

RATHBONES

How to build a £1 million pension pot

See what it takes and how starting early
can make a big difference.





Quick read: what it takes to reach £1 million

Only have a minute? We recommend you take high quality financial advice from a trusted adviser. Here are the key points from this guide:

01

A £1 million pension doesn't have to be a dream

It could provide £34,000 a year after tax from drawdown, or £41,000 from a pension annuity.*

£3,659 (gross) for a 45-year-old. (Assuming pension contributions are increased by inflation each year, and benefits from an investment growth of 5% per annum.)

02

Start early and contribute regularly. Starting later? You're not out of options

At 25, saving £1,608 (gross) per month into your pension pot, could be enough. But this figure increases to £2,293 (gross) for a 35-year-old, and to

03

There are simple ways to potentially boost your pension pot

Use salary sacrifice, pay in bonuses, take more investment risk early on and review your pensions regularly.

*Annuity quote provided by JUST, June-2025
Drawdown figure calculated using Voyant.

A £1 million pension pot is a milestone that many people aim for. It's a level of savings that could give you the freedom to make more choices in retirement, whether that's drawing a comfortable income, helping family or simply having more financial breathing room.

In this guide, we look at what it could take to reach that goal by age 65, and how much income a pot of that size might realistically give you. All the figures assume your pension pot grows at an average annual rate of 5% after fees. While that's not guaranteed, it's a reasonable benchmark for planning purposes.

It's also important to remember that investing comes with risk, and you could get back less than you invest.

01

A £1 million pension doesn't have to be a dream

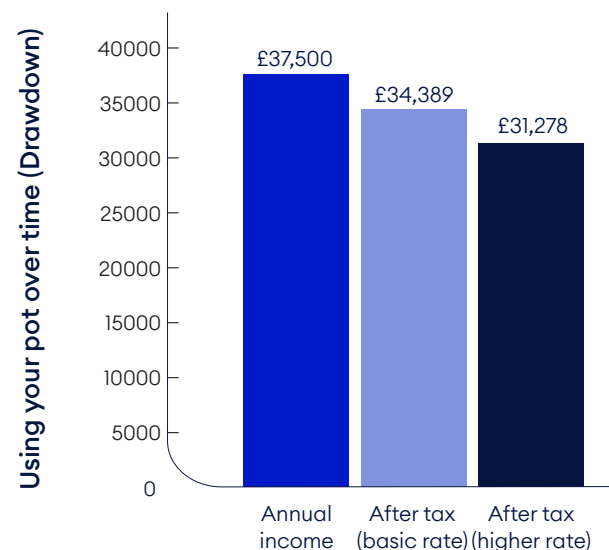
What could a £1 million pension pot give you from age 65? Drawdown

If you start drawing income from your pension at age 65, the amount you take will depend on your goals, your withdrawal rate and the performance of the market.

Based on our modelling, we estimate that you could withdraw £37,500 per annum (increasing in line with inflation) from age 65. This would exhaust your fund by around age 95, assuming your investments continue to grow at 5% annually after fees. A basic-rate taxpayer would take home around £34,389.

This information is based on our current understanding of HMRC tax rules in the UK. Tax treatment depends on individual circumstances, which could change in the future.

Please note that the after-tax figures account for the fact that 25% of pension withdrawals are tax-free, subject to an overall tax-free cap of £268,275. The tax-free cap is typically only a consideration when an individual's pension pot exceeds £1,073,100.



What could a £1 million pension pot give you from age 65? Annuity

An alternative to drawdown is to purchase a pension annuity.

A pension annuity is a product that pays you a regular guaranteed income for the rest of your life, no matter how long you live.

Based on current annuity rates* (as of 23/06/2025), a 65-year-old with a £1 million pension pot could purchase an annual income of £45,700, which would see a basic-rate taxpayer take home £39,074.

Drawdown or annuity?

There are some key differences to consider between drawdown and annuities.

Whether drawdown or annuity is right for you will depend on your circumstances, objectives and preferences. In some instances, a combination of the two can actually be the right outcome.

