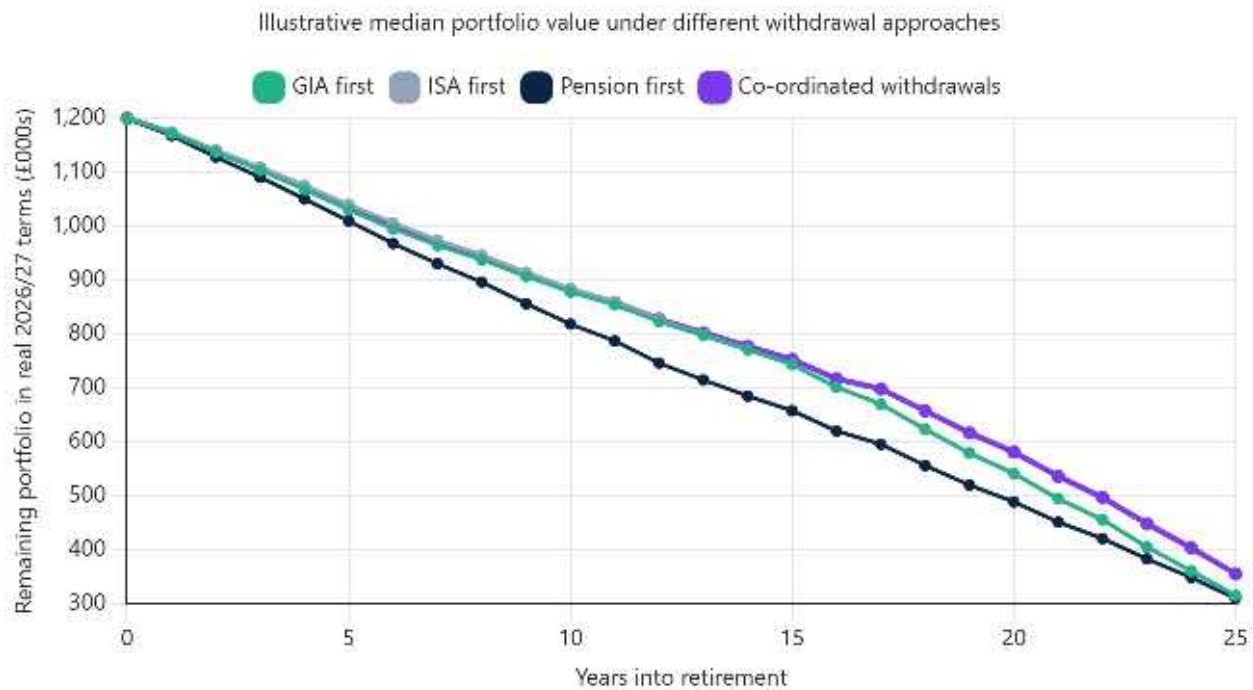


Portfolio value under different withdrawal approaches:

Assumptions and outcomes



1. Starting position

The hypothetical individual:

- retires at age 60;
- is modelled for 25 years;
- starts with investments of £1.2 million:
 - £600,000 in a defined contribution pension;
 - £300,000 in an ISA; and
 - £300,000 in a General Investment Account, or GIA;
- requires £50,000 of net spending in the first year.

The illustration applies to a single individual resident in England, Wales or Northern Ireland. Scottish income-tax bands are different.

2. Asset allocation

Each account is assumed to hold the same underlying portfolio:

- 60% global equities; and
- 40% bonds and cash.

Applying the same asset allocation to each account helps isolate the effect of the withdrawal strategy rather than introducing differences in investment risk.

3. Assumed growth rates

The model assumes average nominal returns before charges of:

- global equities: 6% a year; and
- bonds and cash: 3% a year.

These are modelling assumptions, not forecasts or guaranteed returns.

4. Market volatility

Returns do not occur smoothly.

The model uses 5,000 variable annual return sequences, with assumed annual volatility of:

- 16% for equities; and
- 6% for bonds and cash.

A modest positive correlation of 0.10 is assumed between equities and bonds. All four withdrawal approaches experience the same underlying simulated return sequences, allowing a like-for-like comparison.

The chart displays the **median result** across the simulations.

5. Inflation

Inflation is assumed to be 2% a year.

This is a modelling assumption used to increase spending and express the final results in consistent terms. Actual inflation may be higher or lower.

6. Charges

Total investment and product charges are assumed to be 0.8% a year and are deducted from investment returns.

This is intended to represent a combination of underlying investment, platform and management costs. It is not an AJB Wealth fee quotation.

7. Annual withdrawals

The individual requires **£50,000 of net spending in the first year.**

This means £50,000 is available to spend after any tax arising on withdrawals. Where tax is payable, the model draws a larger gross amount to meet the net requirement.

8. Inflation-linked withdrawals

The £50,000 spending requirement rises by 2% each year.

For example, the nominal spending requirement is approximately:

- £50,000 in year one;
- £55,200 in year six;
- £61,000 in year 11; and
- £80,300 in year 25.

This maintains broadly consistent spending power under the model's 2% inflation assumption.

9. State Pension

The model assumes that the full new State Pension begins at age 67, which is year eight of the illustration.

