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NEWS RELEASE

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Thousands of pension savers emptying ‘small pots’ every week

- More than 4,200 people emptied their sub-£10k pensions in each week of 2018-19
- New Freedom of Information figures reveal £3.3 billion has been taken since April 2015

Pensions worth less than £10,000 are being emptied by thousands of savers each week under ‘small pot lump sum’ rules, new figures from HMRC reveal.

A Freedom of Information request by Just Group to HMRC revealed that more than £3.35 billion has been taken by 785,000 people between April 2015 when pension ‘freedom and choice’ reforms came into force and June 2019, an average of £4,274 each¹.

Withdrawals under the ‘small pot’ rules are not deemed to be ‘flexible payments’ so are in addition to figures published by HMRC yesterday that showed £2.4 billion was withdrawn flexibly in the last quarter and more than £30 billion has been taken since 2015².

“This is the first time that HMRC has revealed the significant scale of withdrawals from small pension pots,” said **Stephen Lowe, group communications director at Just Group**.

“For every two people taking a flexible payment, one person is cashing in a small pot – in many cases they will be the same person. For every £10 withdrawn in flexible payments, a further £1 is taken by emptying small pots.

“Generally people in the UK are ‘under-pensioned,’ in that they don’t have enough savings to provide the standard of living they aspire to in retirement so taking any pension money early is only likely to make life harder later.”

Small pot lump sum rules allow pensions worth less than £10,000 to be totally emptied from age 55. 25% of the amount withdrawn is tax free. Any number of small occupational pensions can be taken, but the number is limited to three personal pensions.

In 2018-19, £585 million was taken in 179,000 payments from personal pensions, an average withdrawal of £3,268. In addition, £205 million was taken in 103,000 payments from occupational pensions, an average of £1,990. Overall, 219,000 people took one payment or more in 2018-19, valued at £790 million or an average of £3,607.

“If people decide to withdraw all their savings from a small pension pot, then using the ‘small pot’ withdrawal is the best way to do it. And that’s because ‘small pot’ payments are not counted as flexible payments and therefore do not trigger the complex Money Purchase Annual Allowance limits which can restrict future pensions saving to £4,000 a year,” said **Stephen Lowe**.

“People should think carefully before cashing in their pension pot. It’s appealing to have cash in hand and perhaps people consider small pots as inconsequential so they feel it is a decision they can make themselves and are less likely to seek professional advice.”

Since the reforms were introduced, Just Group has repeatedly called for government and regulators to collect more comprehensive information about how people are using their pensions savings, in order to provide insight to as to whether the reforms are delivering a safe journey through retirement.

“Policy makers are relatively blind to how the freedoms granted will play out when people reach their later life. It’s a bit of a roulette wheel,” said **Stephen Lowe** said.

“It’s likely that flexible access to pensions will be good for some people but not so good for others who either take too much too soon, or too little too late. At the moment we can see snippets but not the whole picture so we don’t know who are the likely winners and losers.

“Without a more comprehensive understanding of what choices people are making with their pensions and other savings, we are flying blind which ultimately could put the whole future of the ‘pension freedom’ policy at risk.”

Enquiries

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Notes to Editors:

Research

1 - All data in this release taken from a **Freedom of Information request from Just Group to HMRC** relating to small pot lump sum payments from DC pensions unless otherwise specified

2 - HMRC, [Flexible payments from pensions](#), 30 October 2019

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- Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
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