

## Dash for cash: one in five access pensions at 55

- One in four make pension withdrawals without seeking advice, exposing themselves to unexpected tax bills and losing entitlement to means-tested benefits
- While two-thirds take 25% or less of their pension to stay within the tax-free allowance, 10% withdraw their entire pot
- Nearly a quarter don't realise taking a lump sum could affect their entitlement to means-tested benefits
- Legal & General has partnered with Turn2us, a national charity tackling financial insecurity, to help customers understand their entitlement to state benefits and how they could be impacted by pension withdrawals

New research from Legal & General (L&G)<sup>1</sup> reveals that one in five (21%) people who withdrew a cash lump sum from their pension pot did so as soon as they turned 55. However, many are doing so without fully understanding the long-term financial consequences.

While some access a lump sum to cover immediate expenses, others simply take the money because they can. The research, which surveyed individuals over 50 to understand their retirement decisions and plans, shows that 32% of people who accessed their pension did so to cover essential expenses, while a larger proportion (46%) said they take the lump sum "because they could".

### Risks of cashing out without advice or guidance

The research from the provider highlights significant risks for those who withdraw funds without advice or guidance. Over a quarter (27%) of UK adults aged 50 or over make decisions about their pensions without seeking advice or guidance leaving themselves exposed to unexpected tax bills or losing entitlement to means-tested benefits.

It also reveals that 24% of people who have withdrawn a cash lump sum didn't realise that taking a lump sum could affect their eligibility for means-tested benefits, with 11% saying it had a direct impact on their entitlement.

Among those who did withdraw a lump sum, two thirds (67%) took 25% or less to stay within the tax-free allowance, while 10% withdrew their entire pot.

If given the choice again one in five (18%) would have withdrawn less or no money as a lump sum.

### L&G partners with Turn2us to help people make more informed decisions

In response to these concerns, L&G is partnering with Turn2us, a national charity offering practical information and support to people facing financial insecurity. Through this partnership, L&G is signposting customers to the Turn2us Benefits Calculator, a tool designed to help customers check whether they are entitled to benefits and understand how changes to their circumstances may impact their benefit entitlement.

**Katharine Photiou, Managing Director Workplace Savings at L&G:** "People cash out their pension for different reasons, whether it's to cover essential expenses or simply because they can. But withdrawing without seeking advice or guidance can lead to unexpected consequences, like paying more tax or even losing access to benefits.

"For anyone considering taking a lump sum from their pension, there's free support and guidance available, but as our research has shown, this is often underutilised. Our partnership with Turn2us will help customers get to

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<sup>1</sup>Research conducted, on behalf of Legal & General, by Opinium between 3rd-9th December 2024, among 3,000 UK over 50s

grips with their entitlement to state benefits, which is especially important for those with modest retirement savings. By offering digital tools and resources, we hope to help people to make more informed decisions as they approach retirement."

**Donisha Thompson, Head of Information Programmes at Turn2us:** "Retirement should be an exciting chapter of life, but concerns about savings can make it stressful. The Turn2us Benefits Calculator can be used to check what support you may be entitled to and learn how to claim it. For more information, the best place to start is here: <https://benefits-calculator.turn2us.org.uk/>"

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## Notes to editors

### About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with £1.2 trillion in total assets under management (as at HY24) of which c40% (circa £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading international player in Institutional Retirement, in Retail Savings and Protection, and in both public and private markets through our Asset Management division. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

### About our Retail Division

Legal & General Retail helps create brighter financial futures for all our customers. The division covers the savings, protection and retirement needs of our c.14 million retail policyholders and workplace members.

In 2023, we had total individual annuity sales of £1,431 million, and issued £299 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 5.2 million members, while our Protection businesses gave peace of mind to several million direct, group and US customers, taking in £1,991 million of UK and \$1,584 million of US gross written premiums.

### About Turn2us

Turn2us is a national charity offering practical information and support to people facing financial insecurity. Our vision is that everyone in the UK has financial security so that they can thrive. We work alongside people who know what it's like not to have enough money to live on, and develop our tools, grants, information and services with them.

### Further information

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