Aberdein Considine | WEALTH

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GUIDE TO

MAKING THE MOST OF YOUR FUTURE

Getting your retirement plans in motion

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WELCOME

Welcome to our *Guide to Making the Most of Your Future.* When it comes to retirement planning, there are a lot of things to consider. First and foremost, you need to make sure that you have enough saved up to cover your costs. This includes things like living expenses, health and care costs, and any other debts or financial obligations you may have.

You also need to think about how you want to spend your retirement years. Do you want to travel? Spend time with family and friends? Pursue hobbies or interests? Whatever you want to do, it's important to have a plan in place so that you can make the most of your golden years.

Last but not least, don't forget to factor in inflation when planning for your retirement. Over time, the cost of living will go up as we've seen recently, so you'll need to make sure that your savings can keep pace with rising prices. By planning ahead and taking all of these factors into consideration, you can look forward to a comfortable and enjoyable retirement. ●

TIME TO DISCUSS GROWING YOUR WEALTH FOR YOUR FUTURE RETIREMENT?

Retirement planning can be complex. It's also important to start sooner rather than later. Obtaining expert professional financial advice will ensure you are on track to meeting your goals. The sooner you start planning, the more likely you are to achieve a comfortable retirement. To find out more or to discuss your vision for your retirement – please contact us.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

ONCE MONEY IS PAID INTO A PENSION, IT CANNOT BE WITHDRAWN UNTIL YOU ARE AGED AT LEAST 55 (INCREASING TO 57 FROM 2028 UNLESS YOUR PLAN HAS A PROTECTED LOWER PENSION AGE).

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

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PLANNING FOR THE FUTURE

Insight into the hopes, fears and aspirations of people approaching and in retirement

People aged between 55 and 64 are now less confident about their retirement than they were a year ago, with over-55s most likely to be worried about rising prices.

Many of us are unsure about what to expect when it comes to planning for the future. Study after study has indicated that many of us aren't sure whether we will be able to retire comfortably. It really does seem that it's increasingly difficult for some to feel confident about retirement.

RETIRED PEOPLE

New research has highlighted an interesting insight into the hopes, fears and aspirations of people approaching and in retirement[1]. How much your retirement will cost depends on your lifestyle, so it differs for everyone. That said, it may be more expensive than you'd expect. Inflation concerns have been rising since last summer and rising prices pose a problem for retired people.

The research also revealed 33% of UK adults are worried about rising prices of everyday items, up from 27% in September 2021. People aged over 55 (36%) are most likely (of all age groups) to say they are worried about the rising prices of day-to-day items.

RISING PRICES

Women (40%) are more anxious about rising prices than men (26%). Retirement confidence is also falling for over-55s. The proportion of people aged over 55 who are confident about retirement has fallen in the last year.

In December 2021, 41% of people aged between 55 and 64 (who weren't yet retired) said they were confident that they have saved enough for a comfortable retirement, compared to 44% in December 2020.

COMFORTABLE RETIREMENT

55% of over-65s (who weren't yet retired) are confident they have saved enough for retirement, compared to 60% in December 2020. Women (35%) are much less likely than men (52%) to be confident about their retirement prospects.

However, mass affluent people – those with assets of between £100,000 and £500,000 excluding property – are much more likely to be confident about retirement. Some 71% of mass affluent consumers are confident that they have saved enough for a comfortable retirement, compared to 43% of the population as a whole.

PURCHASING POWER

The proportion of mass affluent consumers who are confident about retirement has also increased, from 60% in December 2020 to 71%. Previous research found that a large proportion (84%) of this group saved money during the COVID pandemic and one in five (20%) mass affluent said their household saved over £10,000. This group is more likely to have put these savings into a pension (8% vs 5% UK adults).

Those on fixed incomes will see the purchasing power of their incomes fall. Those drawing an income from their pension fund may be forced to withdraw more money from their fund than they anticipated and increase the risk of running out of funds in retirement.

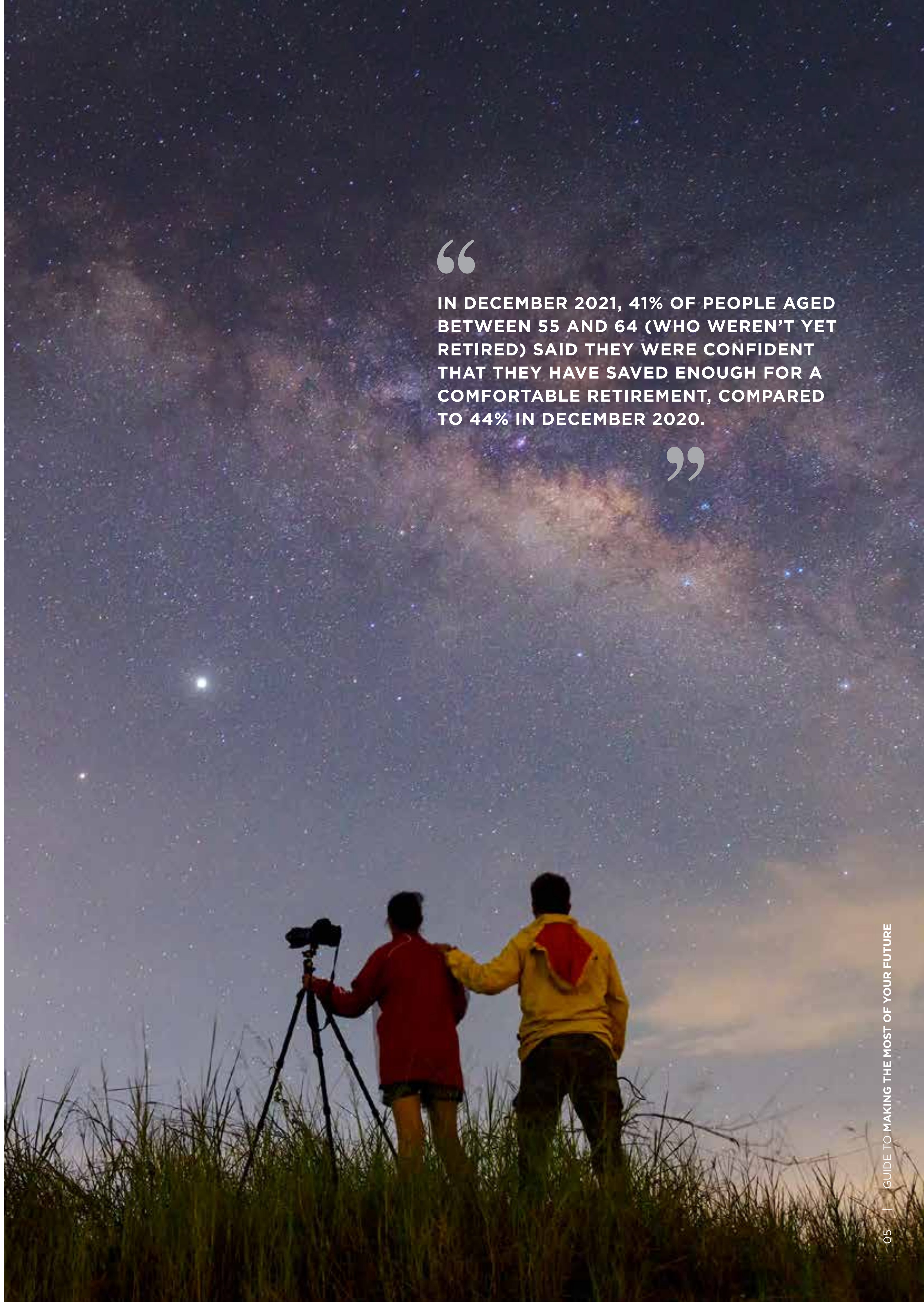
CAUTIOUS INVESTORS

One likely reason why over-55s are more worried about inflation is that they typically have a larger proportion of their savings in deposit accounts that are not keeping pace with rising prices. Wealthier households are probably more confident because they tend to have a greater proportion of their investments in real assets such as equities and property, which have risen in value over the past few years.

Rising inflation poses a dilemma for cautious investors. They are generally uncomfortable with the volatility that investing in stock market-based funds can bring but are also concerned that their savings fail to keep pace with rising prices. One option for them is a fund that invests in a wide range of assets but which helps to smooth out the ups and downs of the stock market. ●

Source data:

[1] The LV= Wealth and Wellbeing Monitor is a quarterly survey of 4,000+ consumers which examines their attitudes to spending, saving and retirement. LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in December 2021.



> “IN DECEMBER 2021, 41% OF PEOPLE AGED BETWEEN 55 AND 64 (WHO WEREN'T YET RETIRED) SAID THEY WERE CONFIDENT THAT THEY HAVE SAVED ENOUGH FOR A COMFORTABLE RETIREMENT, COMPARED TO 44% IN DECEMBER 2020.”

FAILURE TO SAVE ENOUGH FOR OLD AGE

Meeting the financial demands you may face in later life

The significant increase in property prices in recent years has likely shifted many people's expectations of the role property wealth will eventually play in supporting their retirement. With people spending longer in retirement, one of the challenges that many need to overcome is how to fund it and how to meet the financial demands they may face in later life, such as the cost of long-term care.

Failure to save enough for old age is forcing more people to use their property to provide income. Research shows so-called 'Hippies', or the 'Home is my Pension' generation, are increasing at a significant rate. 22% of people are planning ahead for their retirement and expect to use the value of their home[1]. The findings indicate that a third of all people who aren't currently retired (35%) own a property but have less than £10,000 saved in their pension pot.

HOLDING NO PENSIONS SAVINGS

Worryingly, a further 22% of people hold no pensions savings at all. The significant number of small or empty pots, coupled with the 24% increase in median house price values in England and Wales since 2016[2], could be driving more people to consider using their property wealth to fund their retirement.

Property is often the largest asset someone has when they reach retirement, especially if they have lived there for quite a while, and will often significantly outweigh any pensions savings they have.

ACCESSING PROPERTY WEALTH

Based on current house prices in England and Wales, the average homeowner could access over £72,988 in equity release, for instance[3]. People who aren't currently retired expect to downsize their property (10%), sell their property (9%) or access equity via a lifetime mortgage (6%) to help fund their later life.

While many people looking ahead to retirement are hoping to access property wealth, there are a significant number of retired homeowners who could also benefit from considering the role their property might play in funding their lifestyle.

MAIN SOURCE OF INCOME

Nearly two-thirds of people over 65 are dependent on the State Pension as their main source of income and are also homeowners.

The findings show there are a large number of people currently in retirement who may be on a limited income and could benefit from the likely increases in the value of their home. ●

Source data:

[1] Opinium survey of 4,000 UK adults between 31 October and 3 November 2021
[2] Office for National Statistics, House price statistics for small areas in England and Wales: year ending March 2021, Nov 2021
[3] Legal & General customers accessed, on average, 24.5% of the value of their home through equity release, putting the expected amount that can be accessed across England and Wales at £72,988: Office for National Statistics, House price statistics for small areas in England and Wales: year ending March 2021, Nov 2021

NON-RETIREES

It's never too late to think about saving for retirement

How much do you think you'll need to fund your retirement? Of course, the answer to that question will depend on what you want to do when you stop work. Worryingly, almost half of non-retirees (46%) are unable to identify how much they believe retirees receive annually from their State Pension, according to a survey[1].

