

Tax Wrappers Explained:

SIPP Drawdown

A Self-Invested Personal Pension (SIPP) is used to build up retirement savings. SIPP Drawdown (also known as “flexi-access drawdown”) is how you can take income and/or lump sums from your SIPP once you’ve reached minimum pension age. It gives you flexibility over when and how you draw money, while keeping the balance invested.

Who can use SIPP Drawdown?



Available once you reach the **minimum pension age** (currently 55, rising to 57 in 2028).

You must already have a pension pot, such as a SIPP that offers drawdown (or transfer your pensions to an appropriate one).

It is not a separate allowance – it’s how you access the money you’ve accumulated.

How does SIPP Drawdown work?



You can normally take up to **25% of your pot tax-free** (either as a lump sum or in stages).

The remainder stays invested and can be withdrawn flexibly but is taxed as income when drawn.

Withdrawals can be regular payments, one-off lump sums, or a combination.

Funds left invested continue to grow tax-efficiently inside the pension wrapper.

Before you can access your SIPP



You must formally apply to move into drawdown, as funds are held in trust on behalf of SIPP members (or beneficial owners) – as such this process takes time to administer.

Providers will signpost free government guidance (Pension Wise), available to anyone aged 50+.

Financial advice is strongly recommended – and in some cases a requirement.

Withdrawals are taxed as income (first withdrawals are often taxed on an emergency basis, until your provider receives your correct tax code) and should be reviewed regularly.

Benefits



Flexibility: unlike an annuity, you decide how much income to take and when.

Potential for growth: investments remain in markets, with the chance of growth over retirement.

Intergenerational planning: any unused funds can usually be passed to beneficiaries, often free of inheritance tax* (though income tax may apply depending on your age at death).

Key considerations



Investment risk continues – your pot could fall as well as rise, and you may run out of money if withdrawals are too high.

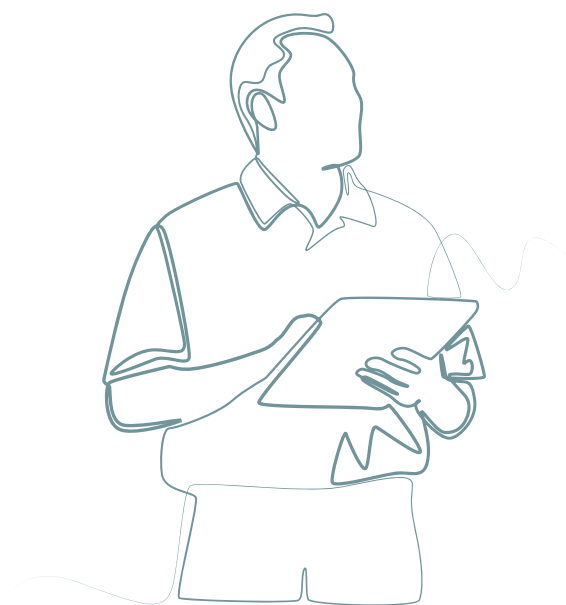
Withdrawals (beyond the tax-free lump sum) are taxed as income, which may affect your marginal income tax rate.

Once you access income via drawdown, the **Money Purchase Annual Allowance (MPAA)** rules will apply, therefore reducing your future pension contribution allowance from £60,000 to £10,000 per year.

You need to review your withdrawals and investments regularly to ensure sustainability of income.

For more information about SIPP's and Drawdowns, speak to your Adviser or visit killik.com.

**From 6 April 2027 most unused pension funds and death benefits will be included within the estate for Inheritance Tax purposes.*



SIPP vs SIPP Drawdown

It helps to think of a SIPP in two stages: the accumulation phase (building your pension pot) and the decumulation phase (accessing it through drawdown).

The table below highlights the key differences at a glance.

	SIPP <i>(accumulation phase)</i>	SIPP Drawdown <i>(decumulation phase)</i>
Purpose	Build up retirement savings tax-efficiently.	Access and manage pension savings flexibly once you reach minimum pension age.
Available when?	Any time — (via parent/guardian for children under 18) .	From minimum pension age (currently 55, rising to 57 in 2028).
Contributions	Up to £60,000 gross per year (or 100% of UK relevant earnings if lower). For non-earners/children: £3,600 gross. No tax relief for contributions beyond age 75.	No new contribution limit specific to drawdown, but accessing taxable income triggers the Money Purchase Annual Allowance (MPAA) , reducing future allowance to £10,000 gross per year.
Tax treatment	Contributions receive income tax relief. Growth sheltered from income and capital gains tax.	Up to 25% of the pot can usually be taken tax-free. Any income withdrawals after this are taxed at your marginal income tax rate.
Investments	Wide choice of funds, shares, bonds, cash, etc. Remain sheltered inside the wrapper.	Remaining drawdown fund stays invested, to continue to benefit from tax shelter and potential growth.
Access to funds	No withdrawals until minimum pension age.	Flexible withdrawals — lump sums, regular income, or a mix.
Risks	Market risk on investments.	Market risk continues + risk of depleting saving if withdrawals are too high.
Death benefits	Pension pot can usually be passed to beneficiaries.	Unused drawdown funds can be inherited; income tax may apply depending on age at death.