



# Worried about the budget?

## Take some time to pause and think

The Autumn Budget is set for 26 November 2025. As the date approaches, you might be hearing rumours about changes to pensions.

It's natural to feel uncertain or want to take action when there's talk of change. Especially when it involves your pension savings. We saw similar concerns in the Spring Budget – lots of rumours, but no actual changes.

It's really important to pause and think before making any decisions about your pension savings. To help you, we've set out some things to think about and where to get more help if you need it.



### Your pension, your path

Your pension is personal – and so are your financial needs.

It might be tempting to make decisions based on headlines or what others are doing, it's important to remember that everyone's circumstances are different. What's right for one person may not be right for another.



### Protections

We don't know what's going to happen yet, but in the past, when pension rules changed, people's existing plans were usually protected.

For example – Fixed Protection was introduced when the Lifetime Allowance was reduced, allowing savers to keep a higher allowance. And if someone had the right to more than 25% tax-free cash before April 2006, the higher amount was protected.



### Timing

Most major pension changes need legislation. They don't usually take effect straight away, although we can't guarantee that's always the case.

They typically come into force at the start of the new tax year. For example, the removal of the Lifetime Allowance was announced in March 2023 but didn't come into effect until the start of the following tax year in April 2024.



### Why your pension is valuable

Your pension savings grow tax-free while staying invested. You benefit not just from money paid in, but also from growth over time.

So by leaving your pension savings invested for longer, you're not just giving it more time to grow – you're also potentially increasing the amount you can take tax-free later on.



### Risk of regret

If you take money from your pension, you can't change your mind and won't be able to reverse your decision. It's understandable to want to protect your future – but rushing to do something now could mean choosing something that might not suit your needs later.

You need to be confident that any decision you make now is right for you.

Before you decide, ask yourself – 'Would this still feel like the right move even if nothing changes in the Budget?'



## Consequences of taking money before you need it

If you don't need the money right away – taking your pension savings too early could cause more harm than good.

### Missed growth opportunities

Taking money out early means missing out on potential growth between now and retirement.

### No tax-free cash later

If you take all your tax-free cash now, you use up the only portion of your pension that isn't taxed. Later withdrawals could be taxed more heavily.

### Impact on benefits

A large sum into your bank account could affect your whole household's eligibility for means-tested benefits like housing support, income assistance, or future help with long-term care.

### Limits on contributions

You might trigger the Money Purchase Annual Allowance, which limits how much you can pay into your pension in future.

### Tax charge for pension recycling

If you take tax-free cash and then pay it back into a pension, as you get tax relief, HMRC may see this as pension recycling. This could lead to a high tax charge or penalty.

### How inflation affects your money

It's important to consider how you'll use or hold that money. Keeping it in cash – such as in a bank account – might feel secure, but over time, inflation can reduce its value. You could also miss out on opportunities for your money to grow.



## Taking more than your tax-free amount

One of the main things you need to look at if you're thinking about taking money from your pension savings, is your tax situation.

Depending on your circumstances, large withdrawals can push you into a higher tax bracket, meaning you could lose around half of your pension savings to tax.

### How tax reduces what you actually get

For example, you earn £40,000 a year and decide to take £50,000 of money liable to tax from your pension savings.

This £50,000 is added to your income. That means your total taxable income for the year jumps to £90,000. Because this pushes you into a higher tax bracket – a large chunk of your pension money is taxed.

### What does that mean for you?

You could only end up with around £32,000 in your pocket – nearly £18,000 goes to HMRC. That's like getting 64p for every £1 you take from your pension.

### Emergency tax

HMRC may apply an emergency tax code, taking a large chunk of tax upfront. You'll likely need to claim a refund as HMRC doesn't automatically adjust it.

Tax treatment depends on your individual circumstances including where you live in the UK.



## Why timing matters

Taking money at the wrong time could mean losing thousands to tax. Planning ahead, or getting advice, can help you keep more of your savings.



## Pause before you decide

It's really important to pause and think before making any decisions about your pension savings.

In the past, the best course of action has been to wait until the Budget is confirmed, as this allows you to make a fully informed decision. Acting on speculation could lead to poor decisions.

Focus on what you can control now and consider waiting for the official announcements in November.

## Key points to keep in mind

### 1 What you expect might not happen

There may be no changes, or they may be different than expected.

### 2 Don't act on fear alone

Worries about the Budget alone may not be a good reason to take your pension savings early.

### 3 Think long-term

Taking money now could mean paying more tax, losing future growth, and limiting your options later – which might leave you worse off in the long run.

## Your pension decisions checklist



Before you make any decisions about your pension savings, take a moment to consider the potential impact:

- No tax-free cash later**  
Taking all your tax-free cash uses up the only portion of your pension that isn't taxed.
- Tax impact**  
Taking money early could push you into a higher tax bracket
- Impact on benefits**  
Taking a large sum of money could affect your whole household's eligibility for means-tested benefits now and in the future.
- Contribution limits**  
If you access your pension flexibly, you might trigger the Money Purchase Annual Allowance (MPAA) – which limits how much you can pay into your pension in future.
- Lost growth potential**  
Leaving your pension invested could give it more time to grow.

A pension plan is an investment. The value of investments can go down as well as up and could be worth less than was paid in.

## Need more help?

We recommend you get guidance or advice before deciding what to do. You can get help to find a financial adviser at [moneyhelper.org.uk](https://moneyhelper.org.uk).

Pension Wise offers free, impartial guidance at [moneyhelper.org.uk/en/pensions-and-retirement/pension-wise](https://moneyhelper.org.uk/en/pensions-and-retirement/pension-wise).

