

15 things to think about as you approach retirement



Retirement is often seen as the time to start to enjoy doing things you previously couldn't because you were too busy working and raising a family.

However, the ever-changing nature of retirement raises a series of challenges that you need to address. These include issues around when to retire, where to live and how much income you will have.

To help you, here are 15 things to think about as you get close to retirement. By checking these, and working with us, you can ensure that you're on track to enjoy financial security, and the retirement you've always wanted.

1 How your money is invested is important

Finding the right balance between investment risk and growth is crucial when it comes to investing your retirement funds.

We use a three silo – “Larder, fridge, freezer” strategy to ensure you set aside enough money to provide you with an income in the event of a sudden market downturn, while at the same time creating the opportunity for strong growth.

It's important you are comfortable with the level of risk associated with your investment choice but, at the same time, that you're aware that a higher level of risk is often necessary to achieve the level of growth required.

2 Know where your income is coming from

Your pension fund is likely to form the bedrock of your retirement income, but it's important not to overlook other sources of income.

Savings and investments can be used to provide income, and the different tax treatment of each source makes it important to ensure you have a robust income strategy in place.

3 You don't have to buy an annuity

Since the introduction of Pension Freedoms in 2016, the need to use some or all of your pension fund to buy an annuity has been removed. Instead, it's possible to flexibly plan your income.

However, by providing a guaranteed income for the rest of your life, annuities can still play a key role – particularly if you have health issues and would therefore benefit from enhanced annuity rates that may be available.

We also sometimes recommend the use of a fixed-term annuity, to provide you with a guaranteed income over a set period. These can add an important mix of certainty and flexibility to your retirement income planning.

4 Make sure you have a plan in place

It's an old cliché, but it really is the case that if you fail to plan, you're planning to fail.

A good retirement plan doesn't have to be too detailed at the outset. Just start by considering three crucial questions:

- When do you want to retire?
- What do you want to do?
- How long will your money need to last?

The answers will help form the outline for your plan, which can then be developed as you get closer to retirement and amended as your circumstances and goals change.

5 Your plan will help guide your income strategy

The details you set out in your plan will then help inform your investment and income strategies in the run-up to your retirement, and beyond.

As part of your planning process, we will take you through our bespoke “Your Vision” process. This will enable you to set out how you see your retirement – your aspirations and desires for the time after you stop working. From this, and your plan, we will then help you put together a robust strategy to help you achieve your aims.

6 Ensure you’re not paying too much tax

Having worked hard throughout your working life to build your wealth, you’ll want to take steps to ensure you aren’t paying too much tax when you retire.

Different investment and income vehicles have varying tax implications. We can help you maximise tax incentives and allowances, to ensure you take lump-sums and income as efficiently as possible.

7 You don’t have to actually retire

The days of stopping work on a Friday and starting retirement on the following Monday are long gone. Many people are benefiting from phasing their retirement – reducing their working hours or working on a consultancy basis.

Continuing to work in some way after retiring can help you maintain your social network and remain active. It also provides an ongoing income stream to supplement your retirement savings.

8 Cashflow forecasting will help your decision-making

Modelling your financial future using a cashflow forecasting tool can make a big difference to your retirement plans. It can tell you if you’re on track to achieve your goals or make changes in the way you’re managing your money or how you’re invested.

It’s also possible to “war-game” certain scenarios – both positive and negative – to see how they can impact your finances.

9 Think about what happens if you pre-decease your spouse or partner

Thoughts and discussions about death can be uncomfortable, and it’s natural to want to avoid them. However, you do need to give thought to what will happen if you pre-decease your spouse or partner, and vice versa.

Both of you should aim for a position where the emotion and stress of the death of a loved one aren’t made worse by financial worries. Knowing your spouse or partner will be financially secure after your death can be a great comfort.

10 Don’t forget your State Pension

Although the State Pension isn’t enough to live comfortably on, it’s a very useful guaranteed income for life and can underpin your other income.

It’s also a valuable benefit. It would cost around £330,000 to provide an equivalent annuity offering the same benefits.

You should check both when you’ll receive it, and how much you’ll get. As it’s based on your National Insurance record, it may be possible to top up your contributions to maximise the pension you’ll receive.

11 Have an idea of what you want to leave your heirs

Where you take income from could impact how much your beneficiaries inherit when you die. For example, pension funds are not included in IHT calculations, whereas ISA savings and stocks and shares are.

So having at least an outline idea of how much of your wealth you'd like to pass on to future generations will help inform your income planning process.

Also, consider if you want to help your family now. Gifting assets can help them with their financial milestones such as university fees and getting on the housing ladder.

12 Remember you can still contribute to pensions after you've retired

The tax relief you receive on pension contributions make them an attractive savings vehicle – even if you've stopped working. Basic rate tax relief means you get 25% growth on the money you put in on day one – and that's before any subsequent investment growth.

Every individual is entitled to contribute up to £3,600 gross each year into a pension, even if they have no employment earnings.

13 Your health is a key factor in your planning

Your state of health will have a big impact on your retirement planning. As well as determining how long you'll live, and therefore how long your money will need to last, it could also be a crucial factor around if and when you look to downsize and move to a smaller property.

It will also have a bearing when it comes to considering issues such as care fees, or a domiciliary care package enabling you to stay in your own home.

You may also want to factor in the cost of private medical insurance as part of your retirement income planning.

14 There's a 20% chance you'll live to 95

Improved health care and lifestyle choices mean we're all living longer than previous generations.

The current life expectancy for a man is 84, and 86 for a woman. A [50-year-old](#) male has a 25% chance of living to age 95 and a 10% chance of getting to 100.

Your retirement planning should reflect these possibilities, and you should take steps to avoid the chance of living longer than your income.

15 Advice and planning is all important

As you've probably realised from reading through these points, a successful and happy retirement doesn't happen by accident. There's a good deal of planning involved – both initially, and then on a regular basis to ensure you stay on track.

That's where we come in!

We have a wealth of experience and expertise when it comes to helping our clients achieve the retirement they want. If you would like to discuss your circumstances, please get in touch by calling us on [020 3427 3205](tel:02034273205).

