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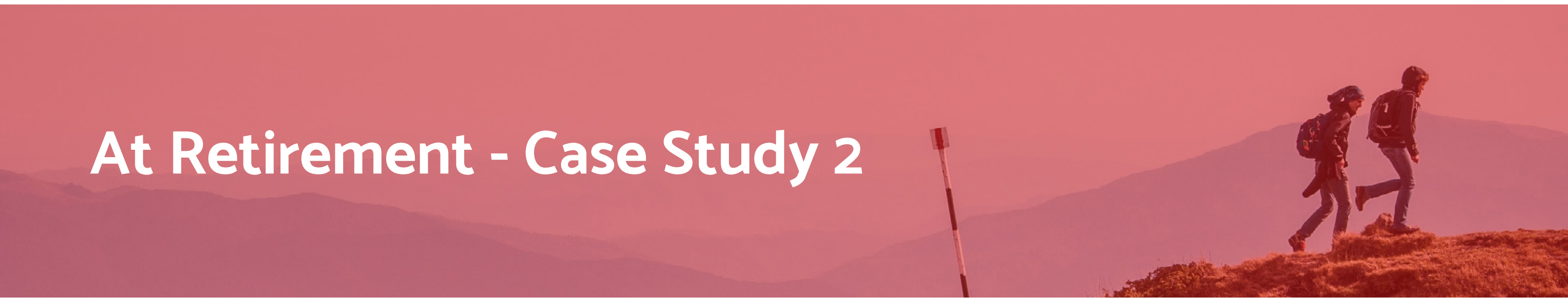

At Retirement - Case Study 2

Client introduction - Michael and Grace

We were introduced to Michael by another longstanding client of ours in late 2018.

- At the time Michael was 63 and Grace 56.
- They have two sons, who at the time were both in their late 20's and developing their own financial independence.
- Michael had very recently retired.
- Grace was working in the NHS but left once they started a family, choosing to dedicate her time to their boys.

Their assets

Michael had a substantial pension fund in excess of the Lifetime Allowance, which he protected at £1.5m in 2014. This was a very simple workplace pension and was invested very cautiously, with around 40% of the fund in cash.

Grace also had a pension worth £100,000 which was entirely invested in a cash fund.

They also had around £1m in cash savings and were utilising their ISA allowances each year with cash ISAs.

As well as their main residence they also owned a holiday home, worth around £350,000 on which there is a gain upon selling.

Why did they get in touch with us?

They were thinking about the future. They had dedicated a lot of time and money in the first few years of retirement helping their elderly parents and children. It was now time for them to think about how to enjoy their life and maintain a comfortable standard of living.

Michael had previous experience with financial advisers but wasn't particularly happy with the product focused type of advice, that seemed more like share tips. He was seeking something more holistic and constructive, that focused on life plans.

Michael was also concerned about the impact of the Lifetime Allowance tax on his pension and was considering taking his tax free lump sum.

Our initial advice

Over the course of our initial meetings we encouraged Michael and Grace to think together and discuss what was most important to them and their plans for the future. We helped them to create a "Vision" document to map this all out.

From an inheritance point of view, they wanted to enjoy life now and use their wealth to sustain their standard of living and see their boys enjoy their wealth too, rather than leaving it all to them in a will.

We utilised specialist financial modelling software to help Michael and Grace visualise the cost of their lifestyle and planned expenses over the years, factoring in how the level of investment risk and taxation could impact on their plans.

This helped us to build our recommendations to take a more holistic view and see their wealth and assets as an overall family balance sheet. This provided comfort and reassurance that they could take more investment risk with a portion of their assets to help ensure that their wealth maintains its value over the rest of their lives.

We encouraged Michael and Grace to take more risk with their investments because of their significant cash "larder", of three years' worth of spending, plus a little extra for short term planned expenses above their regular spend.

In order to bring a level of sophistication to their investment planning we recommended that they appoint a specialist discretionary investment manager who could offer their expertise and facilitate a collaborative approach to Michael and Grace's investment planning.

Ongoing advice

We meet twice a year with Michael and Grace to discuss their holistic financial planning and then review the investment strategy and manager.

At each meeting we review their plans, discuss any changes in circumstances and run new financial models based on up to date information.

Key learnings from this case study

1. We should not get distracted by one issue or tax alone. In this case while the Lifetime Allowance is exceeded, this did not necessarily mean that the pension should be accessed.
2. Wealth and assets should be viewed as a whole balance sheet, rather than in isolation and to consider personal goals first and map the finances to them, rather than the other way around.
3. It is important to acknowledge the detrimental impact of holding too much cash on your balance sheet as its value erodes over time due to inflation. Maintaining a sufficient, but not excessive, cash buffer enables you to take a degree of investment risk to ensure that your overall balance sheet grows and maintains its value over the long term.
4. Financial advice is more than a one-off event. It's important to review your situation regularly so you can ensure you're on track to meet achieve your goals.