Only 53% knew that retirees receive £9,628 per year from their State Pension, with those aged 55 and over being more likely to identify correctly how much retirees receive (70%), compared to only 40% of those aged between 18 and 34.

SAVING IN A PENSION

The survey also showed that over half of non-retirees with a pension are worried that they are not saving enough for their retirement (56%), with only one in five (21%) confident that the amount they are saving in a pension is enough to let them live the lifestyle they want when they stop working.

In fact, three-quarters (75%) of non-retirees say they believe they could save extra into their pension to boost their pension savings, with the average additional contribution being £68 per month.

ADDITIONAL CONTRIBUTIONS

One in six (17%) say they could only pay in less than £25, just over a quarter (26%) say they could pay in £25 to £50 in additional contributions, while a further quarter (25%) say they could pay in between £51 and £200 in additional contributions. Seven per cent say they could pay in more than £201 per month in additional contributions.

Most people in the UK who work or undertake caring responsibilities will be eligible for a full State Pension if they have worked and paid National Insurance contributions or been a carer for 35 years.

RELY ON THE STATE PENSION

But the research finds that the majority of the public (78%) do not know how much new retirees with a full State Pension will receive. As could be expected, older people and those who are retired tend to have the highest awareness, with almost half (46%) of those aged 65 and over and two in five retirees (43%) saying they are aware how much retirees will receive from a full State Pension.

However, even among these groups, many are unaware of the amount that retirees receive (54% of those 65+ and 57% of those who say they are retired). When asked if savers plan to rely on the State Pension come retirement, just over a third (36%) said that they expect to rely on it as their main source of income, especially those aged between 55 and 64 (49%). However, one in five said that they remain unsure what they will rely on in retirement (18%).

ADEQUATE INCOME IN RETIREMENT

Furthermore, younger people (those aged between 18 and 34) and those with other types of pension are less likely to say they will rely on the State Pension as their main source of income (26% and 31% respectively).

For many people, the best way to provide an adequate income in retirement is to save gradually throughout their entire working life and save what they can afford. However, depending on their financial circumstances, some may prefer to save less when they are younger and more when they are older, especially if they expect to receive an inheritance before they retire.

OPTIONS TO ADD TO YOUR NEST EGG

Unfortunately, many of us struggle to put enough into our pension pot during our working lives because the costs of buying a house, raising a family and covering day-to-day living expenses eat into disposable income.

The earlier you start retirement planning, the better. However, with the demands of managing a busy working and personal life, this is something that can understandably be neglected. But it's never too late to think about saving for retirement – even if you are planning to give up work in just a few years' time, you will have options to add to your nest egg. ●

Source data:

[1] Pensions and Lifetime Savings Association (PLSA) – a total of 2,075 people took part in the nationally representative survey, carried out by Yonder Consulting. The survey took place between 25 August and 26 August 2021.

> **“IN FACT, THREE-QUARTERS (75%) OF NON-RETIREES SAY THEY BELIEVE THEY COULD SAVE EXTRA INTO THEIR PENSION TO BOOST THEIR PENSION SAVINGS.”**

DEVELOP A ROBUST RETIREMENT PLAN

Having a good idea of the lifestyle you want is key

People planning for retirement should think hard about what they want to do when they eventually stop work. It is helpful to have a good idea of the lifestyle you want, how much it will cost and how you are going to pay for it.

With so much going on in your life – from family and work to pursuing your passions – retirement planning may not have been your priority. But now you want to make sure your pension and overall financial situation will allow you to keep up your current lifestyle and enjoy your golden years. The more enthusiastic you are about retiring, the more likely you are to develop a robust retirement plan.

DIY APPROACH TO RETIREMENT

Obtaining professional financial advice is key to ensuring you achieve the retirement you want. But 8 million people are planning a DIY approach to retirement and many don't know how to avoid running out of money, avoiding a big tax bill or leaving an inheritance, new research has highlighted[1].

Millions of people don't understand their retirement options when they stop work. More than a third (35%) of pension holders admit they know nothing about the product options at retirement and the pros and cons of each option.

PRODUCT OPTIONS AT RETIREMENT

And more than one in five (22%) of those planning to retire in the next five years know nothing about the product options at retirement. And they don't understand some of the big risks in retirement. Worryingly, 35% of pension holders know nothing about how stock market falls can affect retirement savings.

Of those surveyed, 34% commented they don't know how to ensure they will not run out of money in retirement. Half of people with a pension over £100,000 didn't know a good amount about how to take money from their pension in a tax-efficient way.

TAKING PROFESSIONAL FINANCIAL ADVICE

Only 34% of married people understand how to ensure their spouse will be left with enough pension if they die. Although people are unclear about their options, worryingly many are not considering taking professional financial advice.

Only 39% of pension holders are planning on taking financial advice when they retire, with 31% planning to DIY their retirement. Only half (52%) of mass affluent people – those with assets of between £100,000 and £500,000 excluding property – are planning to take professional financial advice.

SERIES OF BIG DECISIONS TO MAKE

The top occasions where mass affluent consumers feel that people should seek professional financial advice are: choosing to invest a large lump sum (43%), Inheritance Tax planning (44%) and deciding how to access a pension (40%).

People have a series of big decisions to make as they approach the end of their working life and each one can make a huge difference to their retirement. For example, should you draw down your pension in one go or over a period of time? Should you take your 25% tax-free cash or leave the money in your pension fund to grow? Should you buy an annuity to guarantee an income for the rest of your life or go for drawdown? These are questions your professional financial adviser will help answer.

MAKING BIG FINANCIAL DECISIONS

Obtaining advice compensates for the emotional biases people have when they make big financial decisions. A DIY approach to managing large pension funds at retirement is fraught with risk.

People can easily buy the wrong products, incur unnecessary tax bills or simply exhaust their retirement funds too quickly, whereas an adviser will provide an impartial, cool-headed approach to their client's finances and offer solutions that the client will not even have considered. ●

Source data:
[1] The LV= Wealth and Wellbeing Monitor is a quarterly survey of 4,000+ consumers which examines their attitudes to spending, saving and retirement. The Monitor also surveys the attitudes of mass affluent consumers, those with assets of between £100,000 and £500,000 excluding property, who are a key target market for financial advisers. LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.

TRIPLE LOCK SET ASIDE

State Pension is still the bedrock of many pensioners' retirement income

The earnings benchmark of the State Pension triple lock has been temporarily set aside for this year. The Department for Work and Pensions (DWP) confirmed on 7 September 2021 that the State Pension triple lock rule has not been applied for the current 2022/23 financial year over concerns of the potential costs involved.

It comes after the Office for Budget Responsibility (OBR) said in July last year that pensioners could see their payments rise by as much as 8% due to the guarantee. The triple lock guarantees that pensions grow in line with whichever is highest out of earnings, inflation or 2.5%.

WHAT IS THE TRIPLE LOCK FOR PENSIONS?

The triple lock has been a core commitment of every government budget since 2010, when it was announced by the Coalition Government made up of the Conservatives and the Liberal Democrats. It was a response to the fact that the real value of the State Pension had fallen, and it looked to guarantee that this vital state benefit would continue to rise every year.

The 'triple lock' refers to the idea that the State Pension rises in line with the highest of these three measures every year:

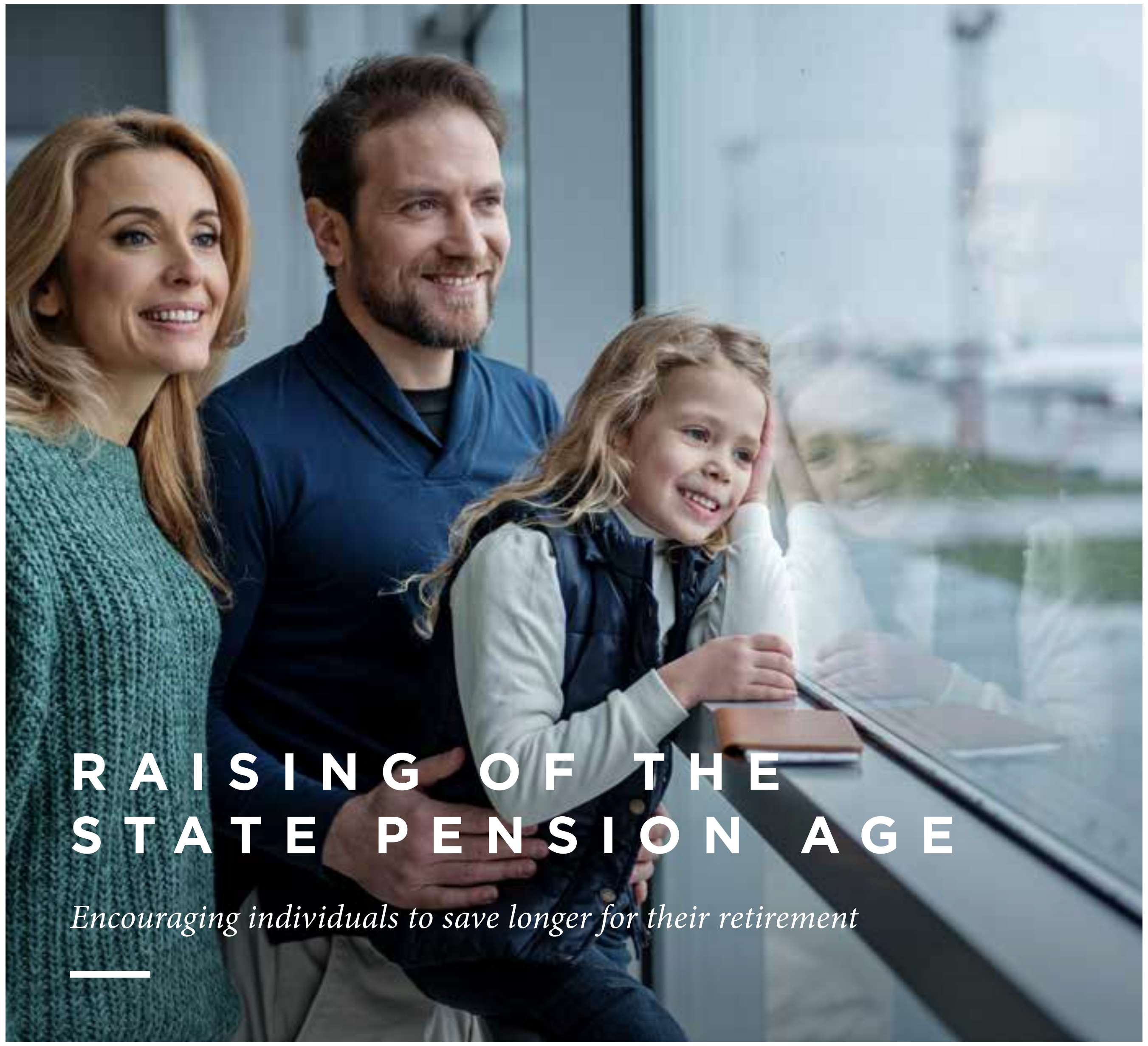
- A flat 2.5% rise
- Average earnings growth (measured from May to July each year)
- Inflation (measured in the year from September every year)

This annual rise is applied to the basic State Pension as well as the new State Pension (for people retiring after 2016). The government uses it to make sure that people's retirement benefits keep pace with the rising cost of living.