The starting State Pension used is **£241.30 a week**, equivalent to £12,547.60 over 52 weeks, based on the confirmed full new State Pension rate for 2026/27. The amount an individual actually receives depends on their National Insurance record and may be lower.

The State Pension is assumed to rise by 2% annually after commencement. It is treated as taxable income and reduces the amount that needs to be drawn from the investment portfolio.

Once the State Pension starts, it uses almost all the £12,570 Personal Allowance under the model's 2026/27 assumptions. This materially reduces the scope to draw further taxable pension income without income tax.

10. Income-tax bands and allowances

The model uses the 2026/27 income-tax structure for England, Wales and Northern Ireland:

- Personal Allowance: £12,570;
- basic-rate taxable income band: £37,700;
- higher-rate threshold including the Personal Allowance: £50,270;
- basic rate: 20%; and
- higher rate: 40%.

The model holds these thresholds constant in nominal terms throughout the projection rather than predicting future government policy. The standard Personal Allowance is £12,570 for 2026/27. [\[uktaxdrag.co.uk\]](http://uktaxdrag.co.uk), [\[rathbones.com\]](http://rathbones.com)

This creates an element of fiscal drag because withdrawals and the State Pension rise with inflation while the modelled tax thresholds do not.

11. Capital Gains Tax

The GIA is assumed to begin with a base cost of £240,000 against an initial market value of £300,000.

When investments are sold:

- the gain is apportioned between the original cost and investment growth;
- the £3,000 Capital Gains Tax annual exempt amount is applied; and
- gains above the exemption are taxed at an assumed 18% basic rate.

For 2026/27, the annual exempt amount is £3,000. Gains are generally taxed at 18% to the extent that they fall within the unused basic-rate band and at 24% above it.

The model simplifies the interaction between taxable income and the CGT rate. It does not model tax-loss harvesting, historic acquisitions, fund equalisation, Bed and ISA transactions or individual disposal history.

12. Dividends and interest

The simulation focuses principally on the order and taxation of withdrawals.

It does not separately project every dividend and interest payment arising within the GIA. In a full cashflow model, GIA dividends and interest would need to be considered alongside:

- the £500 Dividend Allowance;
- the Personal Savings Allowance;
- the starting rate for savings;
- the investments actually held; and
- the individual's other taxable income.

The Dividend Allowance is £500 for 2026/27. The Personal Savings Allowance is generally £1,000 for a basic-rate taxpayer, £500 for a higher-rate taxpayer and nil for an additional-rate taxpayer.

This simplification should be disclosed because it means the chart is not a complete personal tax calculation.

13. Pension tax-free cash

Pension withdrawals are assumed to be phased, with:

- 25% of each relevant withdrawal paid tax free; and
- 75% treated as taxable pension income.

Before age 67, the co-ordinated approach draws sufficient phased pension benefits for the taxable element to use the available Personal Allowance.

The remainder of the spending requirement is initially met from the GIA and then the ISA.

Once the State Pension begins, the model recognises that little Personal Allowance remains available. Pension withdrawals thereafter may therefore generate income tax.

The calculation assumes sufficient tax-free cash and Lump Sum Allowance remain available. It does not model pension protections, benefits taken previously or scheme-specific restrictions. The source document notes that tax-free cash is commonly limited to 25% of the benefits being taken, subject to the available Lump Sum Allowance and scheme rules. [

14. Rebalancing

The model assumes that investments are rebalanced annually to the 60% equity and 40% bond-and-cash asset allocation.

In practice, advisers may use withdrawals as part of the rebalancing process rather than selling assets mechanically.

15. Sequence of returns

Each simulation contains a different sequence of positive and negative annual returns.

This means the revised model reflects **sequencing risk**, which is the danger that poor returns early in retirement have a disproportionate effect when money is being withdrawn at the same time.

The chart shows the median of 5,000 simulated outcomes. It is not a single forecast and does not show the full range of possible results.

16. Nominal or real results

The chart presents portfolio values in **real 2026/27 terms**.

In other words, future portfolio values are adjusted for the assumed 2% annual inflation rate. This provides a more meaningful indication of future spending power than nominal figures alone.

How each withdrawal approach is modelled

GIA first

Spending is met from:

1. GIA;
2. ISA; and
3. pension.

The State Pension reduces the amount required from the portfolio after age 67.

ISA first

Spending is met from:

1. ISA;
2. GIA; and
3. pension.

Pension first

Spending is met from:

1. pension;
2. GIA; and
3. ISA.

Enough gross pension income is withdrawn to meet the required spending after income tax.

Co-ordinated withdrawals

Before the State Pension begins, the strategy:

1. takes phased pension withdrawals intended to use the available Personal Allowance;
2. draws the balance from the GIA;
3. uses the ISA after the GIA; and

4. takes further taxable pension income if required.

From age 67, the full new State Pension uses almost all the assumed Personal Allowance. The strategy therefore adjusts its pension withdrawals and uses other assets to meet the remaining spending requirement.

This is one illustration of co-ordination, not a claim that this would be the optimal strategy for every individual.

Revised illustrative results

The median real portfolio values after 25 years are approximately:

Withdrawal approach	Median portfolio after 25 years
Co-ordinated withdrawals	£356,000
GIA first	£315,000
ISA first	£315,000
Pension first	£310,000