

EARLY RETIREMENT

# Bridging *the gap*.

How to fund the years between stopping work and State Pension or other secure income beginning.

# Early retirement creates a separate *planning problem*.

Stopping work at 58 is not the same as retiring at State Pension age.

There may be five, seven or ten years when salary has stopped but State Pension and defined-benefit income have not yet begun.

During that period, the household may depend almost entirely on pensions, ISAs, GIAs and cash.

That makes the bridge years:

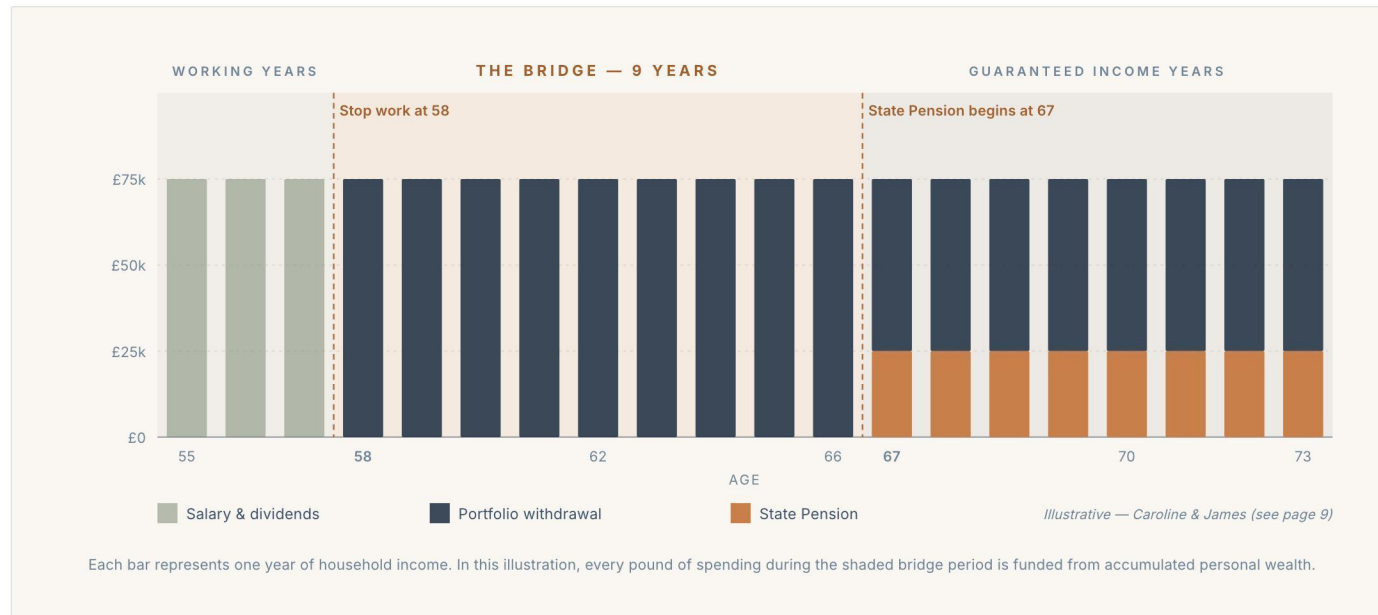
- tax-sensitive;
- exposed to early market falls;
- dependent on pension-access rules;
- unusually flexible if planned properly.

That combination makes the bridge **a distinct phase of the plan**.

*"The bridge should be designed as its own phase, while still fitting into the full retirement plan."*

# What *the bridge* is.

The planning question is not only whether total wealth is enough. It is whether the accounts are accessible, tax-efficient and resilient during the years when the portfolio is carrying its heaviest load.



## BEFORE RETIREMENT

Salary, dividends or *business income*

Fund the household while wealth continues to build.

## THE BRIDGE

Spending comes from *accumulated wealth*

Work has stopped. Every pound of spending not covered by other income comes from accumulated wealth.

## SECURE INCOME BEGINS

State Pension and any *DB pensions*

State Pension and any DB pensions reduce the amount the investment portfolio must provide.