BEDROCK OF MANY PENSIONERS' RETIREMENT INCOME

Understandably pensioners are disappointed that the triple lock has been removed for this year, as the State Pension is still the bedrock of many pensioners' retirement income. Women and those who are self-employed are among those who will be particularly affected by the temporary scrapping of the triple lock, as they are more likely to rely on the State Pension in retirement.

However, it is encouraging that the government hasn't abandoned its longer-term commitment. The 2.5% minimum rate has been used on a number of occasions, and is having the effect of slowly increasing what people receive in real terms. The long-term trajectory of the State Pension will also be more important to younger people, more than a one-off hike in line with earnings this year. ●



RAISING OF THE STATE PENSION AGE

Encouraging individuals to save longer for their retirement

The normal minimum pension age (NMPA), currently 55, is the earliest age that members of a registered pension scheme can draw their benefits without incurring an unauthorised payments tax charge, other than in cases of ill health or where they have a protected pension age.

Pensions tax rules in the UK are some of the most complicated aspects of UK tax legislation – not ideal when pretty much everyone has to interact with them. The last thing that is needed is anything that significantly adds to this complexity, particularly where the impacts will be felt for decades.

INCREASING ON A STAGGERED BASIS

The increase in NMPA to 57 is intended to align with the raising of the State Pension age to 67, and will reinstate the ten-year difference between the two ages. The State Pension age is increasing on a staggered basis depending only upon your date of birth. Although younger people lose out by having to wait longer, the position is clear to everyone and is as simple and fair as it can be. Unfortunately, the implementation of the increase in the NMPA is neither simple nor fair and it is going to be incredibly complicated.

Individual members of registered pension schemes who do not have a protected pension age will not be able to take scheme benefits before age 57 after 5 April 2028. However, members of uniformed public service pension schemes and those with unqualified rights to take their pension below age 57 will be protected from these changes.

TRANSFERRED TO A NEW PENSION SCHEME

HM Revenue & Customs have indicated that where pension schemes rules include a reference to benefits being taken from age 55, this would be an unqualified right; however, a reference to taking benefits from the NMPA would not meet the requirement.

Increasing the NMPA reflects increases in longevity and changing expectations of how long we will remain in work and in retirement. Raising the NMPA to age 57 could encourage individuals to save longer for their retirement, and so help ensure that individuals will have greater financial security in later life. ●

COUNTDOWN HAS COMMENCED

Will I be able to retire when I want to?

Are you 'mid or late career' or planning to retire within ten years? If the answer's 'yes', then you probably want to know the answers to these questions: Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?

But, for many different reasons, planning for retirement is a commonly overlooked aspect of personal financial planning and this can often lead to anxiety as your age of retirement approaches. We've provided some ideas about how to boost your pension savings and help achieve your retirement goals sooner.

REVIEW YOUR CONTRIBUTIONS

Sometimes the simplest solutions are the most effective. If you want to boost your retirement savings, the simplest solution is to increase your contributions. You may think you can't afford to, but even a slight increase can make a big difference.

For those lucky enough to receive a pay rise in line with inflation every year, increasing your pension contributions by just 1% could add thousands to your eventual pension pot. The reason why a relatively small increase in pension contributions can result in such a large increase in the value of your pension pot is because of the power of compounding.

The earlier you invest your money, the more you benefit from the effects of compounding. Adding more money to your pension pot by increasing your contributions just makes the compounding effect even better.

REVIEW YOUR STRATEGY

A missed opportunity for many pension holders is failing to choose how their pension is invested. Some people leave this decision in the hands of their workplace or pension provider.

Firstly, you should know that you don't have to hold a pension with the provider your employer has chosen. You can ask them to pay into a different pension, allowing you to choose the provider while considering the type of funds they offer and the fees they charge. Your employer can confirm whether they will pay into a pension other than the workplace pension, as many will not.

Secondly, many pension providers will give you several options for investment strategies. If you're in the default option, you could achieve higher returns with a different strategy (though this will usually mean taking on more investment risk). Note that this may not be appropriate in all circumstances, particularly if you are close to retirement.

KNOW YOUR ALLOWANCES

When you save in a pension for your retirement, the government adds tax relief on top of the money you contribute, helping you to grow your savings faster. However, there's a limit to the amount of contributions you can personally claim tax relief on each year, which is 100% of your gross earnings or £3,600 pa if more. In addition, there is a limit on tax efficient funding called your 'annual allowance'. It's currently £40,000 (tax year 2022/23), and in some cases may be lower. The annual allowance applies to pension funding from all sources, including your employer, and if exceeded means you will pay tax on the excess.

If you want to contribute more than your annual allowance into your pension in one tax year (for example, if you've received a windfall and want to put it aside for the future), it's worth knowing that you can use any unused allowances from up to three previous tax years as long as you had a pension in place in those years. Bear in mind that your own tax-relievable contributions are capped at the level of your earnings or £3,600 pa if more.

So, if you have £10,000 of unused allowance in each of the past three years, that's another £30,000 you can add to your pension this year without suffering a tax charge. The tax relief on this amount would be at least £6,000, depending on your tax band.

"IF YOU HAVE £10,000 OF UNUSED ALLOWANCE IN EACH OF THE PAST THREE YEARS, THAT'S ANOTHER £30,000 YOU CAN ADD TO YOUR PENSION THIS YEAR WITHOUT SUFFERING A TAX CHARGE."

TRACE LOST PENSIONS

Usually, starting a job with a new employer means starting a new pension. And, when that happens, some people may overlook the pension they had with their last employer. As a result, many people have pensions with previous employers that they've lost track of – and rediscovering them can give a huge boost to their retirement savings.

You can trace old pensions by getting in touch with the provider. Look through any documentation you still have from your past employers to see if you can find your pension or policy number. If you can't, you can contact the provider anyway and they should be able to find your pension by using other details, such as your date of birth and National Insurance number.

If you're not sure who the provider is, start by asking your previous employer. ●

PLANNING FOR EARLY RETIREMENT

Financial consequences to stopping work in your 50s

Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. Figures from the Office for National Statistics showed that over-50s had the highest redundancy rate between December 2020 and February 2021[1].

Retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

WHAT IS THE FINANCIAL IMPACT OF EARLY RETIREMENT?

Traditionally, people retired between the ages of 60 and 65, but there's no set age that you need to give up work. In fact, anyone with a pension pot can access it from age 55 – although this is set to rise to age 57 from 2028 unless your plan has a protected lower pension age.

Retiring early requires some careful planning. It can put significant pressure on your funds as your new income is likely to be less than your pre-retirement earnings. You might have various sources of income for your retirement ranging from your personal and/or workplace pension, the State Pension, investments and other savings. Reviewing your financial situation and determining how much money you need to live a comfortable life in retirement is an important first step.

Something to bear in mind: if you're aged over 55, your State Pension won't be paid until you reach age 67. If you stop working before then, you could be relying on income from your private pension savings for more than a decade.

It's also worth bearing in mind the impact of inflation which, as we've seen recently, is leading to a cost of living crisis. The Bank of England (BoE) raised interest rates on 16 June by 25 basis points or 0.25 percentage points, the latest step in its ongoing effort to tame UK inflation.

The move took the BoE's main interest rate to a 13-year high of 1.25%, from 1% previously. Rates stood at just 0.1% as recently as last December. Inflation in the UK is set to reach 11% later in 2022 as the recent surge in energy prices, driven by Russia's invasion of Ukraine, triggers a sharp rise in the country's energy price cap, the BoE said. CPI inflation stood at 9% in April, a 40-year high.

HOW TO ASSESS YOUR FINANCIAL SITUATION

Understanding your individual financial situation can make a big difference when it comes to making decisions around your retirement savings. Fully assessing your personal finances can help give you a clearer picture of whether early retirement is feasible.

HERE'S A CHECKLIST OF WHAT YOU SHOULD CONSIDER:

1. HOW DO YOU PLAN FOR A VARIED RETIREMENT?

If you're planning to retire early, think about what type of lifestyle you want to enjoy in later life. This will then help you determine what you're saving towards. You might plan to travel, embark on a journey of further education or simply spend more time with loved ones – whatever you decide to do, you're going to have demands on your retirement income.

When you're reviewing your financial plans, it could be worth looking at those first early years of retirement as something separate. For example, including more in the budget for multiple holidays a year, or dinners out and trips to the theatre. Then take a look at how your lifestyle may modify as you slow down in later life. There may be fewer trips and holidays to take, but there could be increased care costs.

Taking early retirement means that you almost have to plan for two different retirements. One that caters to the immediate future, where you're likely to still be very active. And one where a slower pace of life comes into play. Each will have a different focus and therefore different demands on your money.

2. HOW MANY YEARS DO YOU EXPECT TO BE RETIRED?

There are obviously no guarantees on how long any of us will live, but when it comes to retirement planning, you'll need to make an informed guess.

It's worth considering family history, as well as factors such as your gender and geographical region. If you expect to live to around 85, but plan to retire at 55, you'll need to save enough to support yourself for 30 years – but don't forget, you may live a lot longer than you expect, and you're likely to want leave something for your loved ones.

3. HOW MUCH WILL YOUR STATE PENSION BE?

In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

The State Pension age is under review and is gradually being pushed back so it's in line with life expectancy. Other factors, such as your gender and the year you were born, make State Pension ages vary.

The State Pension rules changed radically on 6 April 2016, for men born on or after 6 April 1951 and women born on or after 6 April 1953. There is a 'single tier' pension payment for people in this age group with a 'full level'. In 2022/23, the full level of the new State Pension increased by 3.1% taking it to £185.15 a week, or £9,627.80 a year.

If you reached state pension age before 6 April 2016, the changes don't affect you. In this case, the Basic State Pension is £141.85 a week in 2022/23 (£7,376.20 a year). If you're married, and both you and your partner have built up a full state pension, you'll get double this amount in 2022/23 – so £283.70 a week. But if your partner hasn't built up their own State Pension, they'll still be able to claim a State Pension based on your record.

If you reached state pension age before 6 April 2016, you may also have built up some Additional State Pension, previously known as the State Earnings Related Pension Scheme (SERPS) or State Second Pension (S2P) which will be in addition to the basic state pension shown above. For those reaching state pension age after 5 April 2016, any additional state pension entitlement has been consolidated within the 'single tier' pension amount.

4. HOW MUCH DO YOU HAVE IN YOUR PRIVATE PENSION POT?

As the State Pension is not really enough to live on, the likelihood is that workplace or private pensions will make up a significant part of your retirement income.

