



Taking cash from your Investment Builder pot (UFPLS)

Your Investment Builder pot (the defined contribution section) is a flexible way to save for the future, giving you a range of ways to use the pot you build up. One option is to take one or more cash payments. This is known as 'Uncrystallised Funds Pension Lump Sums' (UFPLS), but to keep things simple we'll call them 'cash payments'.

From age 55 (57 from 2028 for certain members) you can:

- take your whole pot as cash;
- take up to four cash payments each calendar year, while leaving the rest of your pot invested; or
- leave your whole pot invested and take your cash when you want it – even after you've retired.

When taking cash payments in this way, you can continue contributing to your Investment Builder pot whilst you're an active (paying in) USS member.

You should think carefully before taking cash payments in this way because doing so will affect the way you continue to build your Investment Builder pot (or any other defined contribution arrangement). See 'the Money Purchase Annual Allowance' (section 3).

For other flexible ways to use your Investment Builder pot, see the [Using your Investment Builder pot](#) web page.

1. Eligibility – can you take a cash payment (UFPLS)?

If you have savings in the Investment Builder, you can take cash payments from your pot if:

- you are at least minimum pension age (currently 55); or
- you have reached your protected pension age (if you have one in USS and are claiming all of your Retirement Income Builder benefits and Investment Builder savings at the same time); or
- you qualify to take benefits early under USS's ill health rules.

You can't take cash payments from your Investment Builder pot if you have:

- enhanced and/or primary protection and have protected lump sum rights which exceeded £375,000 at 5 April 2006. If this applies to you, your protection certificate should set out the protected lump sum percentage;
- a Lifetime Allowance enhancement factor on your pension benefits relating to primary protection, periods of non-residence, transfers from recognised overseas pensions schemes or pension credits prior to 6 April 2006, with the available lump sum less than 25% of the cash payment you want;
- Transferred in a pension that was credited to you as part of a divorce or dissolution of a civil partnership where your ex-spouse/former civil partner was in receipt of the pension at the time.

For more information on primary and enhanced protection, see our [pension tax](#) page.

It is your responsibility to ensure you do not apply for a cash payment for which you are not eligible. We will ask you to sign a declaration to confirm this is the case, before the cash payment can be paid. If you're not sure whether you're eligible, please speak to a financial adviser.

2. How to apply

To apply for a cash payment from your Investment Builder pot, complete the cash payment application form found on our website. The minimum cash payment you can take is £2,000. If your Investment Builder pot is less than this, you will need to take the full amount.

3. Tax and tax allowances

The Money Purchase Annual Allowance (MPAA)

If you take a cash payment from a defined contribution (DC) arrangement like the Investment Builder, it will trigger the MPAA. This is the maximum you and your employer can pay into any DC arrangement each year and still get tax relief. It applies to all DC arrangements which you're a member and any that you join in the future.

The MPAA is currently £10,000 per tax year, so once you've taken a cash payment, any contributions above this amount paid by you and/or your employer(s) in a tax year, into any DC arrangement will be subject to tax charges.

Once triggered, the MPAA applies for life. The benefits you build up in the Retirement Income Builder are not affected by the MPAA as it is the defined benefit (DB) section of the scheme. However, if you do trigger MPAA through any DC arrangement you have, that can trigger an alternative annual allowance that affects the tax limits on DB benefits.

You should consider this carefully, when deciding whether to take a cash payment.

Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA)

Prior to 6 April 2024, there was a limit on the amount you could take from your pension benefits and savings before being charged tax, known as the Lifetime Allowance.

This was replaced by two new allowances, effective from 6 April 2024 that consider the total amount of tax-free lump sums that can be paid before marginal rate taxation applies: the Lump Sum Allowance (£268,275) and the Lump Sum and Death Benefit Allowance (£1,073,100).

Each time you take your benefits, held in a registered pension scheme, as a tax-free lump sum (known as 'crystallising' your funds) the tax-free amounts taken are measured against your remaining LSA and LSDBA this includes any cash payments and the tax-free element.

If you have not accessed any pension benefits, then you will have the full allowance available. However, if you have previously accessed benefits from a registered pension scheme, you will have used up some of this allowance.

If you have taken benefits from a pension scheme prior to 6 April 2024, you can apply to any of your registered pension schemes and ask them to provide you with a Transitional tax-free amount certificate (TTFAC). The TTFAC will detail the amount of LSA and LSDBA that you have remaining at 6 April 2024.

In addition, if you have taken benefits from a registered pension arrangement or transferred benefits overseas to a Qualifying Recognised Overseas Pension Scheme (QROPS) prior to 6 April 2024, 25% of Lifetime Allowance that you used then will be deducted from the new LSA/LSDBA. If you were 75 or over before 6 April 2024 and took a lump sum between age 75 and 6 April 2024, any of your uncrystallised benefits as at age 75 will also have used up part of your LTA, and will in turn affect the amount of your available LSA/LSDBA.

We are required to take account of the value of all of the benefits you have accessed so far, in any registered pension scheme, not just the value of the benefits you are taking from USS, to see whether you have exceeded the LSA/LSDBA.

If you have exceeded the LSA/LSDBA, the excess amount is subject to a tax charge at your marginal rate, which we will deduct before putting your benefits into payment. We pass the tax deducted to HMRC.

Please also let us know if you are bringing benefits from other registered pension schemes into payment at the same time you are taking benefits with us.

Income Tax

Cash payments you take from your Investment Builder pot differ from the tax-free lump sum you can take when you retire – they're subject to tax, so you'll have to think carefully before taking your cash.