# Size the bridge *in pounds*.

A nine-year bridge and annual spending of £75,000 creates £675,000 of net household expenditure before allowing for inflation. The gross amount withdrawn may be higher or lower depending on where the income comes from.

Pension income may be taxable. ISA withdrawals are not. GIA withdrawals may contain capital, gains and income.

The first calculation should therefore show:

- number of bridge years;
- annual net spending;
- other income during the bridge;
- total net shortfall;
- likely tax on the proposed drawing order;
- investment and cash resources available.

The bridge cost is a range rather than one precise number, **but it should still be calculated before work stops.**

ILLUSTRATIVE — ONE SIMPLIFIED BRIDGE

Retiring at 58, State Pension at 67

|                                                     |                     |
|-----------------------------------------------------|---------------------|
| Net household spending required                     | £75,000 a year      |
| Bridge length                                       | 9 years             |
| Total net spending across the bridge                | £675,000            |
| If produced entirely as taxable pension income      | ~£787,000 gross     |
| Using the staged pension-and-ISA blend (see page 9) | ~£720,000 withdrawn |

Illustrative additional withdrawals ~£67,000

**How to read these numbers.** The first route assumes the £75,000 net income is produced entirely as taxable pension income, split equally between two spouses. The second uses staged pension crystallisation, available tax-free cash and ISA withdrawals as shown in the worked example on page 9.

Simplified illustration only. It assumes standard England, Wales or Northern Ireland Income Tax bands and allowances remain unchanged for nine years, no other taxable income, no inflation, no investment growth and sufficient pension lump-sum allowance. Scottish Income Tax differs. Actual results depend on account balances, previous pension benefits, returns, tax rules and personal circumstances.

# Where bridge income *may come from.*

A sensible plan usually blends several sources rather than exhausting one account first. Each source has different tax treatment, different flexibility and different access rules.

1.

## Pension flexible *drawdown*

Most defined-contribution pensions can currently be accessed from age 55, rising to 57 from 6 April 2028, subject to scheme rules and any protected pension age. Taxable income can then be drawn flexibly. Taking taxable flexi-access income will normally trigger the Money Purchase Annual Allowance, which matters if further pension contributions may be made.

2.

## Staged tax-free *pension cash*

Up to 25% of benefits crystallised can usually be taken tax-free, subject to the available lump-sum allowance. The standard lump sum allowance is currently £268,275 across all pensions, although previous benefits and protected allowances can change the figure. Taking it in stages can preserve flexibility, but is not automatically right for everybody.

3.

## ISA *withdrawals*

ISA subscriptions are made from money that has already been taxed. Investment growth and withdrawals within the ISA are then free from UK Income Tax and Capital Gains Tax. That makes an ISA one of the most flexible ways to support the bridge without adding to taxable income.

4.

## General investment *accounts*

Withdrawals may include original capital, dividends and realised gains. For 2026/27, individuals normally have a £3,000 Capital Gains Tax annual exempt amount and a £500 dividend allowance. The tax position depends on the investments, gains, losses and other household income. Annual Bed & ISA planning may gradually move assets into the ISA wrapper where allowances permit.

5.

## The *war chest*

We normally hold around three years of the income that the portfolio needs to provide in a separate interest-bearing cash account. During the bridge this may represent most or all of the household's spending requirement. The war chest is a risk-management tool: it helps avoid routine investment sales during a serious market fall and is rebuilt after markets recover.

6.

## Deferred or *part-time income*

Earn-out instalments, consultancy, non-executive work, deferred bonuses, rental income or other earnings may reduce the amount that must be withdrawn from pensions and investments. Even a modest income can materially shorten or strengthen the bridge.

Pension and tax figures checked against GOV.UK in June 2026. Rules and allowances may change.

# 55 now. 57 from 6 April 2028. *It matters.*

The Normal Minimum Pension Age is the age at which most people can begin taking money from a registered pension without an unauthorised-payment tax charge.

It is currently 55 and rises to 57 on **6 April 2028**.