Choosing between the two is a very complex decision and one that typically requires the involvement of a financial planner.

Key differences between drawdown and annuity options

Drawdown	Annuity (Life)
Your income is not guaranteed. The value of your pension pot will be linked to investment performance.	Your income is guaranteed. You will receive an income for the remainder of your life.
More riskier than annuity.	Less riskier than drawdown.
Pension pot can still grow.	Pension pot cannot grow.
Withdrawals can be flexible, meaning they can be increased or decreased to suit lifestyle changes and change in tax position.	Withdrawals are not flexible, meaning the amount you receive will be consistent (except inflation-linked increases).
Your health will not affect the income you receive.	Your health will affect the income you receive. The less healthy you are, the higher the income.
Beneficiaries can inherit a pension pot.	Beneficiaries have no pension pot to inherit.
	Once you purchase an annuity the decision is generally irreversible.

*The annuity quote was run on a joint-life basis, with a 100% spousal benefit. The inflation rate used was 3.6% per annum.

02

Start early and contribute regularly. Starting later? You're not out of options

How much do you need to save and
what will it really cost you?

Your age and tax-rate will have a
significant impact on the amount
you need to save.



Why starting early makes such a difference

One of the biggest advantages of starting in your 20s or 30s is time. The longer your savings have to grow, the less you need to contribute overall.

As the table shows, a 25-year-old needs to put aside £1,608 per month to reach a pension pot of £1 million at 65. The amount needed to save each month increases by around £700 for a 35-year-old, and more than doubles for a 45-year-old!

This highlights the importance of starting early when it comes to saving for retirement.

Pensions tax relief

A key benefit of saving into a pension is the tax relief you get from the Government. This means that when you pay money into a pension, the income tax you have paid on that money is effectively returned to you via a top-up from HMRC.

Tax treatment depends on your individual circumstances and may be subject to change in future.

Contributions and growth rate

We have assumed the contributions increase by 3.6% per annum, which is our assumption for inflation.

We have also assumed an investment growth rate of 5% per annum (net of fees).

Monthly contribution requirements based on age and tax rate

Monthly contribution (£)		25	35	45
	Monthly gross contribution	£1,608	£2,293	£3,659
	Cost to basic-rate taxpayer	£1,287	£1,834	£2,928
	Cost to higher-rate taxpayer	£965	£1,376	£2,196
	Cost to additional-rate taxpayer	£885	£1,261	£2,013

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03

There are simple ways to potentially boost your pot

Four smart ways to help you get there

01

Use salary sacrifice

You'll save on income tax and national insurance, which means your pension gets more while it costs you less.

02

Pay in bonuses

Instead of paying tax and national insurance on your bonus, you can add some or all of it to your pension.

03

Take more investment risk if you can

If you've got more than 10 years before retirement, you may benefit from higher-risk investments. Just be sure to review your approach regularly.

04

Check fees and fund performance

High charges and underperforming funds can drag you down. A pension review could uncover better options.





Explore the full retirement planning series

This guide is one of six in our series designed to help you make informed, confident choices about life after work.

7 tips to help you achieve your retirement goals

A practical starting point for thinking ahead.

Keep more of your money in retirement

How to draw an income tax-efficiently and help your savings go further.

Worried about your retirement income?

Steps to help you stay in control and reduce the risk of running out.

Keep your retirement on track by avoiding these common mistakes

What we see most often and how to avoid it.

Will your retirement savings last if you live to 100?

Why it pays to plan for longer and how to make your money go the distance.

Find out more

Rathbones is one of the UK's largest and most established investment managers, trusted for over 100 years to help people plan well, invest well and look to the future with confidence. We combine the scale and resources of a FTSE 250 company with a relationship led approach built around understanding each client's goals, values and priorities.

To learn more about Rathbones, including our investment philosophy and approach, you can visit [rathbones.com](https://www.rathbones.com)

If you have any questions your financial adviser will be able to guide you. Financial advisers can contact our intermediary services desk on: **020 7399 0399** and DFMsales@rathbones.com



