

Article

How to Retire Comfortably in 2026

Retirement planning in 2026 requires more than simply reaching your chosen retirement age. With evolving pension rules, tax changes and rising living costs, you need a careful plan and strategic decision-making to ensure a comfortable retirement.

Whether retirement is just around the corner or still several years away, taking proactive steps now can make all the difference. The right approach will depend on your unique circumstances, but there are several key areas to consider.

Know Your Retirement Income

The first step to a comfortable retirement is understanding exactly what income you can expect. This means taking stock of all your potential income sources, including the State Pension, workplace pensions, personal pensions and any other investments or savings.

The State Pension will be the primary source of income for most people. From 6th April 2026, it is forecast to provide up to £241.30 per week (up from [£230.25](#) per week). However, the State Pension is unlikely to be sufficient on its own to cover someone's full retirement expenses.

Check your State Pension forecast online to see what you might receive and whether you have any gaps in your National Insurance record. You may be able to make voluntary contributions to boost your entitlement.

For workplace and personal pensions, contact your pension providers to get up-to-date valuations and projections. Don't forget about any old pensions from previous employers (it's easy to lose track of these over the years). The Pension Tracing Service can help you locate lost pensions if you get stuck.

Once you have a clear picture of your income sources, you can assess whether they will provide the lifestyle you want in retirement.

Maximise Your Pension Contributions

If you notice a potential shortfall in your future income, consider whether increasing your pension contributions could help. This is one of the most tax-efficient ways to build your retirement pot. In particular, pensions benefit from tax relief on contributions, which means that for every pound you pay in, the government effectively adds more.

Basic rate taxpayers receive 20% tax relief automatically. Higher- and additional-rate taxpayers can claim further relief on their tax return. If you are employed, your employer may also match increased contributions, which can significantly boost your savings.

The annual allowance for pension contributions is currently [£60,000](#) (2025-26), though this may be tapered for high earners. Additionally, you can carry forward any unused allowance from the previous three tax years, potentially allowing you to make substantial one-off contributions.

It's worth reviewing your contributions regularly, particularly if you receive a pay rise, bonus or inheritance. Even modest increases can make a meaningful difference over time due to the power of compound interest.

Consider Your Investment Strategy

How your pension is invested will significantly affect the size of your retirement fund. Many workplace pensions offer a default investment option, which typically becomes more cautious as you approach retirement. However, this may not be the most suitable option for everyone.

If you are still several years from retirement, you may be comfortable with a higher-risk, higher-growth investment strategy. As retirement approaches, gradually moving towards lower-risk investments can help protect your savings from market volatility.

It's also important to ensure your investments are appropriately diversified across different asset classes, sectors and geographies. This can help to spread risk and potentially improve returns.

If you're unsure about your investment options or how to balance risk and reward, it's worth seeking professional advice. The right strategy will depend on your retirement timeline, risk tolerance, and financial goals.

Plan How You'll Access Your Pension

Once you reach age 55 (rising to 57 in 2028), you can usually start accessing your pension savings. However, just because you can doesn't always mean you should. Taking money from your pension too early could leave you with insufficient funds later in life.

There are several ways to access your pension. You can take up to 25% of your pension pot as a tax-free lump sum, with the remainder taxed as income when you withdraw it. Alternatively, you can leave your pension invested and [draw down](#) income as needed, purchase an annuity for a guaranteed income, or use a combination of approaches.

Each option has its advantages and disadvantages. Drawdown offers flexibility but requires active management and carries investment risk. An annuity provides security and certainty but is inflexible once purchased and may offer poor value if you have health conditions or die early. It's crucial to plan your withdrawal strategy carefully.

Taking too much too soon could result in a large tax bill and deplete your savings prematurely. By contrast, spreading withdrawals over several tax years can help to manage your tax liability more efficiently.

Address Outstanding Debts

Entering retirement with significant debts can place an unnecessary strain on your finances. Where possible, aim to pay off high-interest debt, such as credit cards and personal loans, before you retire.

If you have a mortgage, consider whether you want to pay it off before retirement. Some people prefer the security of owning their home outright. Others may choose to maintain the mortgage if they have investments that could deliver better returns than the interest rate they're paying.

Be cautious about using your pension to pay off debts. While it may seem attractive to access your tax-free lump sum for this purpose, it could leave you short of income in the future. It's worth seeking advice before making such a significant decision.

Understand Your Tax Position

Tax doesn't stop when you retire. Income from pensions, investments, and property is generally subject to income tax in the usual way, though you do benefit from the same personal allowance as when you were working.

If you have several sources of income, you may be able to manage your tax liability by choosing which income to draw and when. For example, drawing from ISAs (which are tax-free) in some years and from pensions in others could help you stay within lower tax bands.

Remember that once you start taking income from a pension (beyond the tax-free lump sum), the Money Purchase Annual Allowance may apply, restricting how much you can continue to contribute to pensions with tax relief. The current MPAA limit is £10,000 per year.

Careful tax planning can ensure that more of your money is available to support your retirement lifestyle rather than going to HMRC.

Consider Part-Time Work or Phased Retirement

Retirement doesn't have to mean stopping work completely. Many people choose to ease into retirement gradually, reducing their working hours or taking on part-time or consultancy roles.

Phased retirement can provide a smoother transition and additional income, allowing your pension to continue growing for longer. It can also offer social and mental health benefits, helping to maintain a sense of purpose and routine.

If you do continue working while drawing a pension, be mindful of how this affects your tax position and any benefits you may be entitled to. It's also worth checking your pension scheme's rules, as some may restrict working for the same employer while drawing benefits.

Review Your Retirement Budget

A realistic retirement budget is essential for understanding whether your savings and income will be sufficient. Consider all your expected expenses, including housing, utilities, food, transport, leisure, and healthcare.

Don't forget to factor in one-off expenses such as home repairs, car replacements or holidays. It's also wise to include a contingency for unexpected costs.

Your spending is likely to change throughout retirement. Many people find that their expenses are higher in the early, more active years of retirement, then reduce as they slow down, before potentially increasing again if care costs become necessary.

Building flexibility into your budget and reviewing it regularly will help you adapt to changing circumstances and ensure your money lasts.

Protect Your Health and Wellbeing

Financial planning is only one part of a comfortable retirement. Looking after your physical and mental health is equally important.

Regular exercise, a healthy diet, and staying socially connected can all contribute to a happier and healthier retirement. Many health conditions can be prevented or managed effectively with the right lifestyle choices.

It's also worth considering whether you need insurance to cover potential care costs in later life. Long-term care can be expensive, and it's not always covered by the NHS or local authorities.

Seek Professional Advice

Retirement planning is complex, and the decisions you make now can have long-lasting consequences. Professional financial advice can help you navigate the options, optimise your tax position, and create a strategy tailored to your circumstances.

An adviser can help you understand the trade-offs between different pension access options, assess whether your retirement plan is on track, and identify opportunities to improve your financial position.

Retiring comfortably in 2026 requires careful planning, informed decision-making, and a clear understanding of your financial position. By taking control of your retirement planning now, you can look forward to a secure and enjoyable future.

Please don't hesitate to contact a member of the team if you would like to discuss your retirement planning.

Please note:

The information in this article is provided for general guidance only and does not constitute personal financial or investment advice. Pension and investment values can go down as well as up, and you may get back less than you invest. Past performance is not a reliable indicator of future results. Tax treatment depends on individual circumstances and may change in the future. Retirement planning outcomes cannot be guaranteed and may be affected by factors such as market performance, inflation and changes to legislation. You should consider seeking independent financial advice before making any decisions regarding your pensions or retirement planning.

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