Someone who validly begins taking benefits before the change may be treated differently from somebody who has not yet accessed the pension. Scheme rules also matter. Some uniformed public-service schemes are excluded from the normal rule, while some older pension arrangements carry a protected pension age.

The position must therefore be checked against the client's date of birth and each individual pension contract rather than assumed.

**If you are planning to step back in your mid-fifties, the year you do it can matter as much as the wealth you have when you do it.**

The planning question is timing as much as it is structure.

|                                                 |                                     |
|-------------------------------------------------|-------------------------------------|
| Normal Minimum Pension Age — until 5 April 2028 | 55                                  |
| Normal Minimum Pension Age — from 6 April 2028  | 57                                  |
| State Pension age                               | Depends on date of birth            |
| Current legislated rise to 67                   | Phased 2026–2028                    |
| Current legislated rise to 68                   | Phased 2044–2046, subject to review |

*"The 55-to-57 transition arrives quietly in April 2028. For some bridge plans, it changes everything."*

Rules checked June 2026. Clients should use the official State Pension age service and confirm individual pension-access rights with each scheme.



# Use the low-tax years *deliberately.*

The bridge years may have little or no secure taxable income using the Personal Allowance and basic-rate band. That can make some pension drawing sensible even where the whole amount is not needed for spending — but this does not mean every retiree should fill the basic-rate band automatically. The aim is lifetime tax planning, not simply paying the least tax this year.

## THE OPPORTUNITY

The Personal Allowance and basic-rate band *may be largely unused*

During the bridge years, salary and secure pension income may be low or absent. That can leave unused Personal Allowance and basic-rate capacity.

Drawing some taxable pension income during these years may therefore reduce the risk of larger withdrawals being taxed at higher rates later.

Where income exceeds current spending, the surplus may remain in cash, be subscribed to ISAs where allowance is available, be invested through a general investment account, spent or gifted as part of the wider plan.

## THE CAVEAT

This does not mean *every retiree should fill the basic-rate band automatically*

The decision depends on:

- likely later taxable income;
- pension size and investment assumptions;
- State Pension and defined-benefit income;
- available tax-free pension cash;
- whether withdrawn money will be spent, gifted or reinvested;
- estate-planning objectives;
- the possibility of returning to work;
- the Money Purchase Annual Allowance;
- the tax position of both spouses.

The aim is **lifetime tax planning**, not simply paying the least tax this year.

*"The aim is lifetime tax planning, not simply paying the least tax this year."*

# Early market falls *matter more.*

A portfolio can experience the same average return and produce a very different retirement outcome depending on when the bad years occur.

A fall near the start of retirement is more damaging because withdrawals are also being taken while asset prices are low.

The bridge often combines three risks at once:

- no salary;
- no State Pension or DB income;
- high withdrawals from invested capital.

The main protections are structural:

- a properly sized cash buffer, which we call the war chest;
- a suitable investment mix;
- flexible spending rules;
- a withdrawal order across several accounts;
- annual review.

**The objective is to reduce forced selling, not to pretend market falls can be avoided.**

*"The objective is to reduce forced selling, not to pretend market falls can be avoided."*



# Caroline and James, 58 — *nine-year bridge, £75k a year.*

A full bridge sequenced year by year. Fictional, but representative of the way the plan actually runs for a couple stepping back in their late fifties.

| Caroline & James — bridge profile |                               |              |
|-----------------------------------|-------------------------------|--------------|
| Ages today                        |                               | 58 / 58      |
| Pensions (combined)               |                               | £1,500,000   |
| ISAs (joint)                      |                               | £420,000     |
| GIA (joint)                       |                               | £260,000     |
| War chest                         |                               | £225,000     |
| Total investable                  |                               | £2,405,000   |
| Net income target                 |                               | £75,000 / yr |
| Assumed State Pension age         |                               | 67 (both)    |
| Assumed State Pension             | Full new State Pension (both) |              |
| Bridge length                     |                               | 9 years      |
| DB pensions                       |                               | None         |

YEAR 1 — AGE 58

**Pension drawdown begins.** Each spouse crystallises £33,520 of pension benefits: £8,380 is taken as tax-free cash and £25,140 as taxable pension income. Assuming the standard £12,570 Personal Allowance and 20% basic rate, the Income Tax is £2,514 each. Each spouse receives £31,006 net, producing £62,012 jointly. A further £12,988 is withdrawn from the ISAs, giving total net household income of £75,000. Total Income Tax for the household is approximately £5,028.