When you retire, you can use some or all of your pension savings to buy an annuity, which then pays you a regular retirement income for either a set period, or for life. Alternatively, you can keep your savings in your pension pot and 'draw down' only what you need, as and when you need it. You must have a defined contribution pension to be able to do this (your workplace pension provider will be able to inform you on whether you do).

The first step, before making a decision, would be to track down all of your pension pots and ask for a pension forecast. Estimate how much you can achieve via a drawdown, an annuity or a combination of both. And remember, the value of any investments can fall as well as rise and isn't guaranteed.

5. HOW CAN YOU ENSURE YOUR PENSION POT WILL LAST?

Having an understanding of your retirement income and outgoings can help you to plan for the future. Perhaps you've reviewed your finances and realised you can retire early, or you might decide to wait a few more years to help you boost your pension pot that bit more.

The key thing to understand is that your retirement is completely personal, and the amount you will need will depend on your specific circumstances and expectations. If you're in any doubt about the financial impact of early retirement, you should obtain professional financial advice. ●

Source data:

[1] Living longer: older workers during the coronavirus (COVID-19) pandemic. Data source, Office for National Statistics, May 2021.

PENSION ALLOWANCES

Understanding how to make the most of them

Saving into a pension is one of the most tax-efficient ways to save for your retirement. Not only do pensions enable you to grow your retirement savings largely free of tax, but they also provide tax relief on the contributions you make.

There are various pension allowances in place that you need to be aware of and understand how to make the most of them. These limit the amount of money you can contribute to a pension in a year, as well as the total amount of money you can build up in your pension accounts, while still enjoying the full tax benefits.

PENSION LIFETIME ALLOWANCE

All your pensions, including workplace pensions, count towards the pension Lifetime Allowance (LTA), with the exception of the State Pension and most overseas pensions. The standard pension LTA for the 2022/23 tax year £1,073,100.

You don't pay the tax charge until you take your pension savings over and above your pension LTA (or reach age 75, or on death before 75, if earlier). The charge is only on the excess money saved in your pension that is above your pension LTA.

NON-TAXPAYER OR EARNING LESS THAN £3,600

If you have no earnings or earn less than £3,600 a year, you can still pay into a pension scheme and qualify to receive tax relief added to your contributions up to a certain amount. The maximum you can contribute is £2,880 a year. Tax relief is added to your contributions, so if you pay £2,880, a total of £3,600 a year will be paid into your pension scheme, even if you earn less than this or have no income at all.

This applies if you pay into a personal or stakeholder pension yourself (so not through an employer's scheme) and with some workplace pension schemes – but not all. The way some workplace pension schemes give tax relief means that people earning less than the personal allowance (£12,570 in the 2022/23 tax year) won't receive tax relief. This is the same as in 2021/22. In the March 2021 Budget, Chancellor Rishi Sunak said the personal allowance – along with several other tax allowances – would be frozen until 2026.

MONEY PURCHASE ANNUAL ALLOWANCE

The Money Purchase Annual Allowance (MPAA) rules were introduced as an anti-avoidance measure to prevent widespread abuse of the pension freedoms, which commenced from 6 April 2015. It's intended to discourage individuals from diverting their salary into their pension with tax relief and then immediately withdrawing 25% tax-free.

The MPAA applies only to money purchase contributions and has remained at £4,000 since 6 April 2017. If you have taken flexible benefits which include income, such as an 'Uncrystallised Funds Pension Lump Sum (UFPLS)' or flexi-access drawdown with income, and you want to continue making contributions to a defined contribution pension scheme, you will have a reduced annual allowance of £4,000 towards your defined contribution (money purchase) pension benefits.

ANNUAL ALLOWANCE

The pension Annual Allowance (AA) is the maximum amount of money you can contribute towards a defined contribution pension scheme in a single tax year without suffering an additional tax charge. All contributions made to your pension by you, your employer or any third-party, as well as any tax relief received, count towards your AA.

The standard pension AA in the tax year 2022/23 is £40,000. A lower AA may apply, however, if you are a high earner or you have already started accessing your pension flexibly.

High earners may potentially be subject to the Tapered Annual Allowance, while those who have already started accessing their pension flexibly will be subject to the Money Purchase Annual Allowance (MPAA).

CARRY FORWARD

Carry forward is a way of increasing your pension Annual Allowance (AA) in the current tax year. It is used when your total pension contribution amounts for a tax year exceed your annual pension AA limit for that year.

Carry forward allows you to make use of any annual allowance that you might not have used during the three previous tax years, provided that you were a member of a registered pension scheme during the relevant time period.

If the total contributions to your pension in an individual tax year are more than your total Annual Allowance, including any unused pension AA from previous tax years, then you'll have to pay an annual allowance charge.

TAPERED ANNUAL ALLOWANCE

The Tapered Annual Allowance, or pension Annual Allowance, is the annual limit on the amount of contributions paid to, or benefits accrued in, a pension scheme before the member has to pay tax. The Tapered Annual Allowance is lower than the standard Annual Allowance.

Since 6 April 2020, it will only affect people who meet both of the following income requirements: your 'threshold income' is above £200,000, and your 'adjusted income' is above £240,000. Anyone who meets the income requirements above will see their Annual Allowance gradually reduce by £1 for every £2 of 'adjusted income' above £240,000.

For example, if your adjusted income was £280,000 your annual allowance would be reduced to £20,000. This 'tapering' stops at £312,000 of adjusted income, so everyone will retain an allowance of at least £4,000.

PENSION TAX RELIEF

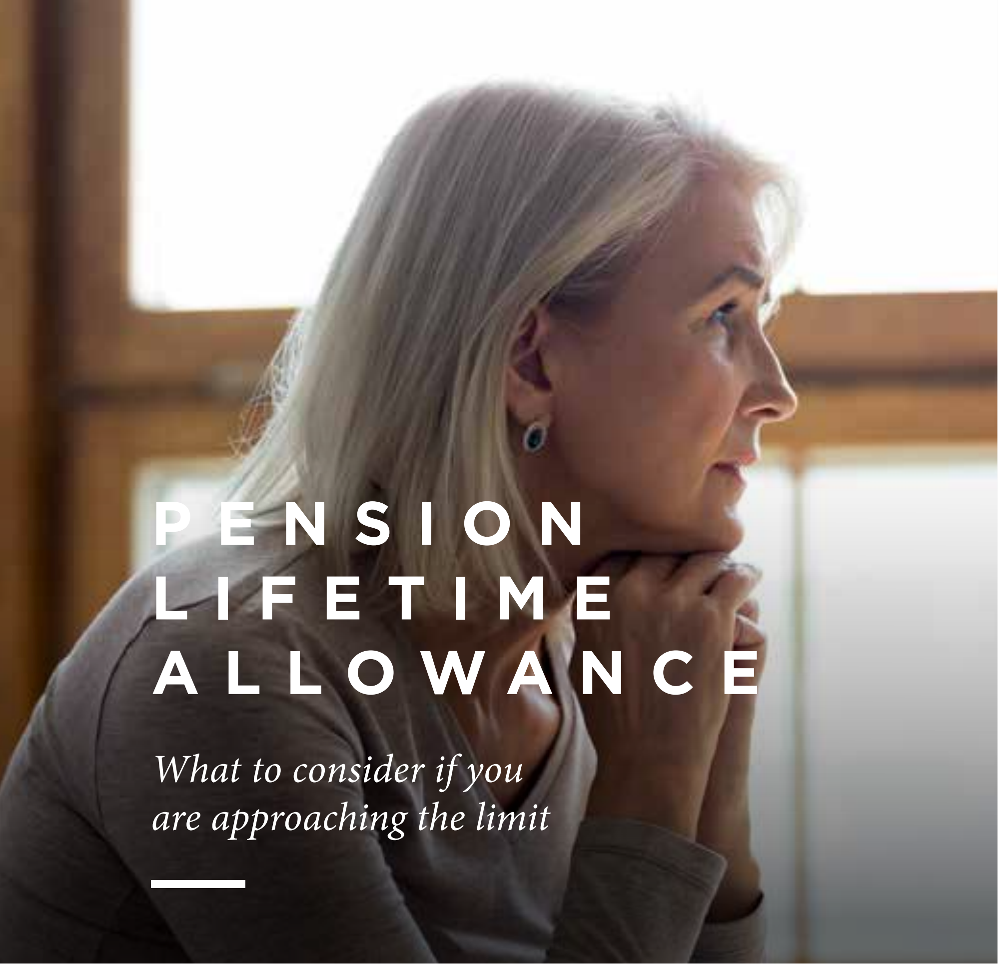
The government encourages you to save for your retirement by giving you tax relief on pension contributions. Tax relief has the effect of reducing your tax bill and/or increasing your pension fund.

You can receive tax relief on your own pension contributions worth up to 100% of your annual earnings or £3,600 if more. Since the tax relief you receive on your pension contributions is paid at up to the highest rate of Income Tax you pay, the higher your rate of tax, the more you could receive.

The Welsh Government now has the power to set Income Tax rates and bands, but has opted to keep these the same as England and Northern Ireland for tax year 2022/23.

If you live in Scotland, you pay Scottish Income Tax to the Scottish Government and for earned and pension income the tax rates and bands are different to the rest of the UK (but the same as the rest of the UK for savings and dividend income). ●

"THE STANDARD PENSION AA IN THE TAX YEAR 2022/23 IS £40,000. A LOWER AA MAY APPLY, HOWEVER, IF YOU ARE A HIGH EARNER OR YOU HAVE ALREADY STARTED ACCESSING YOUR PENSION FLEXIBLY."



PENSION LIFETIME ALLOWANCE

What to consider if you are approaching the limit

If you've been diligently saving into a pension throughout your working life, you should be entitled to feel confident about your retirement. But, unfortunately, the best savers sometimes find themselves inadvertently breaching their pension Lifetime Allowance (LTA) and being charged an additional tax that erodes their savings.

If you are a high-income earner or wealthy individual, you could be putting too much into your lifetime pension and risk exceeding the pension LTA.

The government will maintain the pensions LTA at its current level until April 2026, removing the usual annual incremental rises.

The following questions and answers are intended to help you avoid this tax charge.

Q: WHAT IS THE LIFETIME ALLOWANCE?

A: The pension LTA is the limit on how much you can build up in pension benefits over your lifetime while still enjoying the full tax benefits. If you go over the allowance, you'll generally pay a tax charge on the excess at certain times. By pension benefits, we mean money you receive from your pension in any form, whether that's a lump sum, a flexible income, an annuity income or through any other method. This allowance applies to your total pension savings, which may be in different pensions.

Q: HOW MUCH IS THE LIFETIME ALLOWANCE?

A: In the 2022/23 tax year, the LTA is £1,073,100. This allowance has now been frozen until April 2026.

Q: WHAT HAPPENS IF YOU EXCEED THE LIFETIME ALLOWANCE?

