Your income drawdown option

You can choose to take your pension benefits in the form of income drawdown. This option lets you:

- Move some or all of your existing pension savings to 'income drawdown' from the minimum pension age. The minimum pension age is currently age 55. From 6 April 2028 this will be age 57 unless you have a protected pension age. To find out more visit **aviva.co.uk/nmpa**. Normally 25% of the amount you're moving will firstly be paid as a tax-free lump sum.
- Invest the remaining amount in your income drawdown fund until you're ready to start taking income from it. You don't have to take any income from the money you put into income drawdown immediately.
- Continue to make payments into your 'accumulation funds' (money that you've not moved to income drawdown).

Please read this document with your Key Features Illustration and Terms and Conditions. Deciding what to do with your pension savings is a big decision and we always recommend you get financial advice before making up your mind. The 'Making your retirement choices – help and guidance' leaflet we've sent gives details of where you can find help and information.

You can start income drawdown through your existing plan or by transferring your pension savings to another pension plan or provider who offers this. You should shop around to get the features and benefits most suited to you. This document explains what happens if you decide to start income drawdown through your existing plan.

Things to think about

- Currently there's no limit on the number of withdrawals you can take from your plan in any 12 month period.
- Unfortunately we can't set up income payments that are automatically paid to you on a regular basis e.g. weekly, monthly or yearly.
- Any money you take from your income drawdown fund will be taxed as income. Any tax-free lump sum will have been paid from your accumulation funds before any money is actually moved to income drawdown and can't be made from the income drawdown fund.
- You have to decide how you wish your income drawdown funds to be invested. See 'things to consider about your investments' section for more information.
- You can still transfer your plan to another pension plan or provider. The transfer will apply to your whole plan (both income drawdown funds and any accumulation funds you may have). Some providers may not accept this type of transfer.
- For the money that remains invested, both in accumulation and drawdown funds, charges will still apply.
- You can use your pension fund to buy a guaranteed income at any point in the future.
- From age 75, only income drawdown funds can be held in your plan. You'll need to move any accumulation funds to drawdown, or choose another retirement option, before your 75th birthday. This means we can't accept any pension payments after you're 75 and you won't be entitled to a further tax-free lump sum. We'll contact you soon before your 75th birthday to explain your options. For full details, please see the terms and conditions amendment document, Terms and Conditions for Uncrystallised Funds Pension Lump Sum and Income Drawdown.
- If you're paying for financial advice from your accumulation funds, this will stop or reduce when you take a tax-free lump sum and move funds to income drawdown. If so, you may need to pay any outstanding adviser charges directly to your financial adviser.
- If the option is available for your plan, you can set up a new instruction to Aviva to deduct and pay adviser charges from your income drawdown funds.

What are the risks?

Managing your money is an important decision and there are a number of risks you need to be aware of. If you're unsure about making your own investment decisions you should get financial advice. You should feel confident about making investment decisions.

- The value of your investments can go down as well as up. You may get back less than the amount that's been invested, so you could lose money.
- You need to make sure that your investments are right for you; you should review your investment options as you're deciding to move your money to income drawdown and on a regular basis after that. Have a look at your investment fund range in MyAviva or see **aviva.co.uk/retirement/fund-centre** for information about our funds, including daily prices, performance and details about our charges.
- Taking money from your pension pot reduces its value and the potential growth you could make. Think carefully about the amount of any withdrawals you're likely to need as well as how often and when you'll need to take them. Withdrawals can dramatically affect how long your pot will last. Remember, the aim of your pension pot was to enable you to take an income for the rest of your retirement. Before taking a withdrawal, our illustration will indicate how long your pot may last following the withdrawal.
- Paying adviser charges from your income drawdown pot affects its value and investment return. Your illustration shows the effect of any adviser charges on your income drawdown funds.
- This isn't a guaranteed income for your lifetime. Therefore you'll need to think about how you'll provide for yourself and your dependants in the future.
- You could get a different income than if you used your money to buy a guaranteed income (annuity).

- Upon moving your money to income drawdown, you won't have the option to invest your income drawdown funds into our with-profits funds, With-Profit Guaranteed Fund or the Pension Assured Fund. We may apply a Market Value Reduction or a Market Depreciation Discount to any money you move to income drawdown if you're already invested in a with-profits fund, the With-Profit Guaranteed Fund or the Pension Assured Fund. Also, if you're invested in the With-Profit Guaranteed Fund you'll lose the guarantee when moving this money to drawdown. Please read the 'Things to consider about your investments' section below for details.
- In certain circumstances, we may need to delay transfers, switching funds and payments (including tax-free lump sums and single income payments). This could be as a result of adverse market conditions or where it leads to the unfair treatment of other investors. The delay may be up to one month for most funds or up to **six months** if the fund you're invested in can't easily be converted to cash. This includes:
  - A property fund; or
  - A fund that's fully or partly invested in the form of land or buildings.