YEARS 2–4 — AGE 59–61

The approach is reviewed and, where still appropriate, repeated. In year three, a market fall activates the **war chest** so that routine portfolio sales are reduced while markets are depressed. The income mix is recalculated each year rather than applied automatically.

YEARS 5–7 — AGE 62–64

The bridge is more than halfway complete. The balance between pension, ISA and GIA withdrawals is reconsidered as the accounts change. The war chest is rebuilt following market recovery. A fresh lifetime-tax comparison is completed rather than assuming the original withdrawal order remains optimal.

YEARS 8–9 — AGE 65–66

Last bridge years. Pension drawdown reduced as State Pension approaches; remaining income increasingly from ISAs to keep household tax position low ahead of SP starting. **War chest reviewed and resized** to three years of the new (smaller) portfolio-funded spending in preparation for the structural change of guaranteed income arriving.

YEAR 10 — AGE 67

Both State Pensions begin. If both receive the full 2026/27 new State Pension, the combined secure income would be approximately £25,000 a year. The actual figure depends on each person's National Insurance record. The portfolio-funded income reduces and the plan moves into the longer-term retirement phase covered in the *Drawing Income in Retirement* guide.

Illustrative scenario only — not a recommendation. Numbers based on UK 2026/27 tax rules and held constant for clarity; in reality, allowances, rates and rules will move. Actual outcomes depend on returns, inflation and individual circumstances. Not advice.

# Common *bridge mistakes*.

Most bridge errors come from the same pattern — designing the early years in isolation rather than against the full retirement plan, or assuming pension access and tax bands that may not apply.

|                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1.</b></p> <p><b>A war chest that <i>is too small</i></b></p> <p>Chapter3 normally holds around three years of portfolio-funded spending in the war chest. A much smaller amount may leave the household selling investments during a serious market fall.</p>                                                                              | <p><b>2.</b></p> <p><b>Taking all tax-free <i>cash immediately</i></b></p> <p>Taking the full available pension lump sum before it is needed can move money out of the pension wrapper, reduce flexibility and expose future growth to tax. Staged withdrawals may be preferable, although the right approach depends on the wider plan.</p> |
| <p><b>3.</b></p> <p><b>Ignoring the <i>low-tax years</i></b></p> <p>Relying entirely on ISAs and cash while leaving pensions untouched may waste valuable Personal Allowance or basic-rate capacity. Filling the basic-rate band automatically can also be wrong. The correct amount depends on lifetime tax, spending and estate objectives.</p> | <p><b>4.</b></p> <p><b>No <i>guardrails</i></b></p> <p>A fixed withdrawal set once and never reconsidered can lead to unnecessary underspending in strong markets and excessive pressure on the portfolio after falls. The separate <i>Financial Guardrails</i> guide explains the Chapter3 framework.</p>                                   |
| <p><b>5.</b></p> <p><b>Forgetting the <i>2028 pension-age change</i></b></p> <p>Somebody planning to stop at 55 or 56 around April 2028 may not have pension access when expected. Dates of birth, scheme rules and protected pension ages must be checked before work stops.</p>                                                                 | <p><b>6.</b></p> <p><b>Designing the bridge <i>in isolation</i></b></p> <p>The bridge may last only a few years, but retirement continues afterwards. The tax and withdrawal decisions made during the bridge must be tested against the entire lifetime plan.</p>                                                                           |

COLIN'S VIEW.

A common problem is not a lack of wealth but the wrong order of withdrawals. Pensions may be left untouched while ISAs are depleted, or taxable pension income may be taken without considering both spouses' allowances and future secure income. The total matters — but the sequencing can materially change the tax and resilience of the plan.

