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Your Financial Partner for Life

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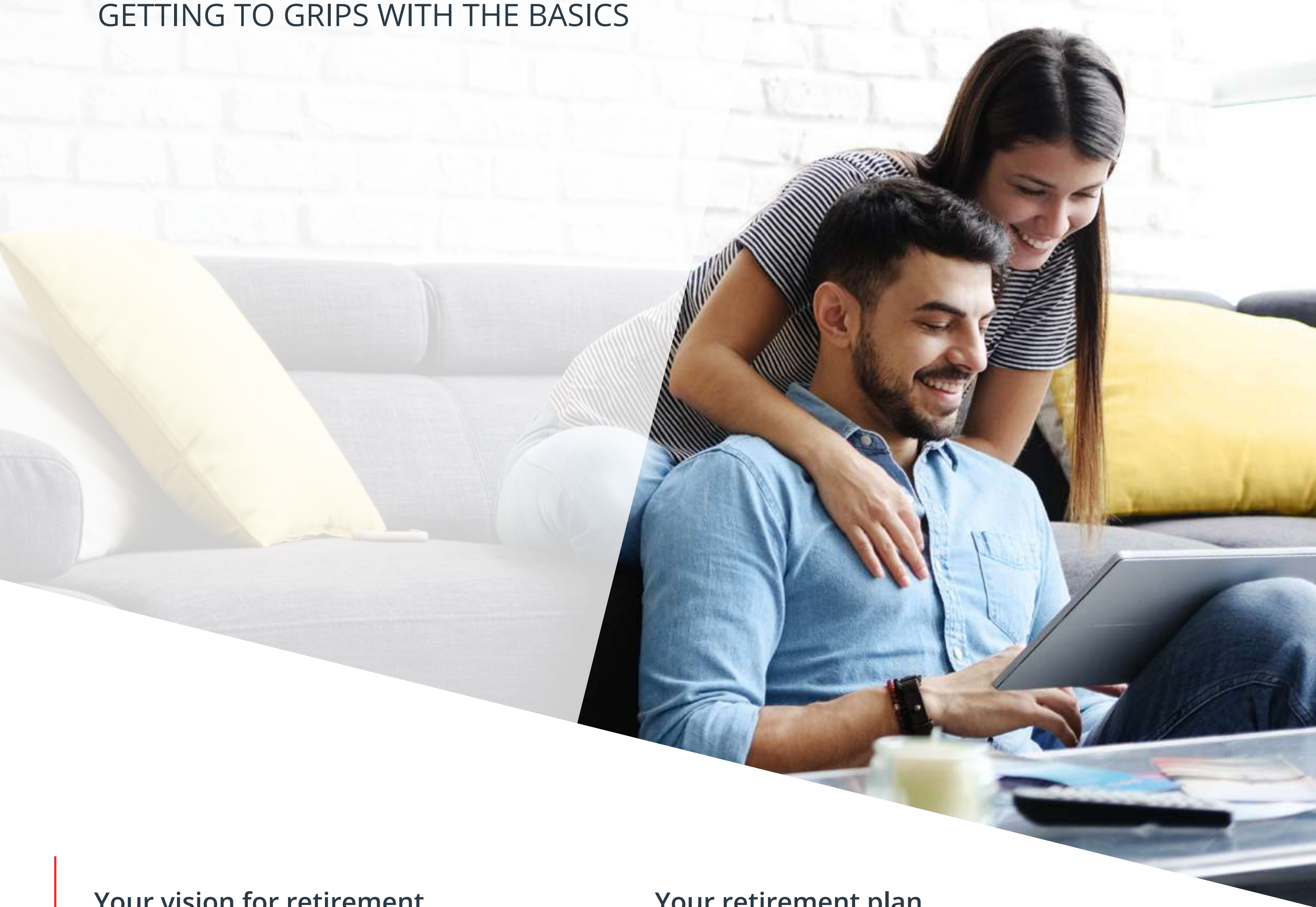
AN INTRODUCTION TO

