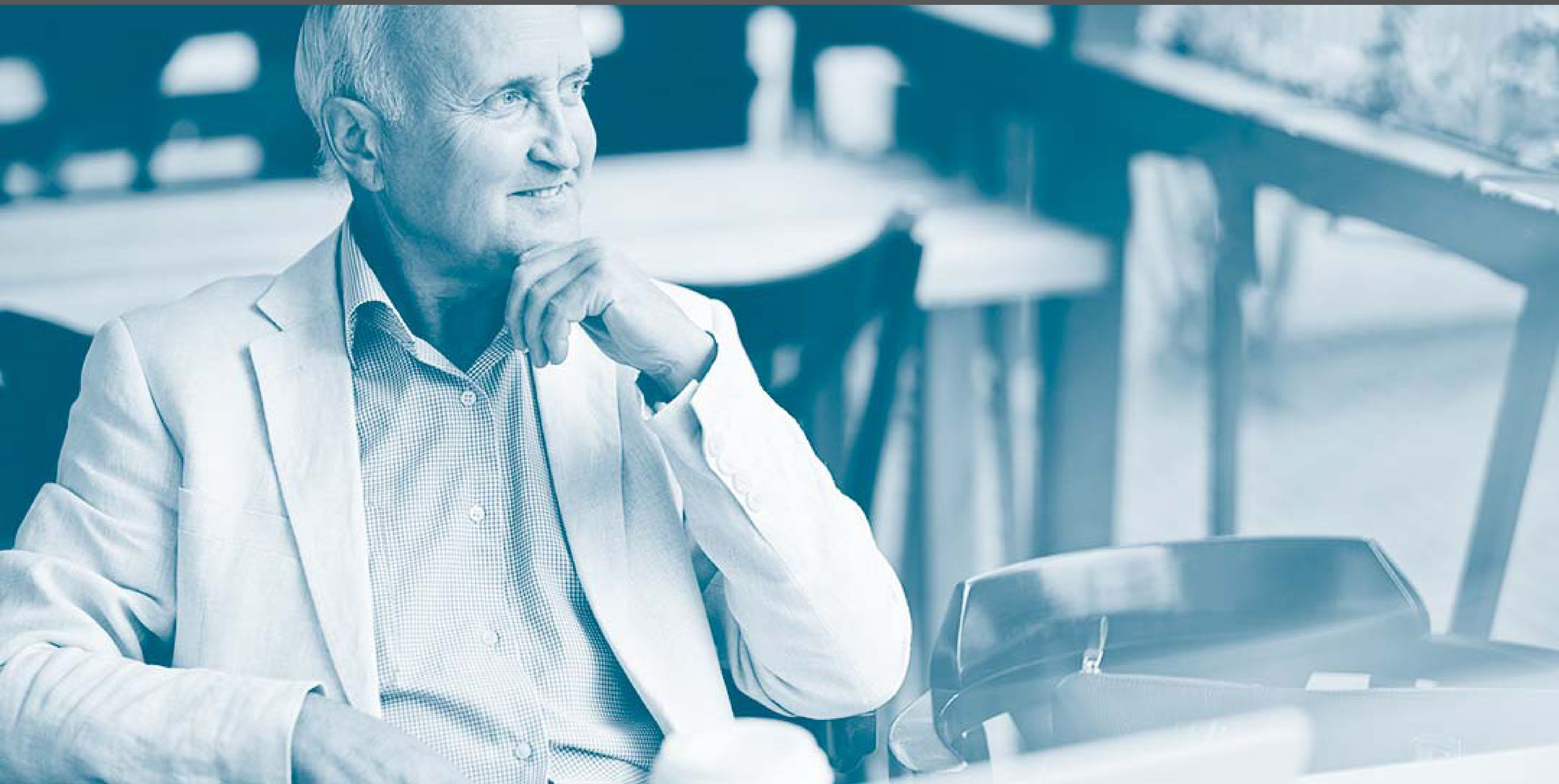
01 Let's say you plan to retire at 68...

With ISAs worth

£80,000

and a pension pot of

£200,000



02

The money you put into the ISA has already been taxed, but you won’t pay any capital gains tax or income tax on it if you start to withdraw the money to use in retirement.

ISAs

Money in → Taxed

£80,000

Money out → No tax

However, the money you put into the pension received tax relief on the way in, so aside from the tax free lump sum you will be liable for Income Tax on it when you start to withdraw it.

Pension

Money in → No tax

£200,000

Money out → Taxed

03

Because of this, it generally makes sense to use the money from your ISA in retirement first and leave the pension pot until you need it. This also means your pension pot has more time to potentially grow.

There's also another benefit – the money in your ISA counts as part of your estate for Inheritance Tax (IHT) purposes, whereas your pension doesn't.

So using the ISA first removes it from your estate and means your loved ones are likely to inherit more from you and pay less IHT when you pass away.

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When it comes to accessing your retirement pots, advice is essential to make sure you're doing it in the most tax– efficient way possible. Contact us now to find out more.

Taxation rules can change at any time and are dependent on individual circumstances.