

Flexible Payments from Pensions

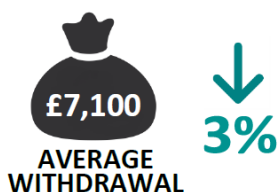
April 2020 Official Statistics



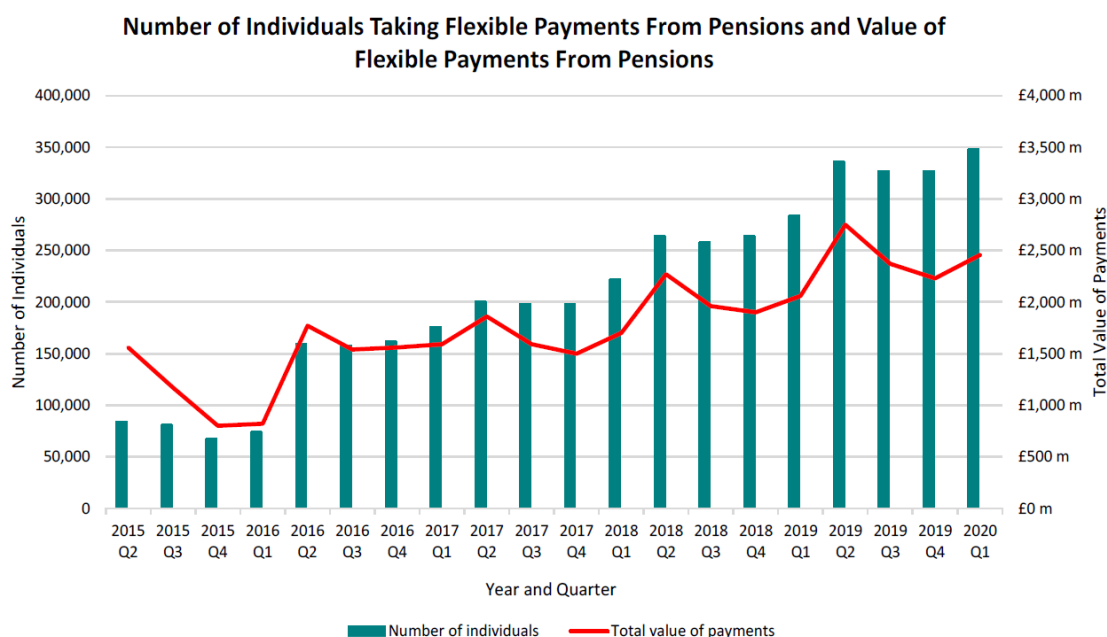
Through Q1 2020, £2.5 billion was withdrawn from pensions flexibly - a 19% increase from £2.1 billion (Q1 2019). The total value of flexible withdrawals from pensions since flexibility changes in 2015 has now exceeded £35bn.



Q1 2020 saw 348,000 individuals withdraw from pensions, a 23% increase from 284,000 in the same quarter of the previous year. There has also been an increase in the number of individuals withdrawing compared to the previous quarter Q4 2019 (327,000) – which reflects normal seasonal patterns. Withdrawal numbers typically rise in Q1, before peaking in Q2, as this coincides with the beginning of a new tax year. This seasonality comes as some individuals access their pension over a number of years and often use the flexibility to withdraw funds at the beginning of the tax year.



The average amount withdrawn per individual in Q1 2020 was £7,100, falling by 3% from £7,300 in Q1 2019. Since reporting became mandatory in Q2 2016, average withdrawals have been falling steadily and consistently, with peaks in the second quarter of each year becoming a noticeable trend.



Background to Pensions Flexibility

Pension freedom tax rules allow members of defined contribution pension schemes to access their pension savings early, provided they have reached the required minimum pension age (currently 55).

Scheme members can take their pension benefits in a number of ways. This could be as one or more payments a year for a number of years, several payments a year over a shorter timeframe or the full value of the fund could be taken in one payment.

HMRC only receives information on taxable flexible payments. Tax free payments or any elements of payments that are not taxed are not included in these statistics.

The numbers published for tax year 2015 to 2016 are not comprehensive. To manage the burden on industry, reporting was optional for tax year 2015 to 2016, before becoming mandatory from April 2016. The increase in reported payments seen in Q2 2016 onwards is expected to partly result from this.