A: Once you have either crystallised your full LTA in pension benefits or on reaching age 75, or death before 75, if earlier, you will be required to pay an additional tax charge on any funds above the LTA.

If you take the funds above the LTA as a lump sum, you'll pay a tax charge of 55% (and no additional income tax). If you place your excess funds in drawdown or use them to buy an annuity, you'll pay an upfront tax charge of 25% on the excess funds, and then your normal income tax rate on any income you take.

Q: HOW IS THE USAGE OF YOUR LIFETIME ALLOWANCE MEASURED?

A: Each time you access your pension benefits (for example, by purchasing an annuity, receiving a lump sum or establishing a flexible income), this is recorded as a 'benefit crystallisation event'. There can be additional benefit crystallisation events when you turn 75 if you then have uncrystallised funds or funds in drawdown, and on death before 75 if you have any uncrystallised funds (but drawdown funds aren't looked at a gain on death).

Q: IS LIFETIME ALLOWANCE PROTECTION AVAILABLE?

A: Two types of LTA protection are currently available.

Individual Protection 2016 requires you to have had total pension savings of more than £1 million on 5 April 2016. It provides you with a personal LTA equal to the value of your benefits on that date, subject to a cap of £1.25m. You can continue pension funding but ongoing funding may be subject to an LTA charge if above your personal LTA.

Fixed Protection 2016 allows anyone who had a pension in place at 5 April 2016 to apply for an LTA of £1.25m but you can't have had any pension funding after 5 April 2016 and any future funding will cause FP16 to be lost.

Q: IS IT POSSIBLE TO AVOID THE LIFETIME ALLOWANCE?

A: If you do not have LTA protection and you are approaching the limit, there are various actions you can consider. These include stopping your contributions (and, instead, investing your money into an alternative tax-efficient environment), changing your investment strategy or starting retirement earlier.

Q: WHO DOES THE LIFETIME ALLOWANCE AFFECT MOST?

A: The LTA affects high earners and those approaching retirement age the most, including those with defined benefit pensions. As the value of high earners' pensions rises over the next four years towards a lifetime limit that will remain fixed, more and more individuals may find they need to stop contributing to avoid breaching the limit.

Q: WHEN SHOULD YOU SEEK PROFESSIONAL ADVICE?

A: The rules around the LTA are very complex and making the right decisions can feel difficult. Receiving professional financial advice will help to identify if you have a problem and offer different solutions to consider, based on a full review of your unique circumstances. ●

ACCUMULATING A NEST EGG

What's making the retirement journey even more difficult?

The days of working for a single employer for your entire career and retiring with a comfortable pension are largely gone. The responsibility for accumulating a retirement nest egg now rests with individuals as opposed to their employers.

Saving enough for retirement is challenging for many people, but an era of changing demographic trends, such as increased longevity and delayed marriage, can make this journey even more difficult.

NOT FINANCIALLY STABLE ENOUGH TO CONTRIBUTE

New research[1] into the attitudes of the over-50s towards their pension has uncovered that nearly a half (49%) regret not saving into their pension earlier, and almost two-thirds (64%) wish they had contributed more into their retirement savings at an earlier stage.

Just over a quarter (26%) stated that they only started paying into their pension after they turned 30 years old, primarily because they did not feel financially stable enough to contribute any sooner (51%). Many, understandably, prioritised raising children (42%) and paying off their mortgages (40%) before putting any surplus cash into their pension. However, a third put leisure/holidays (32%), clothing (21%) and their pets (10%) before their retirement income.

'MODERATE' STANDARD OF LIVING IN RETIREMENT

Almost four in ten (39%) people over the age of 50 believe that an income of between £10,000 and £20,000 per annum in retirement will be enough to live 'comfortably'. This is despite figures announced stating that £20,800 per annum will only provide an individual with a 'moderate' standard of living in retirement. To enjoy a 'comfortable' standard of living, the amount would need to increase to £33,600 per year.

Just under a quarter (24%) of those aged over 50 believe that a personal contribution of between 0% to 5% of their salary is an 'appropriate and achievable' level to attain a savings pot big enough to support them in retirement.

TAKING PROFESSIONAL FINANCIAL ADVICE IS KEY

When asked about financial advice, worryingly more than 70% of over-50s say they have never sought professional financial advice regarding their pension. Almost a third (30%) say they feel they know what they are doing and don't need financial support, whilst 10% say they rely on their family and friends for support and advice. However, after hearing that they could add as much as £47,000 to their pension[2] (over a decade) by taking professional financial advice, half of them say they would.

Pensions are more important to more of us than ever before. Automatic enrolment has brought pension savings to millions, but this was only introduced in 2012 and for many, especially those over the age of 50, it is perhaps too little, too late.

TAKE STOCK OF YOUR FINANCIAL SITUATION EARLY

Hindsight is a wonderful thing and life in your 20s and 30s can often take over, with children to raise, debts to pay and holidays to be had. However, it's important to take stock of your financial situation early. You may think you have enough spare cash, or that you have years until you retire, but most people over the age of fifty (64%) wished that they had paid more into their pension pot, earlier.

It's also important that people are realistic about how much they might need to live on in retirement. With more people continuing to pay rent or mortgages after they finish working[3], it is unlikely that an income of between £10,000 and £20,000 per year will be sufficient to have a 'comfortable' lifestyle. ●

Source data:

1,034 UK adults over the age of 50 (retired and non-retired) interviewed between 31.01.2022–07.02.2022

[1] https://www.retirementlivingstandards.org.uk/news/retirement-living-standards-updated-to-reflect
[2] https://ilcuk.org.uk/financial-advice-provides-47k-wealth-uplift-in-decade/
[3] https://www.bbc.co.uk/news/business-42193251

CHANGING LANDSCAPE

No longer a one-size-fits-all approach to retirement planning

The changes in the retirement landscape mean that many people today are having to adjust their outlook towards retirement. With more people living longer, expectations of retirement are being reshaped and there is no longer a one-size-fits-all approach to retirement planning.

To different people, retirement means different things. Retirement offers the gift of time to do the things that matter most, whether that's looking to continue to work in one capacity or another, embark on a new project or business venture, or stop work entirely.

Retirement is a very personal stage in all of our lives and it may also affect others, so it's important to consider loved ones. Over the course of someone's retirement, there may be a change to their family situation, including changes due to death or divorce, or perhaps welcoming new partners and possibly grandchildren.

RIGHT CHOICES

If you are approaching retirement age, it's important to know your pension is going to finance your plans. But what questions should you be asking about your retirement? Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want? Should I invest my retirement savings?

These are just some of the questions you'll want to know the answers to. But there are many other things to consider as you approach retirement. It's good to start by reviewing your finances to ensure your future income will allow you to enjoy the lifestyle you want. Making the right choices now could make a big difference to how much money you have in the future.

PENSION SAVINGS

Retirement might seem a long way off but the later you leave planning for it, the less chance you have of achieving the retirement you want. We all dream of how we'll spend our retirement but that dream looks different for everyone.

Some people want to spend more time with their family, while others want to enjoy long holidays and see the world, or simply wish to be financially independent. No matter what your dreams are, they rely on having sufficient pension savings to achieve them and live comfortably.

RETIREMENT GOALS

People who associate confidence with retirement are most likely to have specific retirement goals and know what steps they need to take to reach them. But sadly, some people don't feel confident that they will have enough savings to live comfortably after they retire.

Some people may have a fear of outliving their money, and may not have a clear idea of how much money they will need during retirement. It's important to remember that retirement doesn't happen at a certain age, it happens when you have enough money to live on. And having this clear direction and understanding will give you peace of mind that you're on the right track.

DO YOU FEEL CONFIDENT ABOUT YOUR RETIREMENT?

Pensions can seem complex and overwhelming, and **there are many reasons you might lack confidence in your retirement plans:**

- You might be worried that you're not saving enough, but don't feel you can afford to save more.
- You might feel ready to retire now, but you're not sure if you can rely on your current pension savings to provide. enough money for the rest of your life
- You might have experienced a change to your financial situation, including life events such as divorce, and have new concerns about whether you can save enough.
- You might have previously felt confident about your retirement plan, but the COVID-19 pandemic has derailed your savings.

CREATING A FINANCIAL PLAN THAT'S UNIQUE TO YOU

A positive retirement experience begins with a plan designed to help you live life on your terms. People who know where they're going and how to get there feel more confident in their retirement plan. We'll be able to answer these key questions.

WHAT DO I NEED TO KNOW?

- How much you need to save for retirement
- How to save tax-efficiently for retirement
- How pensions work
- The type of pension you should choose
- The right amount to contribute to your pension
- How to boost your pension pot
- How your pension should be invested
- How to withdraw money from your pension

AFTER WE'VE LEFT THE NINE-TO-FIVE BEHIND

We all have our own idea of the life we'd like to lead after we've left the nine-to-five behind. Whatever retirement looks like for you, it's important to make the right plans now, so that you have the freedom to enjoy the time when it comes, however you choose to fill it.

We will ask questions about your finances, personal circumstances and retirement goals, and create a plan that's unique to you and will help you reach the retirement you're aiming for. ●

BUILDING UP YOUR PENSION POT

Plan to live your best life in later life

The question, 'Have I saved enough to retire?' is a difficult one. It requires a lot of information about you, your family, your income needs in retirement, and an understanding of the various financial vehicles available for saving and investing before it can be answered definitively.

It's hard to know exactly how much you'll need in later life because everyone has different circumstances and different expectations. But by planning how much you'll need, and working out how best to build up your pension pot, you'll be in a better position to live your best life in later life.

Most people know they should save money to fund their retirement. But they may not know, however, how much money they should be saving in order to retire comfortably. So what should you consider?

Q: WHAT WILL MY LIFE LOOK LIKE WHEN I RETIRE?

While this might seem obvious, it's easy to forget about all of the little details when thinking about retiring or what your daily life will look like after retirement. Your budget is aimed at having a certain standard of living now, while working. Will that standard of living carry over into your retirement years? Will you need to scale back? Or will you be able to enjoy more of the finer things in life after you retire?

Q: HOW MUCH AM I CURRENTLY SAVING TOWARDS RETIREMENT EACH MONTH OR YEAR?

This is always a good metric to know how well your current savings are holding up, especially since you can compare it with other metrics later on. Saving early means your money is invested for longer and has more time to grow – and any returns your savings make are also reinvested and have a chance to grow too. If you know how much money is being put away for retirement now, it's easier to estimate how long it will take before that particular goal has been reached.

Q: HOW WOULD MY DAILY LIFE CHANGE IF I HAD LESS INCOME COMING IN?

By looking at your current income and expenditure, you can start to get a picture of what life would look like with a smaller income. Your expenses will likely decrease as you retire if it's only necessary to pay for the essentials, such as housing, food and utilities. You may be able to save more or spend more on things that make you happy (within reason). If most of your lifestyle doesn't change much after retirement, chances are that you're doing all right with your savings. But be mindful that people are living longer than ever, and that will create some challenges for retirees.

Q: HOW LONG WILL MY MONEY LAST IN RETIREMENT?

