Fairstone
INTELLIGENT WEALTH MANAGEMENT

–BROCHURE

Retirement planning

What would you replace your nine to five with?

Retiring is no longer a standard, singular event and it means something different to all of us.

As you get older, you may want to reduce your working hours, replacing your nine to five with your hobbies and passions, access capital to repay mortgages and other debt, make the most of your health and take those holidays you've been thinking about or support your children and grandchildren with their key life events.

Whatever you want your retirement to look like, the key is to plan ahead. Many people approach retirement with little or no idea of how much money they will need or the best way to take an income. The sooner you put your plan in place, the more likely you are to achieve the retirement you hope for.

As we continue to live longer, you will also need to consider making your retirement fund last significantly longer than your parents did and as part of this planning you will also need to take your long-term care provisions into consideration.

Professional financial planning could help make your retirement dreams a reality and achieving your goals could be closer than you think.

People in the UK aged between 50 and 75 have over

£1 trillion

in old-fashioned financial products

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Where to start?

It doesn't matter how old you are, or at what stage of retirement preparation you are at, if you take control of your financial planning now, you can be confident that you'll be able to afford the retirement lifestyle that you have in mind.

There is no one size fits all when it comes to retirement planning but there are some common themes that we can all consider:

How long will your retirement period last?

We know that on average we are living longer and that this trend will only continue upwards. While we can't predict your life expectancy, we can encourage you to plan for at least 20 years of retirement.

How much money will you need?

This will vary depending on your current lifestyle and the retirement goals you have in mind. A Fairstone adviser can help you plan out how much you think you will need taking into consideration expected monthly outgoings and any larger expenses such as holidays or a new car.

Why should you use a financial adviser?

Professional financial advice can help you to make the decisions that work for you and your personal circumstances to maximise your retirement fund.

An independent financial adviser can help:

- Work out what your retirement looks like
- Provide a pension scheme comparison to find the best deal for you
- Calculate how much you'll need to fund your goals
- Build a flexible plan around your specific needs that maximises your retirement income and minimises fees to allow you to transition into retirement
- Consolidate disparate pension pots to increase control and improve the overall performance
- Regularly review your retirement plan to make sure it still works for your personal circumstances and that it remains tax efficient
- Manage your income even after you retire

Planning for your retirement

These days, most people opt for a gradual retirement, reducing their working hours over time.

A Fairstone financial planner can work with you through the transition period to ensure you manage your savings as well as your tax obligations. Regular reviews are essential when it comes to keeping your plans on track and making sure you are ready for the point when you stop working completely.

Saving for retirement

There are a number of tax efficient options available to support you in saving for your retirement and your pension plans are not the only investments that you can use to build funds and save for your retirement. You may have other assets such as ISAs, shares, a second property and cash, or you could be the beneficiary of a trust.

Seeking professional financial advice could help you to make the most of your assets, giving you an overview of your finances and in turn a better idea of how much you can expect to receive at retirement, in line with your goals and objectives.

What your pension might look like

Each of us will have our individual ways of saving into our retirement pots. Some common examples include:

Self-invested personal pension (SIPP)

A self-invested personal pension (SIPP) gives you the opportunity to invest in a wide range of assets, including equities, unit trusts, gilts and commercial property.

Like all pensions, a SIPP offers up to 45% tax relief on contributions and is free from capital gains and income tax. At the point of retirement, you can usually take up to 25% of your pension fund tax-free.

SIPPs can be both flexible and tax efficient, however they do require active management, so they won't necessarily be for everyone.

An independent financial adviser can help you to decide if a SIPP is right for you and find the best solution to match your needs. You can also ask your adviser to manage your investment choices, so that you're backed by expertise and experience.

Pension allowances

Pension contributions up to your annual allowance (as much as you earn each year, usually up to £40,000) receive tax relief of 20-45% depending on how much Income Tax you pay.

You could contribute up to £120,000 extra into your pension this year by using pension carry forward.

A financial planner can show you how much extra allowance is available to you, and how much you can afford to pay into your pension without affecting your current lifestyle.

The lifetime allowance is the maximum amount you can save in your pension over your lifetime.

If you exceed this, you may have to pay a tax charge of up to 55% on the excess. A financial planner can talk you through the available options for protecting your lifetime allowance.

State pension

You can claim state pension when you reach state pension age. This is specific to you and is worked out based on your gender and date of birth. Your state pension could be a valuable source of income in retirement, but it is unlikely to provide you with the income you need or want, and should form a part of your wider savings plan.

Workplace pension

Since 2012, employers in the UK have been legally required to provide a workplace pension for their qualifying workers.

Employee contributions are deducted directly from salary and are eligible for tax relief, your employer will also make contributions to your pension. There are minimum contribution guidelines for both you and your employer, which are currently set at 5% and 3%.

Your employer will notify you once you've been enrolled into their workplace pension scheme to explain how much they will contribute and how much you'll need to pay in, as well as the type of pension scheme and who runs it.

Different types of workplace pension schemes have different benefits. It is important that you understand these so that you can ensure that your pension will help you to achieve your desired lifestyle in retirement.

What happens when you retire?

When you want to start accessing your pension savings there are a number of options available but two common approaches are annuity and drawdown.

Annuities work by taking your pension savings and paying out a guaranteed income for life, or over a fixed term. They are still right for some people but committing to an annuity can mean less flexibility with your pension money.

Drawdown is the means by which – at age 55 or over – you can choose to draw your income directly from pension savings.

Annuities

When you come to retire, 25% of your total pension fund can usually be taken as a tax-free lump sum; the remainder can be used to buy an annuity.

An annuity is a type of insurance contract. Once purchased, the insurance company is responsible for providing you with a guaranteed income – any time from age 55 – which is payable for the rest of your life, unless it is a fixed term annuity.

There are several types of annuity and you are typically not obliged to purchase your annuity through your pension scheme provider.

Once it's set up, an annuity is final and cannot be amended, so it's vital that you think about your options carefully. You will need to consider both your immediate and long-term income needs as well as those of any spouse or partner.

An independent financial adviser can help you find the most appropriate product for you.

Drawdown

This approach offers you greater flexibility and choice over how you utilise your retirement fund. You can choose to take regular monthly or annual payments or take a series of lump-sum payments as and when you need them.

This flexibility allows you to draw your income in line with your needs throughout retirement. You can still access up to 25% as a tax-free lump sum. This can either be drawn in one go, or in phases. Once you exceed the tax-free cash allowance you will be taxed on any withdrawals at your highest marginal rate. With drawdown, money left in your pension pot when you die can be passed to your family.

It is important to remember that if you choose the drawdown option, your money stays invested and it has the potential to go up or down. You need to ensure that your fund will provide an income for the rest of your lifetime, so independent financial advice around how to structure your investments in line with your personal circumstances and your attitude to risk, is paramount.

Book your no obligation initial consultation

Your retirement plan will depend on you, your circumstances now and the plans you have for the future but regardless of your goals, professional financial planning could help make your retirement dreams a reality.

Fairstone's intelligent wealth management offers expert financial planning and market wide choice at the best value in the industry.

Taking control of your retirement plan means your new life can be just around the corner.

Get in touch today to book your first meeting:

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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.

Pensions are not normally accessible until age 55. 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.

The value of investments and income from them may go down. You may not get back the original amount invested. Past performance is not a reliable indicator of future performance.

Any levels and bases of, and reliefs from, taxation are subject to change.