

Retirement unleashed



Your ultimate five-step planning guide



Step 1

Your **journey** to retirement starts here

Achieving a retirement you're happy with needs significant planning. Like most things, you'll get out what you put in – so if you fail to prepare, you could be preparing to fail.

Retirement can be a big chunk of life which may look very different to what you're used to. And with people generally living longer, it's not something that should be taken on a whim. It needs careful consideration to ensure your intended lifestyle – and the money needed to fund it – will last. Because we're all unique, there's no exact science to getting things right. But there are some important steps which everyone can benefit from.

This guide outlines these, along with handy tips to help you make more informed decisions. Although it's better to start retirement planning early on, it's never too late.



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Paint your retirement picture

To start, think about how you see yourself spending time in retirement. This doesn't necessarily mean downing tools completely and stopping the nine to five.

You might prefer to continue work on a part-time basis. Or maybe you feel like it's an opportunity to devote more time to the things you love – such as travel, hobbies or even helping others. Either way, it's likely that you'll spend more on some things, and less on others.

Taking note of what you find fulfilling and enjoy doing can go a long way in helping you paint a picture of your ideal retirement. Equally, think about what you wouldn't mind cutting back on, or giving up entirely. It's also worth remembering that there are always free things to fill your time with, like hiking for example.

Because retirement has the potential to last a number of decades, it's also important to think about how your lifestyle might change as you get older. As you age, there will be things you're not able to do as much, so the latter years of retirement could end up being very different compared to the initial ones. To help, we've split retirement into three separate mini stages – early, middle and late.

These are set out on the next page and give an indication of how your age might affect your lifestyle and outgoings, but are just rough guidelines designed to help you think, they aren't set in stone. The main thing to remember is you're going to have to be flexible – life happens and things change.

Early retirement

You've just retired and are enjoying life on your own terms – think of this like a honeymoon period. You may be spending more time and money on whatever makes you happy compared to when you were working full time. Other expenditure – on the likes of weekly food shops or clothing – might remain similar to life before retirement. Your energy levels will probably be much higher compared to life further down the line.

Middle retirement

This can be thought of as a half-way house between early retirement and old age. You may be thinking about slowing down. Although you're enjoying particular activities, you might be doing them less frequently, taking a more pared back approach. The same applies to your discretionary spending.

Late retirement

Your discretionary spending has reduced significantly. You might be experiencing health issues and are less able, meaning you won't be as active or able to do the things you once did. Unlike early and middle retirement where your spending on things like hobbies and leisure may have increased, your money is now predominantly used for basics.

Step 2



Consider how much money you'll need

This might feel like asking “how long’s a piece of string?”, but now that you’ve considered the type of lifestyle you’d like to live in retirement, this can give an idea.

Research from the Pensions and Lifetime Savings Association in partnership with Loughborough University can also help. This is designed to give a practical indication of how much you might need a year to fund different standards of living.

These are summarised into three categories – minimum, moderate and comfortable. It’s worth remembering that this is a general rule of thumb – after all, what one person believes to be a moderate lifestyle, the next might consider comfortable, and vice-versa. Nonetheless, it gives an indication of how far different levels of income will go for a single person and a couple in today’s money.

How far different levels of income will go for a single person versus a couple

Minimum

£14,400

£22,400

Covers all your basic needs, with a little left over for fun. You could holiday in the UK once a year or eat out once a month, for example.

Moderate

£31,300

£43,100

Offers more financial stability and flexibility, giving you better opportunity to enjoy what you want to do. This could be more to spend on clothes, for example.

Comfortable

£43,100

£59,000

Greater financial freedom, allowing you to be more impulsive with your money. This could mean multiple holidays a year, gifts for family or more TV streaming services.

Did you know?

77% of people don't know how much money they'll need in retirement.

Source: The Pensions and Lifetime Savings Association, 2023.



Inflation's hidden impact

Although the Pension and Lifetime Savings Association's standards of living can help illustrate how far your money could go, it's important to remember the impact which inflation will play over time. As the cost of goods and services rise, the amount of money needed to maintain a similar lifestyle increases.

Or to put it another way, what £100 buys you in 20 years won't be the same as now. Because of this, inflation should be considered alongside any retirement plan. There are actions you can take to safeguard against it, such as being smart with where your money is invested or how you take an income. Financial advice can help with this.

The Supermarket shop

How the average costs of a loaf of bread, a packet of teabags, and a pint of milk have changed in 20 years.

	2005	2025
 Loaf of bread	£0.63	£1.40
 Teabags	£1.35	£2.64
 Pint of milk	£0.35	£0.65

Source: Office for National Statistics

Step 3



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Work out when you can **afford** to retire

Now that you've envisaged life in retirement and how much you might need to fund this, your next port of call should be considering when you can afford to retire. Begin by taking stock of what sources of income you can draw upon.