  After such a delay, the unit price received will be the price applicable at the end of the deferred period.

  We'll let you know if and why we need to delay payments, transfers and switching funds. For more information, please refer back to your original plan terms and conditions.
- If you have any integrated life cover and/or waiver of contribution cover option on your current plan, this will stop when you move your money to income drawdown. Your illustration will indicate if this applies to you. If you still want life cover, you'll have to set up another policy.
- If you're entitled to large fund discounts and/or loyalty units these may stop when you move your money to income drawdown. Your Illustration will indicate if this applies to you.
- If you're entitled to means-tested benefits, your benefits could be affected by taking this option. Go to **gov.uk** to find out more.

What about tax?

The tax details displayed below are correct at the time of publication (tax year 2024/25).

- After you've taken your tax-free lump sum, any payments you take from your income drawdown funds are subject to income tax. Drawdown income is taxable under PAYE regulations. The amount of tax you have to pay will depend on your income tax rate at the time the income payment is made and you could end up in a higher tax bracket. The amount of tax deducted from the payment is unlikely to be the exact amount due, so you'll be responsible for reclaiming any overpayments, or paying any additional tax due to HM Revenue & Customs (HMRC).
- You won't incur a personal tax liability on any fund growth as long as it remains invested.
- If you only take a tax-free lump sum, your annual allowance (the amount you can save into a pension before tax charges could apply) may remain at £60,000 (2024/25).
- Taking any income in addition to your tax-free lump sum will trigger the money purchase annual allowance (MPAA). You may still have an annual allowance of £60,000 in total, but no more than £10,000 can be paid into a defined contribution (money purchase) pension, with the remainder being available for other pension savings (for example, a Defined Benefit pension). If you wish to continue to contribute to your accumulation funds or a different pension in the future you should get some financial advice or guidance before choosing this option.
- Currently, if you have an income of more than £200,000 (excluding pension contributions) and an income of more than £260,000 (including the value of any pension contributions) your annual allowance may be reduced.
- Your tax treatment depends on your main place of residence as advised to us by HMRC and your other individual circumstances. The tax treatment may be subject to change in the future.

So what are the Lump Sum Allowance and the Lump Sum & Death Benefit Allowance?

HMRC places limits on the amount of tax-free benefits that can be taken from pension schemes. The limits apply to benefits during your lifetime and on death. Income tax is payable on benefits taken above these amounts.

For tax year 2024/25 the standard Lump Sum Allowance is £268,275 and the standard Lump Sum and Death Benefit Allowance is £1,073,100. Your remaining allowances reduce each time you take benefits. Your personal allowances may be higher than the standard amounts if you've been granted one or more of the types of protections by HMRC.

Normally you can take 25% as a tax-free lump sum, each time you move your money into income drawdown. If you don't have enough allowances to cover that amount the tax-free lump sum will be reduced. The tax-free lump sum(s) will count towards your Lump Sum Allowance and your Lump Sum & Death Benefit Allowance.

If you think you're close to, or might not have enough of, the allowances to allow payment of the tax-free lump sum, it's important that you talk to a financial adviser.

If you think you won't have enough allowances or you have any form of protection, please give us a call.

To work out if you've enough remaining allowances you need to work out the total value of tax-free retirement benefits you've taken so far, whether they're still in payment or not. You don't need to include state benefits or any benefits paid to you as a dependant. You'll need to find out the value of each pension plan you have and your pension providers will be able to tell you how much of the allowances you've used or will use.

Recycling tax-free lump sums

You can usually take 25% of your pension pot as a tax-free lump sum. However, you can't take that money and use it to significantly increase your payments into any registered pension scheme. HMRC would see this as recycling your tax-free lump sum in an effort to benefit from it again.

There will be severe tax implications for you and us if you try to recycle your tax-free lump sum. If your actions lead to us incurring a tax charge, we may ask you to cover that cost. Further information on the rules that apply is available from HMRC at **hmrc.gov.uk**

Things to consider about your investments

Choosing where to invest your income drawdown fund is an important decision.

