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Adviser factsheet

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Capped drawdown GAD calculations – how they work

Introduction

The Government Actuary's Department (GAD) has produced tables to calculate a 'basis amount'. This basis amount is used to calculate the maximum capped drawdown income that can be taken in a drawdown pension year.

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GAD calculations – how they work

Example

Client age	Gilt index yield					
	4.50	4.75	5.00	5.25	5.50	5.75
73	£87	£89	£91	£93	£94	£96
74	£90	£92	£94	£96	£97	£99
75	£93	£95	£97	£99	£100	£102
76	£97	£99	£100	£102	£104	£106
77	£101	£102	£104	£106	£108	£109
78	£105	£107	£108	£110	£112	£114

This table is an extract from the published tables for men and women aged 23 and over, effective from 1 September 2025. What is shown is the 'basis amount' rate per £1,000 of fund for drawdown. This rate is known as the 'GAD rate'. There's a separate table for dependent children.

The gilt index yield is reviewed monthly and is the gross redemption yield on 15 year UK gilts. For dependent children the yield used is five year UK gilts.

The GAD calculation in principle only has relevance to a member who remains in capped drawdown. For those individuals in flexi-access drawdown, there's no requirement to carry out this calculation.

When the member is under age 75, their maximum pension drawdown amount is usually recalculated every three years, starting from when they first designated funds into drawdown. This three year period is known as the 'reference period'. Certain events can cause the reference period to change. Other events can also initiate a recalculation of the member's maximum drawdown pension though they don't change the reference period. Some examples of these are where the member uses part of their drawdown fund to purchase a lifetime annuity, where the member's drawdown fund is reduced as a result of a pension sharing order, and where the member designates further funds to drawdown.

Once the member is 75 or over, their maximum drawdown pension must be recalculated annually at the start of the member's pension year.

How to calculate the basis amount

The first step is to cross-reference the member's age with the prevailing yield. The GAD tables provide the appropriate GAD rate up to age 85 and over. For anyone over this age, the rate for an 85 year old is used. A yield of 5% for a 73 year old man and a 78 year old woman, would produce GAD rates of £91 and £108, respectively, per £1,000 of designated fund value.

The second step is to apply the GAD rate to the value of the pension fund to calculate the 'basis amount'.

If the value of the pension fund is £100,000 (after the payment of the pension commencement lump sum), the respective basis amounts would be £9,100 and £10,800.

How to calculate the minimum and maximum incomes

Using the examples in the previous section, both individuals would be able to take any level of income between zero and up to their respective maximums of 150% of £9,100 and £10,800, i.e. £13,650 and £16,200.

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