This might be:

- a workplace or personal pension
- savings and investments, such as an ISA
- property
- state benefits you may be entitled to
- the State Pension – which you can access from age 66 (rising to 67 between 2026 and 2028, and 68 between 2044 and 2046). Be sure to check your State Pension forecast on the government website as not everyone qualifies, or is entitled to the same amount. This is because it's based on National Insurance contributions and your personal circumstances. For the current tax year, the full State Pension is £241.30 a week.

How you could find money you didn't know you had

If you've had a few different jobs during your working life, it's likely that you'll have more than one pension. It can be easy to lose track of these though as time goes by, or you might not even be aware you had one in the first place. The government has a free pension tracing service to help you search for any you're entitled to. If you're lucky enough to find one, it can be a welcome addition to your retirement income planning – like finding money down the back of the sofa. There could be one out there with your name on it worth a life-changing amount of money.

Consider combining pensions

If you do have more than one pension, it might be a good idea to combine them. Having all your money in one can give a clearer picture of what you've got to work with for the future, making retirement planning that little bit simpler. It could also:

- Make things easier to manage – you'll have less paperwork, and dealing with one pension provider instead of a few can save a lot of time.
- Potentially save you money – you could pay less in charges.
- Give you access to investments that are better suited to your retirement goals. Combining pensions won't be right for everyone though. You could end up losing valuable benefits or guarantees if you do, so it's vital that you think about this carefully – as these usually aren't worth giving up. Once you've combined pensions there's no going back. We strongly recommend that you speak to a financial adviser who can help you decide. Our experts can advise what's best for you.

Did you know?

An estimated 3.3 million pensions are considered lost, worth a staggering £31.1 billion.

Source: Pensions Policy Institute, 2024.

Feel like your pension savings aren't on track?

Don't fret. There are actions you can take to potentially boost things, and it's never too late to do so. This might involve:

- **Maximising employer contributions**
Some employers also increase the amount they pay into your pension if you do (up to a certain limit). It's essentially free money, so well worth asking your employer for more details.
- **Sacrificing any bonuses you receive**
Bonuses are usually taxed like your regular salary, but by asking your employer to pay it directly into your pension instead, it typically won't be – allowing you to save more of it.
- **Review your pension investments**
These can have a big impact on how much your pension's worth down the line, so take time to look at your options.
- **Consider paying in a lump sum**
This is a quick and easy way to give an instant boost.

Getting actions like these right could mean you can retire earlier than you were otherwise able. You might even decide that delaying retirement for a number of years is the best thing to do. Doing so could give your pension or other savings and investments more time to grow.

Remember, although you can access your pension from 55 (rising to 57 in 2028), there's no official age you need to retire at – that's entirely up to you.

Step 4



Decide how you'll access your pension

For the vast majority of people, their pension is likely to be the main form of retirement income. You can access your pension from 55 (rising to 57 in 2028).

Of course, you can carry on working as usual, but it can be a good time to start thinking about when and how you'd like to take your money. You can usually take 25% as tax-free cash, either as a lump sum or in smaller portions. The remaining 75% will be taxed.

You don't have to do this though. With the remaining portion of your pension (or all of it if you choose not to take 25% as cash) you'll have different options when it comes to taking your money. Some will be better suited to you than others, and each has pros and cons. Here are your basic options:

1. Set up a guaranteed income

This is known as an annuity. It works by using all or part of your pension savings to set up a guaranteed regular income for life. This is paid to you like clockwork no matter what, like a regular salary. Once started it can't be changed, so although it may give peace of mind, it can also be inflexible. You can usually tailor an annuity with additional features, such as arranging for the income it pays to rise each year in line with inflation or another fixed rate.

2. Take a flexible income

Referred to as drawdown, this involves your pension remaining invested and you taking income as you see fit. This might mean you sometimes take more or less money to suit your circumstances at a particular time. You'll also have control over the frequency at which you take an income, giving you more flexibility. Although, because the money you don't take remains invested, there's a chance its value could fall. And there's also a risk that if you spend too much, your money could run out.

3. Leave it untouched

Depending on your plans, you might decide to leave your pension untouched and do nothing. Doing so could give your money more opportunity to grow in value, which might suit if you feel you need more time before you choose to retire. Although remember, because your money is invested it could also drop in value. Another reason to leave your pension untouched is simply that you don't need it. Maybe you have other sources of income that you'd rather use up first.