This is where it starts getting complicated because there are several questions involved: How much money do we plan to live on each month (that includes any and all expenses)? How long will that money need to support us? and How much income do we expect to have throughout retirement? It may take several years of research, but being aware of your 'magic number' for retirement is a good way to see how well you are doing with saving. Turning your dreams into reality will take careful planning and budgeting. Once you've got a good idea of your life expectancy, pension pot and any other retirement income, we can help you make an informed decision about when the right time to start your retirement is likely to be.

Q: HOW CERTAIN AM I THAT MY SAVINGS ARE ENOUGH?

No one has an exact answer as to how much money they should be saving towards retirement – everyone's situation is different. Knowing your savings certainty can help you better understand whether or not it's enough for your needs. This metric may require some thinking about what type of lifestyle you want in the future, what expenses will change or go away, and how long you might live if nothing changes. Retirement can be a long time, so it's important to think about how you plan to spend your golden years. The common perception is that you'll need between half and two-thirds of the final salary you had when you were working, after tax, to maintain your lifestyle once you retire. ●

LEAVING WORK BEHIND

Making an early exit from working life

There are many factors that can influence when someone decides to retire. For some, it may be based on health reasons, while others may want to take advantage of government benefits or simply enjoy a more relaxed lifestyle. However, one of the most common factors that determines when people choose to retire is their age.

So, what is the most popular age to retire early? Sixty is the most popular age to retire early, according to new research[1] which reveals the key steps people have taken to embrace early retirement and examines the costs and benefits of doing so.

WANTING TO ENJOY MORE FREEDOM

One in four (25%) are planning to celebrate their 60th birthday by leaving work behind. With the State Pension age currently standing at 66, the findings show one in six (17%) people who have taken early retirement did so when they were 60, making it the most common age to make an early exit from working life.

This is also the most popular target age for people who intend to retire early in the years ahead, with one in four (25%) planning to celebrate their 60th birthday by leaving work behind. The desire to retire early is primarily driven by 'wanting to enjoy more freedom while still being physically fit and well enough to enjoy it.'

EMBRACING A NEW LIFESTYLE

Nearly one in three people (32%) who have retired early or plan to do so gave this reason for embracing a new lifestyle. Financial security is the second most common factor prompting people to embrace retirement. More than one in four (26%) early retirees say their decision was a result of 'being in a financially stable position' so they can afford not to work.

The influence of money matters is also visible in people's choice of early retirement age. One in five (20%) people targeting early retirement have set their sights on 55 to make the transition from working life. This is likely to be influenced by their ability to access their pension savings from this age (57 from 2028 unless plan has a protected lower pension age).

'TOO TAXING AND STRESSFUL'

Other key factors encouraging people to seek early retirement include reassessing their priorities and what's important to them in life (23%), wishing to spend more time with family (20%) or finding they are either 'tired and bored' of working (19%) or find it 'too taxing and stressful' (19%).

The research suggests the impacts of early retirement are wide-ranging and broadly positive in many areas of life. Most notably, more than two in three (68%) people who have retired early say their happiness improved as a result. In terms of the world around them, 44% of early retirees say their family relationships improved and 34% reported improvements in their friendships.

BOOST TO MENTAL WELLBEING

When it comes to their health and wellbeing, more than half report that early retirement has delivered a boost to their mental wellbeing (57%) and half (50%) say their physical wellbeing improved.

However, the findings suggest these benefits come at a cost, with nearly half of early retirees finding their finances worsening as a result (47%).

Women are the most likely to have felt a negative financial impact from retiring early (50% vs. 44% of men). Across both genders, only 22% feel they have benefited financially from their decision to retire early.

STEPPING STONE TO RETIRING EARLY

Among those people who have retired early, one in three (32%) identify having a defined benefit (final salary) pension among the main measures that enabled them to take retirement into their own hands. This suggests the concept of early retirement may get harder for younger generations to achieve, with the majority of the private sector workforce now saving into defined contribution pension schemes.

However, the findings suggest that people can still take positive steps to make an early retirement possible. Paying off your mortgage (30%) is identified as the second most common stepping stone to retiring early, while almost three in ten early retirees (29%) say saving little and often was one of their main strategies. Nearly one in five (19%) say they also saved extra whenever they received a pay rise or a bonus during their working life.

THE MAIN MEASURES ENABLING PEOPLE TO RETIRE EARLY OR THINK ABOUT RETIRING EARLY

- 32% – Having a defined benefit (final salary) pension
- 30% – Paying off one's mortgage
- 29% – Saving little and often
- 19% - Saving extra whenever receiving a pay rise or bonus
- 16% – Receiving a redundancy payout
- 14% – Receiving an inheritance

WANTING A NEW SENSE OF PURPOSE

Among those who take early retirement, the research also reveals there is a small contingent who have returned to work (17%) or envisage themselves doing so in the future (15%). Over one in four (27%) cite the reason for returning to work is because they 'wanted a new sense of purpose', making this the most frequent driver, followed by 'missing the company and social interactions with colleagues' (26%). However, a similar number (24%) of early retirees find themselves heading back to work having experienced financial issues.

While happiness soars in retirement, many people find their finances take the strain when they retire early and money worries are one of the biggest factors resulting in people returning to work. If you aspire to retire early, it's vital you plan your finances to be sustainable for the long term. ●

Source data:

[1] https://www.aviva.com/newsroom/news-releases/2021/12/sixty-the-most-popular-age-to-retire-early/

MIND THE GENDER PENSION GAP

On average, women retire with less than half the income of men

The staggering impact of the gender pension gap has been revealed in new research[1] which shows that women have lower pension pot sizes in every age bracket, with the situation significantly deteriorating as they approach retirement. Worryingly, women on average retire with less than half the income of men.

GENDER PENSION GAP BY PENSION CONTRIBUTIONS

Age	Gap in pension contributions
20-24	13%
25-29	16%
30-34	15%
35-39	18%
40-44	23%
45-49	29%
50-54	35%
55-59	40%
60-64	45%
65-69	49%

REDUCTION IN CONTRIBUTIONS PAID INTO PENSIONS

The amount paid in contributions has a big impact on what is received at retirement and the difference between men's and women's contribution rates is stark. For most people, the effect of working part-time means a reduction in contributions paid into their pension.

If a person opts to reduce their full-time working hours to three days a week, they might expect their pay and their pension contributions to reduce by 40%. However, because of auto-enrolment (AE) thresholds, the impact could be greater than that.

GOOD FINANCIAL PLANNING

A person earning £30,000 opting to reduce their hours by 40% would see their pay reduce by 40%. However, because of the lower qualifying earnings threshold (LET) under AE, their pension contributions would reduce to around 50% of their full-time value. A worker earning £20,000 would see their pension contributions reduce by over 58%.

Pension contributions are unlikely to be a deciding factor when considering whether to work part-time. What is important is that people understand the long-term impact on their pension when they are making that decision. This is crucial to good financial planning.

UPPING PENSION CONTRIBUTIONS

Some people might consider upping their pension contributions, but this would have to be carefully balanced against disposable income. Another option some parents may consider is sharing the caring responsibilities to help spread the long-term financial impact.

One significant change to help women in this position would be to remove the LET. It has the potential for the biggest impact on closing the gender pension gap and has been promised by government for the 'mid-2020s'.

HOW TO HELP CLOSE THE GENDER PENSION GAP

- If you are working part-time and are automatically enrolled into a workplace pension scheme, consider increasing your monthly contributions, if it is affordable.

- If you earn less than £10,000 per year, speak to your employer about your options for joining your company pension scheme.
- If you are thinking about reducing your working hours to help balance family life, you might want to consider whether it is better for you or your partner to work part-time. As part of those considerations, you might want to look at which of you gets higher employer pension contributions.
- When it comes to saving into a pension, starting early allows a small contribution to build up over time.
- For those in a long-term relationship, have a stake in your finances. Should divorce ever come into the picture, keep pensions at the forefront of your mind when splitting assets.
- Check your National Insurance record to see if you will get the full State Pension amount when you retire. You need a total of 35 years of National Insurance contributions, or, in some cases, you can apply for credits. If it looks like you might be short, you might have the option to pay to fill in the gaps.
- Apply for Child Benefit even if your overall household income means you need to pay it back through a high-income Child Benefit charge. If you are not working while looking after a child you get State Pension credits automatically until your youngest child is 12 years old as long as you are claiming Child Benefit. If you do not claim Child Benefit you do not receive the credits.
- Talk to your employer about the policies they offer. ●

> **"A WORKER EARNING £20,000 WOULD SEE THEIR PENSION CONTRIBUTIONS REDUCE BY OVER 58%."**

Source data:

[1] Aviva Workplace Pension Data: Percentage difference in mean total contributions paid in January 2022, men versus women, by age group, based on a sample of 2,073,000 workplace pension plans receiving contributions in the month.

RISING TO THE DEFINING CHALLENGE OF OUR AGE

More pension savers are asking where their funds are invested

The consequences of inaction on climate change are now impossible to ignore. Every company has an impact on the world around us. And by investing in them, so do we.

Increasingly more and more pension savers are asking where their funds are invested. Many people are no longer just concerned about getting the best returns, they also want their money to be used in a way that helps society and the planet.

CLIMATE RISKS

A survey finds that a third of pension schemes have already set targets to reduce their exposure to climate-related risk[1]. 61% of schemes have considered setting a target to reduce their exposure to climate risks, but four in ten schemes have yet to consider climate risk targets and 28% say they will not be setting a target.

Of the 33% of schemes that have set or are in the process of setting a target, half have included an emissions-based target with the majority (70%) of these being a 'net zero' target.

PENSIONS INDUSTRY

UK pension schemes are a massive influence on the financial services industry, including how the climate-related risks and opportunities are identified, assessed and managed. This survey shows that the pensions industry is rising to the defining challenge of our age.

In another survey, two-thirds (67%) of consumers surveyed believe that it is important to consider Environmental, Social and Corporate Governance (ESG) factors before investing, and this figure rises to almost three in four (72%) for those respondents with a pension[2].

RESPONSIBLE INVESTING

ESG is an evaluation of a firm's collective conscientiousness for social and environmental factors. Interestingly, females are more likely to consider ESG investing at 70.4% than males at 63.9%, and its importance is broadly similar across all age cohorts.

While 51% of those with pensions would like to increase their investment in companies that are tackling climate change, some 70% of those respondents acknowledged the need to better understand the benefits of responsible investing, highlighting the fact that there is an onus on the industry participants to educate consumers in this space.

INVESTMENT DECISION

More than half (53%) of those surveyed believe that it is important that a company has a positive record of social responsibility and good corporate governance, rising to 60% of those with a pension.

The survey also explored the factors that are important to consumers when considering investing sustainably. Most respondents (75%) indicated that they would need good financial advice before making their investment decision, rising to 78% for those with a pension.

INVESTMENT RETURNS

Two-thirds (67%) said they would only invest their pension sustainably if the returns were the same or better (71% of pension holders), and 64% said they would only consider doing so if they are not paying higher fees and charges (68% for pension holders).

