



➤ **Laura Blows explores how, in recent years, increasing speculation over pension policies is triggering a surge in knee-jerk decisions from savers, threatening both long-term retirement outcomes and confidence in the system**

## Addressing the rumours

**A**cting purely on rumours is rarely wise, yet that is increasingly what many pension savers are doing in the run-up to major events such as government budgets, despite the potentially irreversible consequences.

Speculation about removing tax-free cash “is one of the most persistent and damaging rumours in pensions”, Broadstone head of policy, David Brooks, notes.

“Speculation is a constant in the run up to every fiscal event,” Quilter head of retirement policy, Jon Greer, agrees.

### Increasing speculation

According to Standard Life managing director for workplace and retail intermediary, Gail Izat, this risks doing “real harm”.

“Each year we see the same cycle – rumours surface ahead of the Budget, uncertainty spreads, and savers react before any policy is actually announced. We’ve seen this play out repeatedly, from suggestions about cutting tax-free cash or altering tax relief that never came to pass, to others that eventually did, such as changes to salary sacrifice or inheritance tax treatment. We saw a particularly

notable spike in requests to withdraw tax-free cash ahead of the 2024 Budget, driven almost entirely by fear that the rules were about to change,” she explains.

This is evidenced with data from the Financial Conduct Authority (FCA), which revealed in September 2025 that there had been a significant increase in the amount of money being withdrawn from pensions, with a particular ‘surge’ with accessing large pension pots.

The figures showed that the amount of money withdrawn from pensions had risen by 35.9 per cent over the past year, increasing from £52.2 billion in 2023/24 to £70.9 billion in 2024/25.

The number of pension schemes accessed for the first time had also increased again, coming in around 8.6 per cent higher than 2024, at 961,575.

In October last year, research from Rathbones highlighted the saver remorse that can surround these decisions, revealing that more than a quarter (27 per cent) of people regretted withdrawing a lump sum from a pension ahead of the 2024 Budget.

According to Rathbones, while there are legitimate reasons to access the lump sum, such as paying off a

mortgage or supporting loved ones, a knee-jerk reaction driven by uncertainty could mean missing out on substantial investment growth and long-term tax advantages.

“The pension tax-free lump sum is one of the best-loved and most well-understood parts of the pensions regime, and it’s understandable that people are nervous about potential changes to the rules,” Rathbones divisional lead of financial planning, Rebecca Williams, said.

It was the same in the run-up to the 2025 Budget, as research from Nucleus in October last year found that 59 per cent of people were concerned about potential changes to pension tax-free cash in the following month’s Autumn Budget.

The findings came amid ongoing (and ultimately unfounded) speculation that the government would reduce the 25 per cent tax-free lump sum entitlement currently available to savers from age 55, capped at £268,275.

“For the second year in a row there was a huge amount of speculation leading into a Budget that has seen many people each year take their tax-free cash – because they were worried this may not be available in future rather than because

it was a planned retirement strategy,” Nucleus technical services director, Andrew Tully, says.

While rumour and speculation are always present around Budget time, “with a change of government, the length of time to the last Budget (in late November when often this falls around the end of October) and a difficult fiscal position, the speculation does appear to have become more intense”, Greer explains.

“There has also been widespread belief that tax rises were required, which taking into account Labour’s manifesto position that it wouldn’t increase income tax, national insurance or VAT, had focused speculation that other tax rises were likely,” Tully adds.

### Acting on rumours

Confidence in pensions saving has been shaken by changes and speculation around pensions and tax, Tully notes, as Nucleus’ research found that “nearly half said they are worried about pensions being brought into scope for inheritance tax from April 2027, and three in five are concerned about possible cuts to tax-free pension lump sums”.

According to Izat: “These rumour-driven reactions can lead to knee-jerk decisions – withdrawing funds early, stopping or reducing contributions, or shifting long-term plans for short-term speculation. That is especially concerning when, for example, public debate focuses heavily on potential inheritance tax changes to pensions, despite the reality that only around 1.5 per cent more people are expected to be affected. The perception of an increase in taxes can be just as damaging as actual tax increases if it pushes people away from saving for retirement,” she explains.

Those who will act on this speculation “will ultimately come from unadvised consumers, and potentially those with more of a knowledge of the system to know that they get 25 per cent of their pension pot tax free up to a limit”, Greer says.

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The FCA’s research also found that those with larger pension pots have increasingly been accessing their tax-free cash, with the number doing so with a pension pot worth over £250,000 increasing by 86 per cent between 2023/4 and 2024/5, compared to a 7 per cent increase for pots under £10,000.

For Brooks, “what frustrates me most is that the industry often amplifies these rumours through commentary aimed at wealthy savers. This narrative does not reflect the experience of the majority of members, yet it creates anxiety and undermines trust in pensions. We need to stop fuelling uncertainty and start focusing on clear, evidence-based communication”.

Tully agrees that “it is still worrying that people with smaller pot sizes appear to be taking their tax-free lump sum as a result of speculation rather than what is best for their individual circumstances – when even if there was any change to tax-free cash it’s unlikely to negatively affect those with pots below £50,000”.

### Any benefits?

Yet could acting on a rumoured change ever be beneficial for the saver?

“For some people, it may have been a good reminder to get their financial affairs in order and be the trigger that got them to make a decision. But it is very important that people make these decisions based on what is best for them and their family, not necessarily what proposed tax changes could be. The well used phrase ‘not letting the tax tail wag the dog’ remains true today,” Greer says.

Tully notes that Budget rumours may cause some people to bring forward

when they take benefits. “For example, if someone with a large pot was intending to take £250,000 tax-free-cash in the first few months of 2026, then it is understandable that they may wish to take it in advance of the Budget given speculation was rife. However, it is more concerning if people weren’t intending to take their benefits for many years, or their pension pot is much smaller – as this risks losing significant future tax-free growth and reduces their pension pot for retirement. While people get the lump sum sooner, it’s no longer growing tax-free within the pension, and may be liable to tax and/or limited growth if, for example, it’s placed in a bank account,” he explains.

Taking large sums early could also push people into higher tax bands, and once any income is taken from a defined contribution pension, any future contributions (personal or employer) are limited to £10,000 a year due to the money purchase annual allowance (rather than the standard £60,000), Tully adds.

### Providing certainty

Reassurance with unfounded rumours would help to minimise knee-jerk reactions, which did occur in the last Budget with the Chancellor ruling out any changes to the tax-free lump sum, “but this arguably could have come sooner”, Greer says.

The government providing clarity as to its long-term pensions approach can also help, such as with the pensions roadmap and the revived Pensions Commission.

Ultimately, Izat says: “Pensions work best with stability and clear long-term signalling. Yet the annual rhythm of rumour and reaction is eroding confidence and making it harder for people to plan effectively. This undermines not only individual financial security but engagement with the system as a whole.”

 Written by Laura Blows