

A GUIDE TO RETIREMENT PLANNING

Rethinking retirement strategy:
why age 75 matters more than ever



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A guide to reviewing your pension strategy in light of modern retirement rules

For many years, retirement planning centred on a single milestone: the age at which work stopped and pension benefits began. For successive generations, this typically aligned with the State Pension age, currently 66.

However, the structure of the pension system, combined with longer life expectancy and more flexible retirement patterns, has shifted the emphasis. Increasingly, age 75 has become a pivotal moment within retirement planning. This does not mean individuals must continue working until that age. Rather, it reflects how pension tax rules, contribution limits, death benefit treatment, and access restrictions converge at 75, making it a natural point for strategic planning.

Understanding how these rules operate can help ensure that retirement income strategies remain efficient, flexible, and aligned with long-term objectives.

HOW INCOME DRAWDOWN HAS CHANGED RETIREMENT PLANNING

The widespread adoption of flexi-access drawdown has fundamentally

altered retirement behaviour. Instead of converting pension savings into a guaranteed income through an annuity at retirement, many individuals now leave their funds invested and withdraw income as needed.

This approach offers significant flexibility. Pension assets can continue to participate in market growth, withdrawals can be adjusted to reflect spending needs, and in some cases, individuals continue contributing while working part-time. Retirement is no longer a fixed event but a gradual transition.

However, this flexibility also introduces complexity. Because pension funds often remain invested for longer, planning decisions must now account for long-term tax exposure, the sustainability of withdrawals, and estate considerations over several decades. Age 75 marks a point at which several of these planning factors change materially.

IMPORTANCE OF THE AGE 75 CONTRIBUTION LIMIT

Under current HM Revenue & Customs rules, tax-relieved pension contributions are generally not permitted beyond age 75.

Although individuals may continue earning income, pension schemes typically stop accepting contributions that qualify for tax relief once this age is reached.

For those who remain economically active in their late 60s and early 70s, this creates a finite window for tax-efficient pension funding. Employer contributions, company contributions for directors, and personal contributions all need to be considered within this timeframe.

As a result, retirement planning should not only focus on when withdrawals begin but also on how pension funding is maximised before the opportunity closes. Ensuring contributions are structured efficiently in the years leading up to 75 can materially strengthen long-term retirement outcomes.

MANAGING TAX-FREE CASH STRATEGICALLY

Pension rules currently allow up to 25% of pension savings to be taken as tax-free cash. While this is often associated with the start of retirement, it does not need to be taken as a single lump sum. Funds can be crystallised gradually, allowing tax-free cash to be taken in stages.



In practice, the timing and sequencing of tax-free withdrawals can have significant implications. Some historic scheme rules and the legacy impact of the former lifetime allowance framework can create administrative or structural complications later in retirement. Furthermore, delaying decisions without a coordinated strategy may limit flexibility after 75.

A structured approach involves assessing whether tax-free cash should be drawn down progressively, retained within the pension wrapper for continued growth, or redeployed into other tax-efficient environments, such as ISAs. The objective is not merely to withdraw funds but to integrate tax-free entitlements into a broader income and estate plan.

INHERITANCE POSITION BEFORE AND AFTER AGE 75

One of the most significant distinctions concerns how pension funds are treated on death.

If an individual dies before reaching 75, the remaining pension funds can typically be passed to nominated beneficiaries without income tax being payable on withdrawals. After 75, beneficiaries

usually pay income tax at their marginal rate when drawing funds.

In addition, proposals to bring unused pension funds within the scope of inheritance tax from April 2027 could increase overall tax exposure in certain estates. Although the legislation remains subject to change, the direction of travel underscores the importance of coordinated estate and pension planning.

For this reason, age 75 is a natural review point. Decisions about withdrawal timing, beneficiary nominations, and integration with other assets can materially affect how efficiently wealth is transferred across generations.

PHASED DRAWDOWN AS A STRUCTURED INCOME APPROACH

A phased drawdown strategy involves crystallising pension benefits gradually rather than in a single transaction. Each time funds are crystallised, up to 25% of that portion can be taken tax-free, with the balance remaining invested and available for income withdrawals.

This method allows income to be managed carefully over time.

By controlling the level of taxable withdrawals each year, individuals can remain within the desired income tax bands, utilise personal allowances efficiently and reduce the risk of unnecessary higher-rate exposure.

Phased drawdown also supports longevity planning. Because funds remain invested, there is continued opportunity for growth, helping sustain income over a potentially lengthy retirement. When coordinated properly, this approach can balance flexibility with long-term sustainability.

MAXIMISING CONTRIBUTIONS BEFORE THE WINDOW CLOSES

Where earnings continue, it may be appropriate to review whether pension contributions should be increased before age 75.

Personal contributions attract tax relief at the individual's marginal rate, whereas employer or company contributions may be deductible as a business expense. For directors and business owners, pension funding can form part of a wider remuneration strategy, potentially



reducing corporation tax while building personal retirement provision.

Carry-forward rules may also allow unused annual allowances from previous tax years to be utilised, subject to eligibility conditions. Accelerating pension funding within the permitted window can enhance long-term growth while securing valuable tax relief that would otherwise be lost once the age limit is reached.

INTEGRATING PENSIONS WITH ESTATE AND WIDER FINANCIAL PLANNING

A retirement strategy should not be considered in isolation. Pensions interact with other assets, income sources, and estate-planning objectives.

For example, some individuals may opt to draw modest pension income while preserving ISA portfolios for later-life flexibility. Others may use pension withdrawals to fund lifetime gifts, gradually reducing estate exposure. In certain cases, guaranteed income solutions such as annuities may be introduced later in retirement to provide stability alongside drawdown flexibility.

The key is alignment. Pension decisions taken in the years leading up to 75 should reflect anticipated lifestyle

needs, family objectives and long-term tax considerations. A coordinated strategy reduces the likelihood of reactive decisions later.

PLANNING AHEAD WITH CLARITY

Retirement today is rarely defined by a single date. It is a phased transition, often spanning many years. Within that transition, age 75 is a structural turning point under current pension legislation.

For many individuals, the period leading up to 75 is focused on maximising tax-efficient funding, managing withdrawals strategically and preparing for a shift in estate treatment. After 75, emphasis may move towards

sustainable income distribution and legacy planning.

Reviewing your pension position in advance enables decisions to be made deliberately and in line with your broader financial objectives. ■

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How DG Financial can help

At DG Financial, retirement planning is treated as an evolving strategy rather than a single event. By reviewing your pension position before age 75, we can help ensure contributions are structured efficiently, drawdown strategies remain sustainable, and estate considerations are properly integrated into your overall financial plan.

Professional advice provides clarity on complex pension legislation and supports confident decision-making at each stage of retirement.



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