You have three investment options;

- choose an investment pathway fund,
- select from our available fund range,
- invest in the same funds used for your accumulation funds (but see below for some limitations).

With-profits funds and the Pension Assured Fund

Upon moving your money to income drawdown, you won't have the option to invest your income drawdown funds into a with-profits fund or the Pension Assured Fund.

If you're currently invested in a with-profits fund or the Pension Assured Fund you must choose an alternative fund/s to invest your income drawdown funds.

We'll add any additional bonus due before buying units in the alternative fund but we may also apply a market value reduction (MVR) to any with-profits funds or a Market Depreciation Discount (MDD) to the Pension Assured Fund. If you're affected by this you'll see the details on your illustration.

Aviva Pension With-Profit Guaranteed Fund

If you're invested in the Aviva Pension With-Profit Guaranteed Fund, the same terms as above will apply. In addition, please remember that the regular bonus rate for the With-Profit Guaranteed Fund is guaranteed not to go below a minimum of 4.00%. You may lose some or all of this benefit when you take your tax-free lump sum. **Any money moved out of this fund for income drawdown will lose this guarantee.**

Any money invested in the With-Profit Guaranteed Fund will be moved last so you can keep the guarantee for longer. If you move all of your money to income drawdown, you'll lose the guarantee as you'll no longer have any money invested in the With-Profit Guaranteed Fund.

Investment pathways

An Investment Pathway is a pension fund available as an investment option for your income drawdown pot, linked to a specific goal for how you want to take money in the future.

Investment pathways make investing an easier choice if you've decided not to take financial advice and if you're not confident in making your own investment decisions. The investment pathway options vary depending on what you plan to do with your income drawdown money.

Please refer to our 'Information about Aviva's investment pathways' document for details.

Automatic switching – also known as lifestyling, phased switching or lifestaging

If you don't choose alternative investments for your income drawdown pot, and you currently have auto-switching, it'll continue to apply proportionately across your income drawdown funds and any remaining accumulation funds.

If you choose different funds for your income drawdown pot to your accumulation pot, auto-switching won't apply to your income drawdown funds and it can't be reinstated. Auto-switching will continue to apply to your accumulation pot.

Reviewing your existing auto-switching strategy is very important. Your existing strategy may not be suitable for you once you've started income drawdown. For example, your existing auto-switching strategy may be designed for buying an annuity at your chosen retirement age rather than preparing it for flexible access. Even if you're in a strategy aimed at income drawdown, it may no longer be suitable once you've taken your tax-free lump sum.

Choosing your investments when opting for income drawdown is very important and needs to be considered carefully. Remember, you can change your investments at any time. It's in your best interests, if you haven't done so already, to obtain financial advice about the suitability of your investments and about taking single income payments.

If you change your retirement age at the same time as moving your money to income drawdown, your lifestyling or phased switching strategy may stop. For lifestaging strategies your investments will be automatically moved to the funds and in the proportions appropriate for your new retirement date. This is known as 'rebalancing' and will take place on the day we change your retirement age.

From age 75, any automatic switching will stop. Whatever investment funds you're in at the time will stay the same and may not be suitable for you anymore.

To understand more about automatic switching, visit **aviva.co.uk/retirement/fund-centre/pension-funds/other-investment-options/**

What happens if I die and there's money left?

Any money you have left when you die can be passed on.

- **If you're under age 75** this will normally be tax-free so long as the payment is within your Lump Sum & Death Benefit Allowance limit.
- **If you're 75 or older**, the person your money goes to will pay income tax on the payment they get.

Can I change my mind about moving funds to income drawdown?

Yes. You have 30 days in which you can change your mind about setting up income drawdown. Your 30 days start when you receive confirmation from us that your income drawdown option has been set up. At that time we'll send you a reminder about your cancellation right and a cancellation form to complete if you want to cancel.

You can only cancel your income drawdown option and not your decision to take a tax-free lump sum from your plan. Any adviser charges paid from your income drawdown funds can't be refunded to your plan. You'd be responsible for paying any outstanding adviser charges.

If you decide to cancel you'll have to tell us what you want to do with your money you're moving to income drawdown and return any income withdrawal taken at the time. If you don't tell us what to do with your money within 30 days of asking us to cancel, then the income drawdown terms will apply and your cancellation won't go ahead.

If you don't cancel within the 30 days, your income drawdown will continue as set out in the terms and conditions amendment document, Terms and Conditions for Uncrystallised Funds Pension Lump Sum and Income Drawdown.

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