Retirement Planning

GETTING TO GRIPS WITH THE BASICS



Your vision for retirement

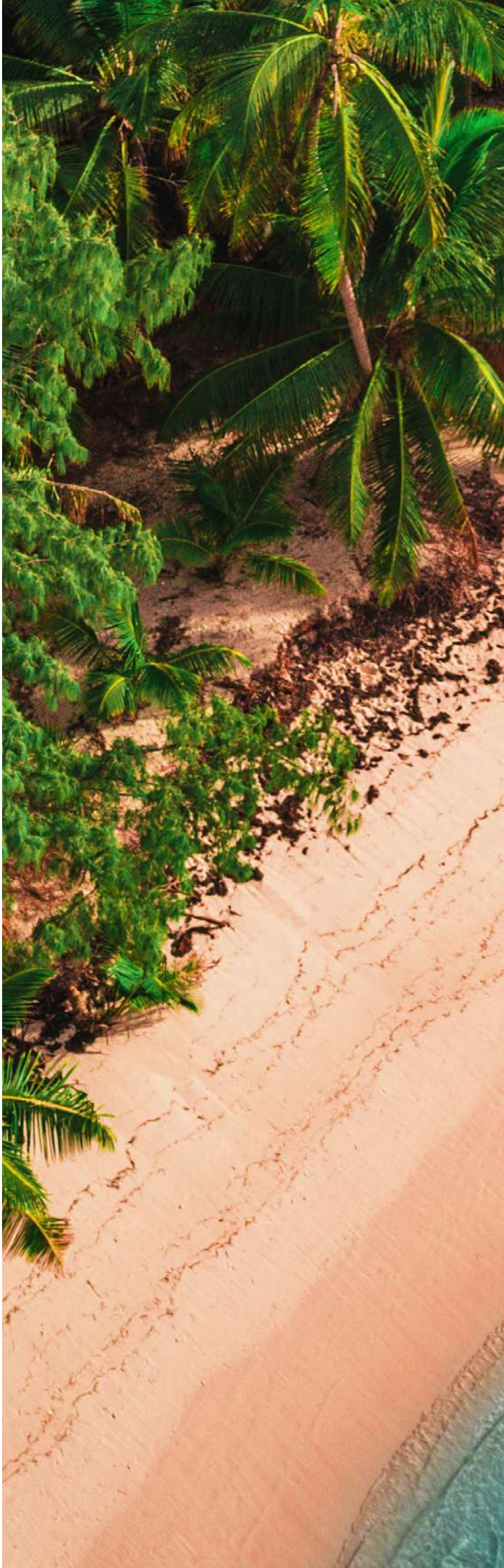
Your retirement options

The value of financial advice

Your retirement plan

We're here to help

Your vision for retirement



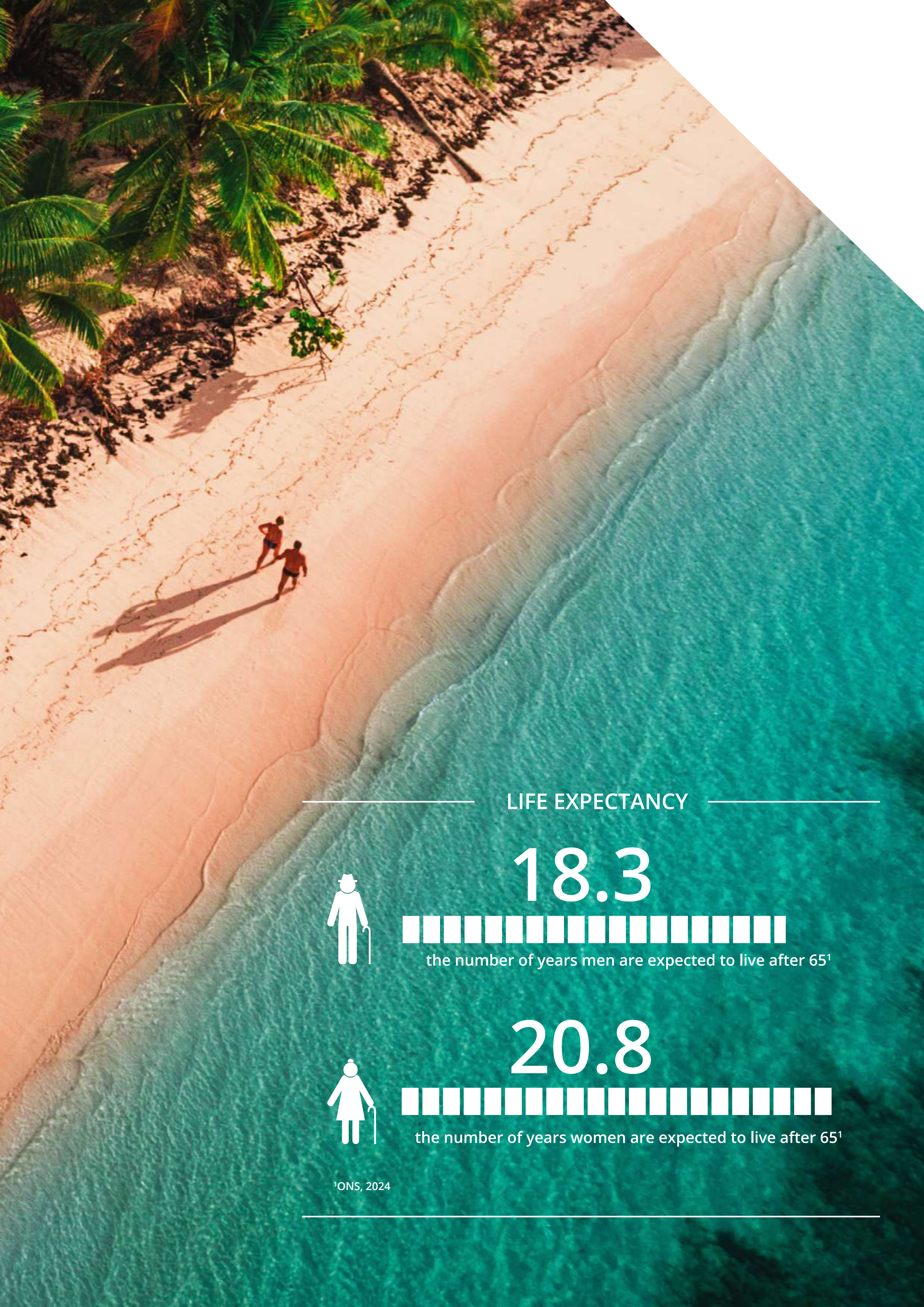
PREPARING FOR THE LIFESTYLE YOU WANT IN RETIREMENT

Retirement planning involves visualising your key goals for your retirement years and setting up a plan to help you achieve those goals through financial planning.

When visualising your retirement, you need to ask yourself:

- Do you have a bucket list which may mean spending more in retirement?
- How much money will you realistically need to live on during retirement?
- What pension savings do you have and what income will these provide?
- What age do you want to retire at?
- Do you want to retire fully or consider a phased retirement?
- What State Pension are you entitled to and at what age will this be paid?
- Are other considerations such as passing money down the generations important to you?
- Any additional capital needs in retirement that impact your retirement savings?
- How long can you expect to live?

This last question is an unknown, but with increased longevity and better medical care, you could realistically expect to look forward to 20 years plus of life in retirement.



LIFE EXPECTANCY

18.3

the number of years men are expected to live after 65[1]

20.8

the number of years women are expected to live after 65[1]

[1] ONS, 2024

Your retirement options

UNDERSTAND YOUR PENSION FREEDOMS

Nearly ten years ago, the government introduced 'pension freedoms' which are measures designed to give you greater choice over how you pay into and withdraw money from your pension pot. This has made it easier to access your pension fund earlier and in a more flexible way.

You can, for instance, choose to keep your pension pot invested and draw cash from it (drawdown), take a tax-free cash lump sum out of it, purchase an income for life in the form of an annuity, or even withdraw and spend the whole lot.