Some 51% of those pension holders surveyed said they would like to increase their pension savings into companies helping to combat climate change, and only 20% of all respondents (17% of those with a pension) said that investing sustainably is more important than investment returns. ●

Source data:

[1] The Association of Consulting Actuaries 2021 Pension trends survey was conducted in the summer of 2021 and attracted 212 responses from employers of all sizes, running over 400 different schemes
[2] Aviva Life & Pensions Ireland DAC (Aviva), research of the 1,200 people surveyed 20.08.21

WITH MORE FREEDOM COMES GREATER RESPONSIBILITY

How much money will I actually need when I do eventually retire?

A full and happy retirement is a priority for many. But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone's individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others.

On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. But while the mechanics may be the same, today's savers are facing some challenges that previous generations didn't have to worry about.

GOLDEN YEARS

First of all, life expectancy is longer, which means you'll need your money to last longer. This is compounded by the fact that more companies are moving away from defined benefit pensions – which guaranteed you a certain amount of money in your golden years – to defined contribution plans, which are more subject to market ups and downs.

So, how can you have the retirement you've always wanted? Retirement is inevitable, but that doesn't mean you have to stop living. Your retirement should be a time for enjoying your life and the things you most enjoy doing.

WORKING LIVES

However, some people are unprepared for retirement due to high debt levels at the end of their working lives or because they were not saving enough during their careers. Sometimes, people are forced into retirement through circumstances outside of their control.

Some people might choose to live off their savings entirely, while others may choose to supplement their income with rental properties. Still others might prefer to have a mix of sources for retirement incomes.

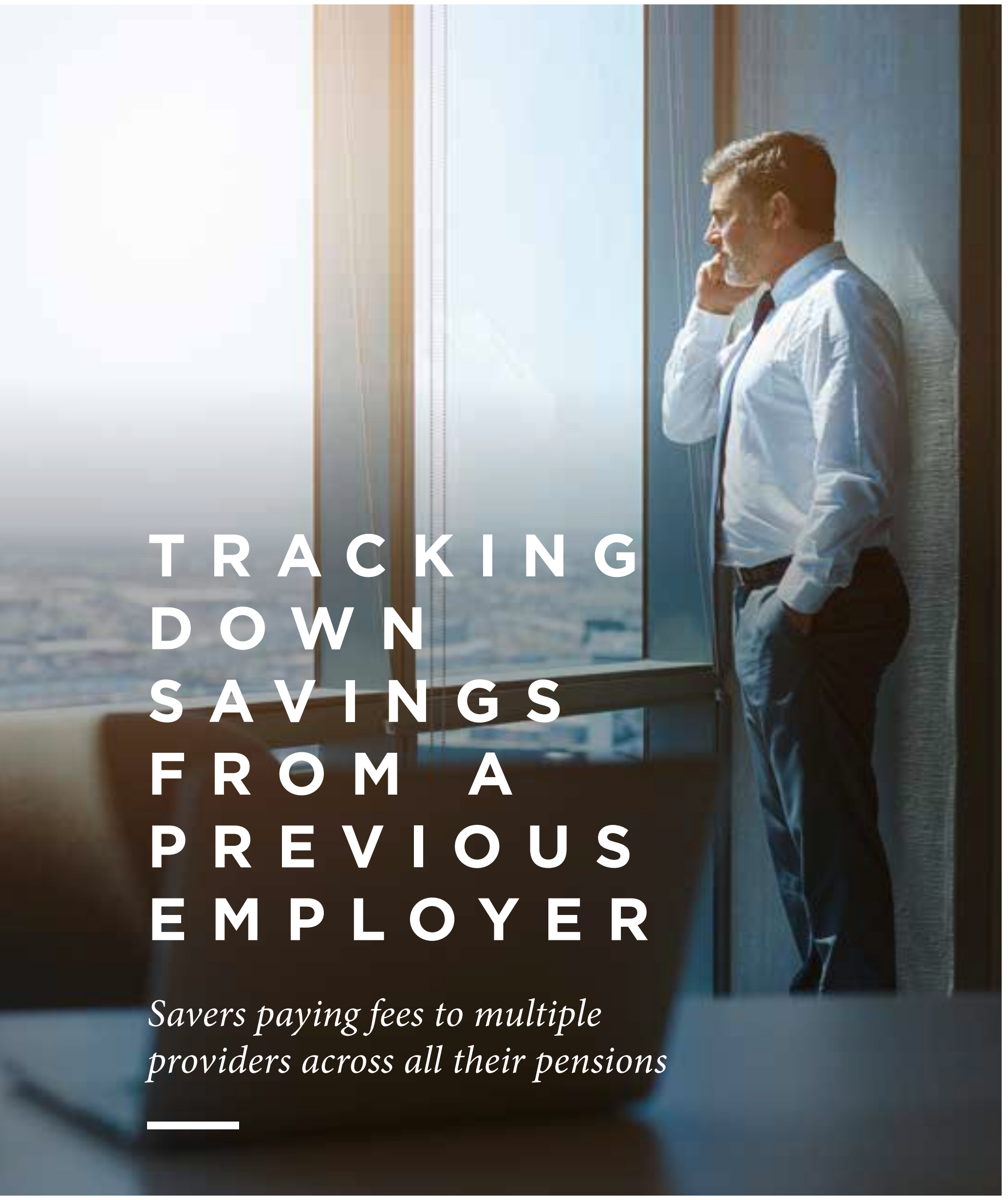
PENSION MONEY

Whatever the case, being aware of the options available today can help you prepare for your future in an effective way. With the introduction of pension freedoms, there is no onus on us to cash in our pensions at set ages, and instead we can take our pension money any way we choose. But, with this freedom also comes responsibility, and for some, uncertainty.

Some people find they don't have a clear plan for what they want from their retirement, and many underestimate how much money they will actually need when they do eventually retire. The reality is our goals are all very individual, but whatever it is you want from your retirement, it pays to plan ahead. ●

IF YOU HAVE A DEFINED CONTRIBUTION PENSION, HERE ARE SIX SIMPLE TIPS TO CONSIDER:

1. Use pay rises as an excuse to save more.
2. Pay in more when a regular spend ends.
3. Maximise any employer contributions.
4. Invest lump sums you receive.
5. Put off breaking into your pension pot.
6. Be choosy about your investment choices.



TRACKING DOWN SAVINGS FROM A PREVIOUS EMPLOYER

Savers paying fees to multiple providers across all their pensions

The more old pensions you have, the easier it is to end up losing one. Tracing pensions from years ago can be a hassle. Over 3.6 million Britons admit they have no idea how many pensions they have and risk paying more in fees than necessary, according to new research[1].

The number of workers with small pension pots of under £1,000 has surged dramatically in recent years, as auto enrolment has allowed millions of people to benefit from workplace pensions for the first time.

PAYING FEES TO MULTIPLE PROVIDERS

However, with the average employee now changing jobs 11 times[2] in their working life, people are increasingly building up many small pots and are often losing track, misplacing paperwork or forgetting about previous schemes they are invested in.

The Pensions Policy Institute (PPI) predicts the number of small pots will triple by 2035 to 27 million[3]. Although the government's Pension Dashboard will allow people to see all of their pensions in one place when it comes into effect in a few years' time, it will not solve the problem of savers paying fees to multiple providers across all their pensions.

CONSOLIDATE SMALL PENSION POTS

While savers already have the option of combining their pensions, one in ten (10%) have no idea how to do this, while 12% say it's just too much hassle. As a result, more than two-fifths (44%) say they've never bothered to track down savings from a previous employer.

Almost three-quarters (72%) of Britons now support the introduction of a new system that would automatically consolidate small pension pots as they move jobs, reinforcing strong support from the industry for the change. This would make it easier for people to manage and keep track of their retirement savings, while making the system more efficient and effective for the UK's 33 million[4] pension holders.

COMPARE THE FEATURES AND BENEFITS

Even if you have not had that many jobs, you may still have a number of different pensions to keep track of. Pensions can be confusing, but there is an alternative way to help keep on top of them. Pension consolidation may allow you to combine some or all of your defined contribution pensions in one place.

Consolidating your pensions means fewer statements to keep an eye on, along with fewer and potentially lower management charges. However, not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the plan(s) you are thinking of transferring. It can be a complex decision to work out whether you would be better or worse off combining your pensions, so it's essential to obtain professional financial advice. ●

Source data:

[1] The research was carried out online by Opinium across a total of 5,010 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out between 12–18 March 2021.
[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/s mall-pots-working-group-report.pdf
[3] https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the- website.pdf
[4] Finder, Pension Statistics 2021

ACCESSING YOUR PENSION

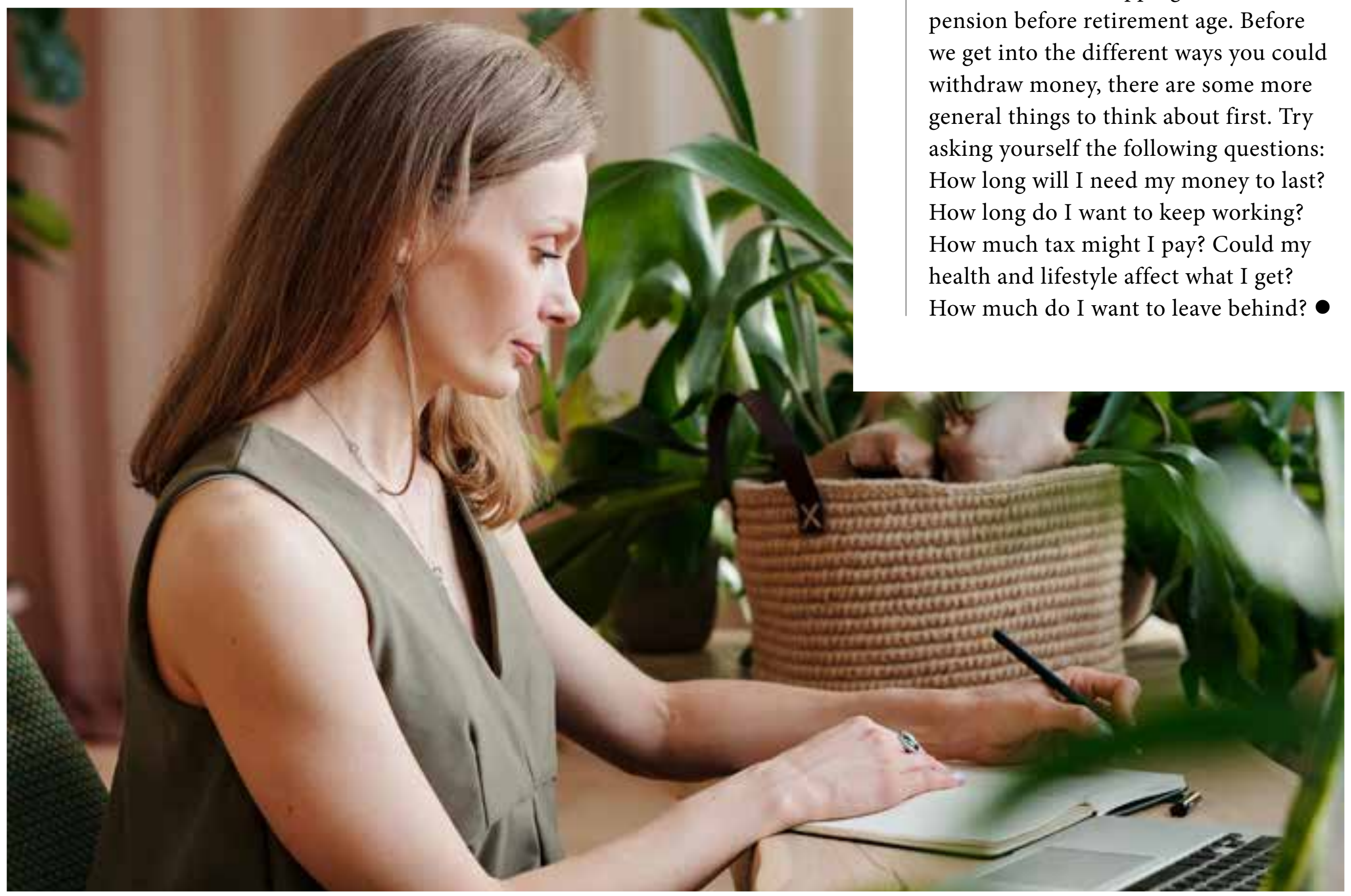
5 things you need to consider before deciding to withdraw money from your pot

