FCMB Pensions

Income for Life:

The Power of Programmed Withdrawal

Introduction

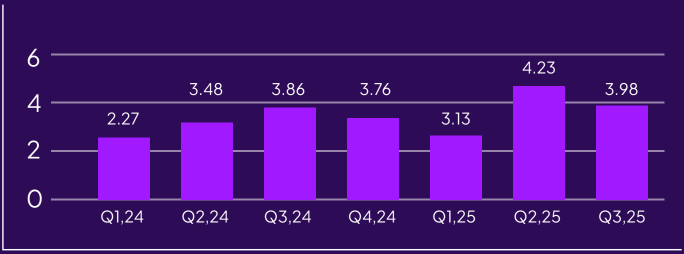
As more Nigerians approach retirement under the Contributory Pension Scheme (CPS), it is increasingly important to understand the available retirement benefit options. One of the most widely chosen options is Programmed Withdrawal (PW) — a structured arrangement designed to provide retirees with periodic income while ensuring long-term financial sustainability.

In this edition of our newsletter, we focus on Programmed Withdrawal, outlining its key features, benefits, and administration under the Contributory Pension Scheme. We also compare PW with other retirement benefit options to help retirees make informed decisions that align with their financial needs and retirement goals.

Before exploring this focus topic, we provide an update on recent economic and market developments, as well as the outlook for 2026, to give readers a broader perspective on the operating environment shaping retirement planning decisions.

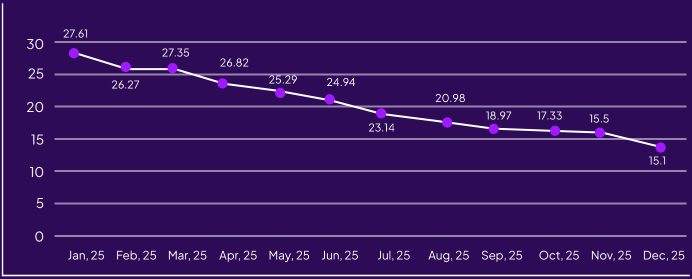
Gross Domestic Product (GDP)

Following the GDP rebasing exercise, which updated the base year from 2010 to 2019 to better reflect the current structure of the economy, including sectors such as fintech and telecommunications, Nigeria's nominal GDP for 2024 was revised upward to ₦372.8 trillion from ₦277.5 trillion. Based on the revised GDP series, the economy recorded a 3.98% year-on-year growth rate in Q3 2025, an improvement from 3.86% in Q3 2024.



Inflation

We saw the inflation trend down further in January 2026, to 15.10%, from 15.15% in December 2025. The Headline inflation rate reduced by 0.05% when compared to the December 2025 rate. The Federal Government's single-digit inflation target looks achievable.



Financial Market Update

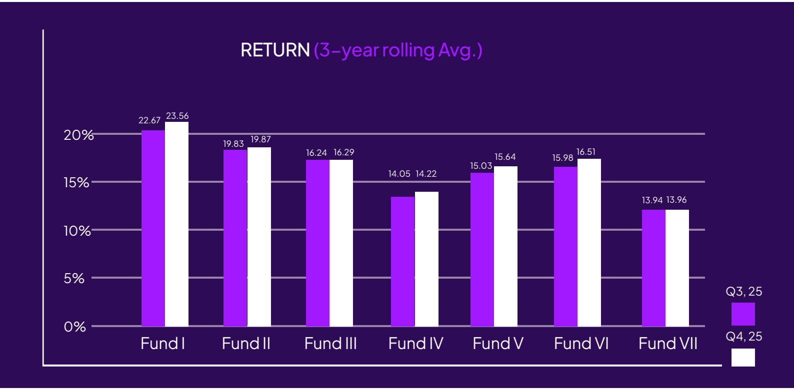
Equities

The market started 2025 on a slow note but gained momentum in the second quarter, driven by government policies, capital raising activities, and strong corporate earnings. Although concerns over the new capital gains tax law triggered temporary selling pressure in November, clarifications from Taiwo Oyedele helped restore investor confidence and reverse the bearish trend. Overall, the Nigerian equities market closed 2025 strongly, with the NGXASI rising 51.19% to 155,613.03.

Fixed Income

Nigeria's fixed-income market in Q4 2025 moved from rapid repricing to a more stable phase, as bond and Treasury bill yields remained lower than earlier in the year but showed less decline. Debt Management Office bond yields held around the mid-16% range, while NTB yields stayed relatively stable at lower levels, supported by improved investor confidence, better inflation expectations, and sustained institutional demand. Overall, Q4 2025 reflected a gradual market normalisation, with yield movements driven more by liquidity conditions and policy signals than by broad disinflation trends.

Fund performance review for Q4 2025.



Outlook

The International Monetary Fund projects Nigeria's economy to grow by 4.4% in 2026, supported by increased refining capacity from the Dangote Refinery, improved FX stability, lower inflation, and easing interest rates. Growth is expected to be driven mainly by the non-oil sector, while import-substitution reforms should further support economic expansion.