# Designed once. *Reviewed every year.*

The bridge is designed once and updated every year. The structure stays consistent. The amounts change as real life replaces the original assumptions.

## PHASE ONE

### The Bridge Plan

Six to eight weeks. Lifestyle modelling, full bridge cashflow, tax sequencing, guardrail framework and war chest sized. Delivered as a written plan and ongoing model. Fixed fee.

## PHASE TWO

### The Implementation

Drawdown set-up, ISA structure, GIA arrangement, planned annual Bed & ISA activity where appropriate, withdrawal payments configured. Done once, properly, with everything documented and reviewable.

## PHASE THREE

### The Annual Review

Every twelve months. The bridge is re-tested against actual spending, market performance, tax updates, life events. Guardrails revisited. Repeated across the bridge years, that discipline can materially improve the plan's resilience and tax efficiency.

## WHAT YOU CAN EXPECT

- **One adviser, not a team.** The same person who scopes the bridge plan delivers it and reviews it every year.
- **Fixed fees throughout.** No percentage of assets, no charges that scale up as the portfolio grows.
- **The bridge plan and the lifetime plan are written together.** The bridge ends; the next twenty years begin. They are one plan, not two.
- **Plain English documents.** Every decision written down, every assumption stated.
- **Designed for the long term.** The bridge is one phase of retirement, and the planning relationship can continue into the years that follow where it remains useful.

# Six lines. *One useful starting number.*

This worksheet gives you a first estimate of the net spending gap between stopping work and secure income beginning. It does not establish whether the whole retirement plan is affordable.

1. Target annual household spending during the bridge. £      a year  
*In today's money.* \_\_\_\_\_
2. Other expected net income during the bridge. £      a year  
*Include part-time work, rent, earn-outs or other reliable income. Do not include withdrawals from pensions or investments.* \_\_\_\_\_
3. Age you would like full-time work to become optional. years old  
\_\_\_\_\_
4. Age State Pension or another major secure income begins. years old  
*Check the date using the official State Pension age service and your pension statements.* \_\_\_\_\_
5. Approximate net bridge-spending gap. £  
*Line 1 minus line 2, multiplied by line 4 minus line 3.* \_\_\_\_\_
6. Capital potentially available during the bridge. £  
*Include pensions that will be accessible at the relevant dates, ISAs, general investment accounts and cash.* \_\_\_\_\_

**How to read the result.** The figure on line 5 is a first estimate of the net spending the bridge must provide. It does not include Income Tax, inflation, investment returns, market timing or the money required after secure income begins. Line 6 should not be used as a simple pass-or-fail comparison: the same capital may also need to support several decades after the bridge closes. The full plan must model accessibility, tax, the war chest, withdrawal order, investment risk and the later retirement years together.



# If you're planning to step back early — or already have — *let's size the bridge.*

A 30-minute introductory call is enough to discuss when you would like work to become optional, the secure income due later and the pensions, ISAs, investments and cash available to fund the gap.

Rough figures are enough for the first conversation. You do not need to prepare a complete file.

I will explain whether the bridge looks like the part of your retirement plan that needs the most attention and what proper modelling would involve. If the existing structure already looks sensible, I will say so.

BOOK A 30-MINUTE CALL

## GET IN TOUCH

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This guide is general information and does not constitute personal financial, tax or legal advice.

Tax and pension figures refer to the UK 2026/27 tax year and were checked in June 2026. Scottish Income Tax differs. Pension access depends on scheme rules and any protected pension age. State Pension entitlement depends on age and National Insurance record.

From 6 April 2027, most unused pension funds and pension death benefits will be included within the deceased person's estate for Inheritance Tax purposes. The detailed effect depends on the estate and beneficiary position.

Investments can fall as well as rise, and clients may receive back less than they invest. Past performance is not a reliable guide to future returns.

## READ NEXT

[Drawing Income in Retirement](#) — the order that matters more than the rate.

[Financial Guardrails](#) — sustainable income through the market cycle.