Following pension reforms from age 55 – rising to age 57 from 2028 unless your plan has a protected pension age, you can start using the money you've saved in your pension. But there's a lot to think about when you withdraw money from a pension.

There are some exceptions that entitle you to access your pension earlier, but you may have to pay high fees. Whatever age you decide to withdraw your pension, there are a few things you'll need to consider.

TOP 5 THINGS TO CONSIDER BEFORE WITHDRAWING MONEY FROM YOUR PENSION

1. Pensions freedoms: Familiarise yourself with the pensions freedoms so you are aware of your options. You can now do a lot more with your pension pot than previously. Everyone is different and it is important to find the right solution for your circumstances. What risks are you willing to take?

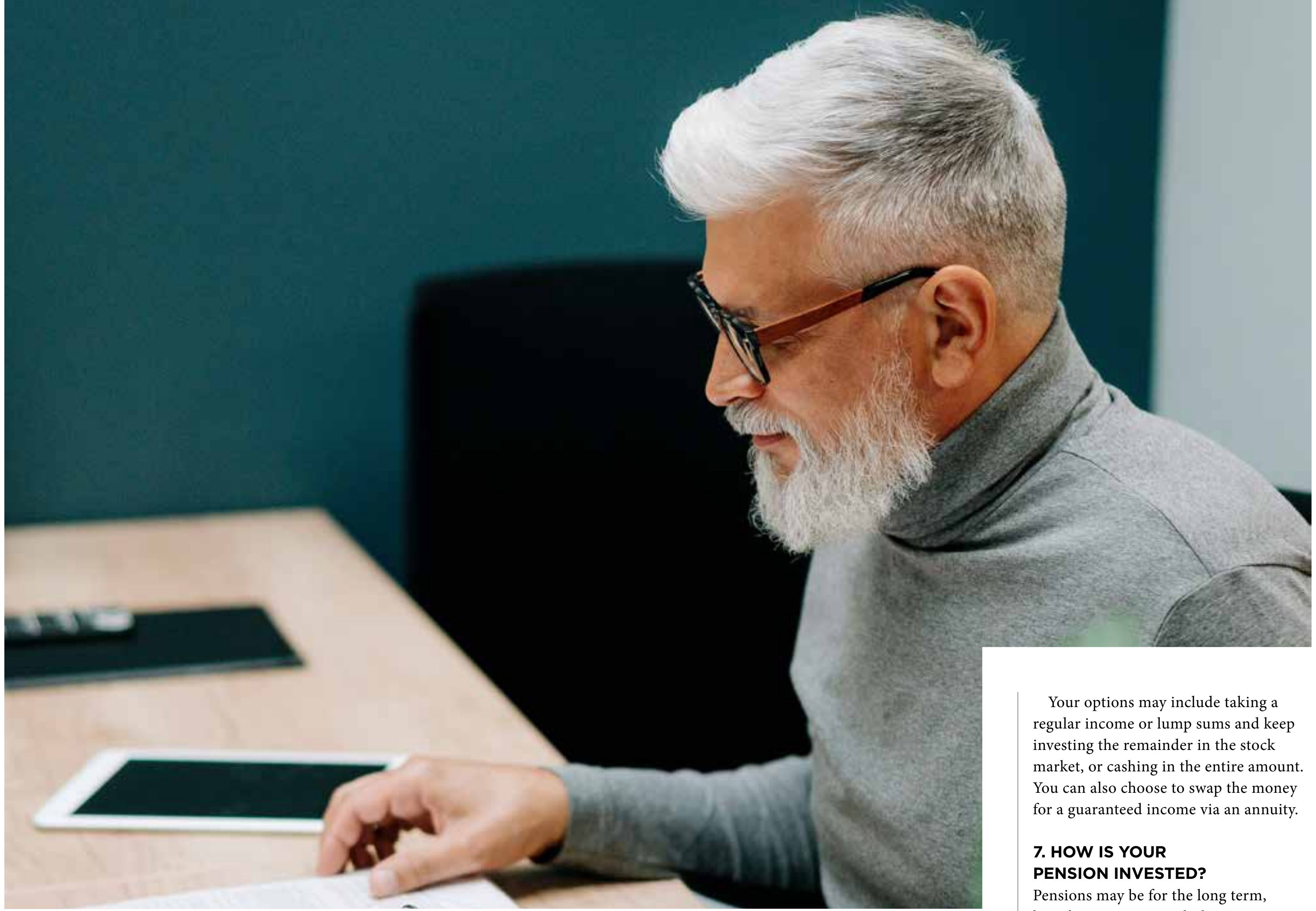


2. Saving requirements: Consider the amount of money you will need each month to maintain your lifestyle. Ask yourself: How much might I need? How much might I get? Do I still have a mortgage to pay off? What other sources of income do I have, and do I need my pension to keep up with inflation? Could I consider working for longer? Do I want to have annual holidays?

3. Costs later in retirement: Think about costs later in your retirement. What will your living costs be in the future? Care needs are not a subject we are comfortable thinking about but it is important to have conversations about it with your family, as well as Powers of Attorney, Wills and inheritance.

4. Health and life expectancy: We often vastly underestimate this, but evidence shows we are mostly living longer, with a growing variation in healthy life expectancy. If you have a partner, do you need to provide for them financially after you die, or are you relying on them?

5. Obtain professional financial advice: Few of us may expect to give up work altogether in our 50s. But a growing number of us are dipping into our pension before retirement age. Before we get into the different ways you could withdraw money, there are some more general things to think about first. Try asking yourself the following questions: How long will I need my money to last? How long do I want to keep working? How much tax might I pay? Could my health and lifestyle affect what I get? How much do I want to leave behind? ●



REVIEWING YOUR FINANCES SOONER RATHER THAN LATER

Bolster your retirement lifestyle as you approach your planned retirement date

Have you ever wondered what you need to consider as you approach retirement? Whatever your concept of what is a good pension pot, one certainty is that relying on the State Pension alone will not give you a good enough pension to live on comfortably through your retirement.

'Will I be able to retire when I want to?' 'Will I run out of money?' 'How can I guarantee the kind of retirement I want?' These are hard questions to answer unless you obtain professional financial advice and why you need to start by reviewing your finances sooner rather than later to ensure your future income will allow you to enjoy the lifestyle you want.

After decades of working and saving, you can finally see retirement on the horizon. If you plan to retire within the next five years or so, consider taking these steps today to help ensure that you have what you need to enjoy a comfortable retirement lifestyle.

Taking these actions now could help bolster your retirement lifestyle as you approach your planned retirement date.

8 THINGS TO CONSIDER AS YOUR RETIREMENT APPROACHES

1. TRACK DOWN YOUR PENSIONS

It's important to track down all the different pension schemes you've previously paid into, so you can be sure you're claiming everything you're entitled to in retirement.

If you're unsure where to start, the UK government offers a pension tracking service to help you find lost pensions.

2. WHEN CAN YOU ACCESS YOUR PENSIONS?

Since April 2015, pension freedoms have given savers in defined contribution (DC) schemes greater access to their cash, allowing flexible withdrawals from the age of 55 (rising to 57 in April 2028 unless your plan has a protected pension age).

3. WHAT'S YOUR PENSION'S VALUE?

The easiest way to find out how much your pension is worth is to check your pension statements. Whatever type of pensions you have, you'll receive an annual pension statement from your provider.

In it they'll tell you how much your pension is currently worth and what it's expected to pay out at your retirement date.

4. GET A STATE PENSION FORECAST

You can call the Future Pension Centre and ask for a State Pension statement. Your statement will tell you how much State Pension you have built up so far based on the National Insurance contributions and credits that are on your National Insurance record at the time your statement is produced.

Contact the Future Pension Centre for questions about the State Pension or to ask for a statement. Telephone: 0800 731 0175, or from outside the UK: +44 (0)191 218 3600. Or obtain a forecast online at https://www.gov.uk/check-state-pension

5. GETTING INVESTMENT ADVICE

If you are close to, or at retirement, you may want to reevaluate your plans. If you have access to other savings and investments, you might want to consider using these before accessing your pension.

If you have other investments or savings, such as Individual Savings Accounts, stocks and shares, bonds, funds, property, etc, it's worth checking their value as you approach retirement age as they can support you in addition to your pension.

6. HOW WILL YOU ACCESS YOUR PENSION?

When it comes to deciding how to use your pension pot, there's no one 'right answer'. There are more pension options than ever thanks to the pension freedoms that allow savers access to every penny of their retirement savings.

Your options may include taking a regular income or lump sums and keep investing the remainder in the stock market, or cashing in the entire amount. You can also choose to swap the money for a guaranteed income via an annuity.

7. HOW IS YOUR PENSION INVESTED?

Pensions may be for the long term, but it's important regularly to review where your money is being invested. You need to keep a close eye on which funds your retirement savings are in so that you can check you're comfortable with the risks involved.

You should also keep a close eye on how much you're being charged, as fees can have a big impact on the amount you end up with at retirement.

8. THE BENEFITS OF ADVICE

Pension advice is important because pension products can be complicated, and life can be unpredictable. Professional financial advice will help you make the right decisions about your money and your future.

Retirement planning is important because it can help you avoid running out of money in retirement. You need to know how much you've got, how to access it and when you can afford to retire comfortably. ●

TIME TO BUILD THE WEALTH YOU NEED, TO ACHIEVE THE RETIREMENT YOU DESERVE?

Talk to us about how we can help you make sure you can afford the standard of retirement you deserve.

To find out how we can help you – please contact us.

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