If you take cash payments from age 55, **the first 25% of each payment is tax-free, up to your available Lump Sum Allowance (LSA), or Lump Sum and Death Benefit Allowance (LSDBA), with the remaining element of the cash payment taxed as income.** The tax-free element of an UFPLS will reduce the amount of your available LSA and LSDBA. The rest is taxed as pension income.

See the [Lump Sum Allowance and Lump Sum and Death Benefit Allowance](#) page for more information.

Any tax you pay on the cash you take will initially be charged at the emergency rate. This means the amount of cash you receive may be more or less than you expect and may lead to tax adjustments or a need for it to be corrected through self-assessment. For information on what you need to do, call HM Revenue & Customs on 0300 200 3300 or visit gov.uk/tax-codes.

Cash payments will be added to any other income you receive, which may:

- push you into a higher tax band;
- have an impact on your tax-free personal allowance; or
- need you to complete a self-assessment tax return.

See example on the following page.

Example:

A member takes an UFPLS payment of £40,000. 25% of this, £10,000, is payable as a tax-free lump sum. The remaining £30,000 is taxable. Using the emergency tax code for 2025/26, and applying one months tax bands, the income will be taxed as follows:

The personal allowance monthly amount of £1,048.00 will not be taxed.

The basic rate will be applied to £3,141.67, so 20% of this is £628.33.

The higher rate is then applied to £7,286.67, so 40% of this is £2,914.67.

And finally, as the members taxable part of their UFPLS is more than a 12th of the additional rate tax band, the final £18,523.66 is taxed at 45%, and a further £8,335.65 is deducted.

This brings the total tax deducted for this payment to £11,878.65.

This member will receive a net payment of £28,121.35 from the full £40,000 UFPLS payment.

If the members total income over the tax year doesn't go above the additional rate or higher rate tax bands, they will be able to reclaim the overpaid tax from HMRC.

4. Other things to consider

Cash payments are drawn equally from all of the funds in which your Investment Builder pot is invested. If the value of your investments fall just before you take a cash payment, you'll be left with a smaller pot than you planned, so you need to think about the funds your pot is invested in and your plans for the future.

Each investment option available to you has specific risks associated with it, and the level of risk varies. It's important that the level of risk associated with your investments is appropriate for your circumstances. If you're not sure about the appropriate level of risk for you, you should seek financial advice.

Taking regular cash payments could mean your pot won't provide income for as long as you need it to. People often enjoy longer lives than they anticipate, so you should think about how taking cash from your Investment Builder pot increases the risk of leaving you with less money than you'll need in the future or running out of money altogether.

The further you are from retirement, the less certain you are about how big your Investment Builder pot is likely to be and taking cash payments reduces both the potential for investment growth and the size of the pot you'll have left in the future.

Investing your cash payments

If you pay some or all of your cash payment as a contribution to the Investment Builder or another scheme, this may be 'pension recycling', and you may have to pay tax on the whole of your original cash payment – even if you only recycle some of the money.

The potential impact on means-tested benefits

Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. If you're concerned about this aspect, you can contact the Citizens Advice Bureau or MoneyHelper for more information.

The impact on your death-in-service and ill health benefits

If you die or take ill health benefits whilst paying in to USS, yours and your employer's contributions over the salary threshold to the Investment Builder (including the employer part of The Match) will be credited back to USS. This is because we use your **full salary** when we calculate your life cover.

If you have taken benefits, such as an UFPLS, relating to these contributions, there may be an impact to the level of benefits paid if you die in service or take ill health benefits.

Payments

You may only apply for one cash payment in a single day. Your cash payment will be made by BACS, direct to your nominated UK bank account. If you live outside the United Kingdom and don't have a UK bank account, you may wish to consider using a service operated by Citibank called Worldlink Payment Services, which delivers payments to overseas bank accounts. If you use this option, we would pay your cash payment via BACS to a unique Citibank account and they would then transfer the payment to your overseas bank account.

Scams

Please be aware of investment scams. Criminals tend to target people who are around the age at which they can access the money in their pension pots. Investment scams are designed to look like genuine investments, and they may seem appealing. However, you could lose all your money, and you won't be protected through the financial compensation schemes. If you're not sure, check with any of the services below.

For information on how to spot a scam and stay one step ahead, visit fca.org.uk/scamsmart/how-avoid-pension-scams and take a look at the [ScamSmart leaflet](#).

5. Where to go for more support

MoneyHelper brings together three bodies of financial guidance: Pension Wise, the Money Advice Service, and The Pensions Advisory Service. MoneyHelper is there to make your money and pension choices clearer. They offer impartial guidance that's backed by the government and free to use. MoneyHelper is available at moneyhelper.org.uk.

If you want to seek guidance or take financial advice on the options available to you, visit our [guidance and financial advice](#) page. You'll find a range of resources to support your planning and you can also find information on how to access an independent financial adviser.

This guide is for information purposes only. It does not take into account your personal circumstances and does not constitute financial advice or a recommendation to make (or refrain from making) any kind of investment or financial decision. Neither USS nor your employer can give you financial advice.

6. Stronger Nudge

Subject to certain exemptions, if you apply to access or transfer your Investment Builder and/or MPAVC savings, or if you contact us about an application, we're required by law to direct you to Pension Wise.

We can't proceed with your application, until you tell us that you've either received Pension Wise guidance or have opted out of receiving it by providing an opt out notification to us.

This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the latter prevail. Members are advised to check with their employer contact for latest information regarding the scheme, and any changes that may have occurred to its rules and benefits. For a glossary of our terms please see our [important information](#) page.