On the monetary side, the Central Bank of Nigeria may begin lowering interest rates between Q1 and Q3 2026, assuming inflation continues to ease, although upcoming election activities later in the year could influence policy decisions. Meanwhile, the naira is expected to remain relatively stable, supported by external reserves projected to rise to about US$51 billion by year-end.

Programmed Withdrawal: Transforming Retirement Under Nigeria's Contributory Pension Scheme

Retirement in Nigeria has experienced a significant transformation since the introduction of the Contributory Pension Scheme (CPS). In the past, many retirees faced uncertainty, delayed payments, and financial hardship due to the limitations of the old Defined Benefit Scheme. The reform of the pension system brought structure, transparency, and sustainability into retirement planning.

A major pillar of this transformation is the regulatory framework established by the National Pension Commission (PenCom). Through clear guidelines and oversight, PenCom ensures that pension contributions are professionally managed and that retirees have structured options for accessing their benefits. One of the most impactful of these access options is Programmed Withdrawal (PW), which has redefined how retirees receive income after active employment.

What is Programmed Withdrawal?

According to the National Pension Commission, Programmed Withdrawal is a method by which a retiree collects retirement benefits in scheduled amounts over an estimated lifespan. This structure, administered under the Contributory Pension Scheme, ensures that pension funds are distributed gradually rather than exhausted at once, while allowing retirees to receive periodic payments directly from their Retirement Savings Account (RSA), which is managed by their Pension Fund Administrator (PFA). Under Programmed Withdrawal:

- A portion of the RSA balance may be taken as a lump sum (subject to regulatory conditions).
- The remaining balance is paid out periodically—monthly or quarterly.
- The outstanding balance continues to be invested in line with approved investment guidelines.

Since the inception of the CPS, Programmed Withdrawal has facilitated the disbursement of trillions of naira to retirees across Nigeria, supporting living expenses, healthcare, housing, and other financial obligations.

The Other Retirement Options Available

The market started 2025 on a slow note but gained momentum in the second quarter, driven by government policies, capital raising activities, and strong corporate earnings. Although concerns over the new capital gains tax law triggered temporary selling pressure in November, clarifications from Taiwo Oyedele helped restore investor confidence and reverse the bearish trend. Overall, the Nigerian equities market closed 2025 strongly, with the NGXASI rising 51.19% to 155,613.03.

The key distinctions include:

Programmed Withdrawal: Managed by a PFA; balance remains invested; payments are based on life expectancy projections and investment performance.

Annuity: Managed by a life insurance company; payments are contractually guaranteed for life.

Both options are regulated by PenCom and designed to provide sustainable retirement income. The choice depends on the retiree's financial goals, risk appetite, and preference for flexibility versus guaranteed income.

Benefits of Programmed Withdrawal

Programmed Withdrawal offers several financial and structural advantages that make it a preferred option for many retirees.

Steady and Predictable Income: PW converts retirement savings into regular payments, ensuring that retirees receive consistent income throughout their retirement years. This predictability supports effective budgeting and long-term financial planning.

Continued Investment Growth: Unlike a full lump-sum withdrawal, the remaining RSA balance continues to be invested. This allows retirees to benefit from potential investment returns, helping to preserve and possibly grow their pension savings even after retirement.

Transparency and Account Visibility: Retirees maintain visibility into their RSA balances and receive regular statements from their PFA. This transparency enhances trust and ensures retirees remain informed about the performance of their funds.

Flexibility Within Regulatory Guidelines: Programmed Withdrawal provides room for periodic pension adjustments in line with regulatory approvals and investment realities. This ensures that retirement income can remain meaningful despite economic fluctuations such as inflation.

Financial Independence and Dignity: By ensuring regular payments, PW reduces dependence on family members or informal support systems. Retirees are better positioned to maintain financial independence and dignity in later life.

Integration with Digital and System Enhancements: With ongoing digital transformation initiatives within the pension industry, retirees can now access account information, lodge requests, and receive updates more efficiently. This improves the overall retirement experience and reduces administrative bottlenecks.

Collectively, these benefits have reshaped retirement from a one-time financial event into a structured, ongoing income journey supported by professional fund management and regulatory oversight.

Conclusion

Programmed Withdrawal represents one of the most significant innovations under Nigeria's Contributory Pension Scheme. By converting lifetime contributions into sustainable, professionally managed income streams, it has strengthened confidence in the pension system and improved the quality of life for retirees.

Through its administration of Programmed Withdrawal, FCMB Pensions continues to uphold its commitment to delivering not just pension payments, and views retirement not merely as a phase of benefit disbursement, but as a continuation of financial security.

Through disciplined fund management, regulatory compliance, and digital service enhancements, we remain committed to ensuring that our retirees experience:

- Timely and consistent payments
- Transparent account management
- Professional fund oversight
- Sustained financial confidence

Retirement under the CPS is no longer defined by uncertainty; it is supported by structure, transparency, and continuity of income. In today's pension landscape, retirement is not the end of financial stability—it is the beginning of dependable, regulated, and sustainable income for life. We encourage you to take advantage of this opportunity today and secure your financial future in retirement.

For further information, guidance, or clarification on this or any of our product offerings, please feel free to contact us via any of our service channels or visit www.fcmbpensions.com.

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