However, each option comes with its own benefits and drawbacks, and there's certainly no such thing as a one-size-fits-all solution at retirement. There are also other important considerations like taxation, investment strategy, and the need for cash-flow planning to work out how much to take from a pension to ensure it lasts comfortably throughout retirement. We can help you consider all your options.

SHOULD I CONSOLIDATE MY PENSIONS?

Most people will acquire different pensions throughout their working life. It may be possible to consolidate them, but it's important to take advice first, as you may lose out on valuable benefits or guarantees or incur exit fees.

IS IT A GOOD IDEA TO TAKE A TAX-FREE LUMP SUM?

Whether you choose drawdown or an annuity, you can normally take 25% of your pension pot from age 55 (rising to age 57 in 2028) in the form of a tax-free lump sum. However, if you don't have immediate plans for the money, it makes little sense to withdraw it from your tax-efficient pension and leave it in a taxable savings account, earning little interest.

CAN'T I JUST TAKE ALL THE MONEY OUT?

Pensions are designed to provide you with an income throughout your retirement. Taking out more money than you need to, or starting withdrawals sooner, will mean you have less to live off in the future or you could even run the risk of running out of money completely. You could also end up paying more to the taxman than you need to.

IS IT BEST TO CLEAR MY MORTGAGE AND DEBTS AS A PRIORITY?

Ideally you would want to have a debt-free retirement, but ultimately it depends on your individual circumstances and the wider picture. For example, if your interest rates are low, it may be preferable to leave money invested in your pension where it can continue to grow. There are lots of scenarios to consider and it will depend on your individual needs and circumstances. Also, if you pay off your mortgage, will your pension income reduce considerably and leave you property-rich, but cash-poor?

WHICH IS BETTER – AN ANNUITY OR DRAWDOWN?

An annuity provides certainty, in that it provides you with an income for life, but it lacks the flexibility that drawdown can provide and once you have opted for an annuity, you can't change your mind. Choosing how you will take your income in retirement will possibly be the biggest financial decision of your life, so it pays to get advice.

WHAT IS THE MAXIMUM INCOME I CAN TAKE WITHOUT RUNNING OUT IN LATER LIFE?

There is a fine balancing act between taking the income you want, to be able to enjoy your first retirement years, but also leaving sufficient for your later years. This is where professional advice is invaluable in helping you to understand what income levels are sustainable. We can also advise you on the best investment strategy for your attitude to risk and advise you on the merits of taking 'natural income' or capital withdrawals.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

There's certainly no such thing as a one-size-fits-all solution at retirement

WE'RE HERE TO HELP

We're only a phone call away, so if you have queries or would like to discuss any aspect of retirement planning, please do get in touch

The value of financial advice

YOU MAY BE ASKING YOURSELF WHETHER IT IS WORTH TAKING FINANCIAL ADVICE

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions.

When assessing financial value, research[2] has highlighted that people who take specific financial advice were likely, on average to receive between 3% and 4.4% more per annum in net returns. This was through a combination of financial planning, preventing behavioural mistakes, rebalancing portfolios and tax advice.

Elsewhere, another study[3] highlighted that receiving professional financial advice over a five-year period (between 2001 and 2006), resulted in a total boost to wealth (in pensions and financial assets) of nearly £48,000 a decade later.

[2]Russell Investments, 2019, Vanguard, 2022
[3]ILC, Revisiting the Value of Financial Advice, 2019, Vanguard, 2022

Your retirement plan – how is it coming along?

You can use this section to keep a note of the sources of income you will have available in retirement to help you understand how your pension pot is progressing. This is a handy starting point, which we can then go through together.

Taking stock – Defined Contribution pensions			
Pension provider	Latest plan value	Valuation date	Current contribution

Taking stock – Defined Benefit pensions		
Company	Years of service	Projected pension

Taking stock – existing investments			
Other Investments	Latest value	Valuation date	Notes

NOTES – THE RETIREMENT I WANT

You can use this section to make any notes about the retirement you want after thinking about the questions on page 2

Warning statement

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.