4. Mix and match

It's worth noting that you're not limited to just picking one option. Many people choose to go for a blended approach to get the best of both worlds. This might mean using a portion of your pension to set up an annuity, with the rest going towards drawdown – offering a degree of certainty and flexibility.

Step 4 continued



Comparing your options at a glance

	Guaranteed for life?	Value can go down as well as up?	Access any time?	Pass on what's left?
Annuity	✓	✗	✗	✗*
Drawdown	✗	✓	✓	✓
One or more lump sums	✗	✓	✓	✓
Leave it untouched	✗	✓	✓	✓

One or more lump sums Leave it untouched *

Learn more about your pension options

You can brush up on your knowledge by visiting MoneyHelper, a service from the government. If you're 50 or over you can also book an appointment with MoneyHelper's Pension Wise service to receive free impartial guidance. If after specific recommendations based on your personal circumstances, we can offer expert financial advice.

Step 5



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Get **tax** savvy

“ Nothing is certain except death and taxes... you know how the saying goes ”

Just like the income you earn from employment, you receive a personal allowance on retirement income which isn't taxed. This is £12,570 for the current tax year, although may be higher or lower depending on your personal circumstances. Anything you receive over this amount will be subject to tax, this includes income lumped together from the likes of:

- the State Pension
- a workplace or personal pension
- employment
- any taxable state benefits
- property

You won't pay any tax on income from tax-free savings accounts like ISAs, and some state benefits are also tax free. The amount you're taxed depends on how much you receive over the £12,570 limit. This is:

Basic rate

20% on anything between £12,570 and £50,270

Higher rate

40% on anything between £50,271 and £125,140

Additional rate

45% on anything over £125,140

Tax treatment depends on your individual circumstances including where you live in the UK. The above example is for someone living in England, Wales, or Northern Ireland. Income tax bands/rates are different in Scotland. Tax rules may change in the future.

You can find out more about tax in retirement by visiting MoneyHelper, a service from the government.



Other tax to be wary of

The pension annual allowance

This is the total amount you, your employer and any other third party can pay into all your pension plans in a tax year. For the current tax year the standard limit is £60,000. Any more than this and you could face a tax charge. You may be able to pay in over this limit in a given year if you have unused allowance from previous years. If you're a high earner, with income above £200,000 a year, your personal annual allowance may gradually reduce during the current tax year. So it's worth exploring how this applies to you personally.

The money purchase annual allowance

As soon as you take more than just your 25% tax-free amount from your pension, your pension annual allowance will drop from £60,000 to £10,000. This is known as the money purchase annual allowance. It only applies if you take your pension in lump sums or as drawdown. Buying an annuity doesn't count.

Make wise tax decisions

When and how you take income in retirement can have a big effect on the amount of tax you pay. So being smart around the way in which you plan to do this can pay off. This is particularly true when going about accessing your pension. For example, taking large withdrawals could push you into a higher tax bracket compared to if you took smaller withdrawals over an extended period of time.

Avoid being a rabbit in the headlights by learning about how tax might affect your retirement based on what income you're likely to draw upon. Like previous steps, it can help clarify things by writing down how different tax limits and allowances might apply to your personal circumstances.

By doing your research upfront, you're likely to make more informed choices. Making spur-of-the-moment hasty decisions is a big no-no, always take time to carefully consider the implications of your actions as it could save you money.

Final words of **wisdom**

Retirement planning can feel overwhelming – after all, there’s a lot wrap your head around. The key is understanding how to balance things you have control over against those which you don’t.

Although this is by no means easy, getting to grips with this relationship can help you understand where to funnel your energy and focus.

What you can control

- How and where you spend your time and money
- The way in which your money is saved or invested
- The length and extent to which you continue to work for
- How you take an income.

What you can’t control

- Tax limits and personal allowances
- How your savings and investments perform
- Economic factors like inflation and interest rates
- Getting older and its health implications.



Need extra **help?**

Financial advice can take the headache out of retirement planning, helping you settle on a solution that works. We can help with complex topics such as:

Income strategy

Not only can we recommend how to access your pension in a way that suits you, but if you’ve a number of different income sources, we can advise in what order to best utilise them. We’ll use cash flow projections to see how long your money might last, taking into account things like inflation and how your money’s invested.

Tax efficiency

However you cut it, tax often isn’t the easiest to understand. We’ll look at your situation in detail to unpick exactly what tax means for you, and how you could structure retirement effectively around it.

Leaving a legacy

Thinking about passing on money and other assets to loved ones after you die can be a big part of retirement planning. We’ll help by ensuring the different parts of your retirement strategy – spending, tax, income, assets – are set up in way that has this at heart.

“ Plan wisely, live confidently with expert financial advice ”



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