

A GUIDE TO

RETIREMENT PLANNING

A TIME WHEN YOU'LL WANT
TO ENJOY YOUR LIFE, NOT
WORRY ABOUT MONEY

WELCOME

A GUIDE TO RETIREMENT PLANNING

Retirement: a time when you'll want to enjoy your life, not worry about money

Welcome to *A Guide to Retirement Planning*. Whether your retirement is years away or just round the corner, if you want to help secure your financial security in retirement you need to start planning for it. After all, retirement is a time when you'll want to enjoy life, not worry about money.

Young people currently entering the workforce may have to wait until they are 70 before they can retire. In your younger years while retirement may seem a long time away, this is the best time to start saving towards it.

The middle years are likely to be your high-earning years and a time when you pay more attention to your retirement planning. This is the ideal time for you to top up your retirement provisions and maybe even consolidate your pensions into a single plan.

While looking forward to all the great things you wish to do during your retirement as you approach it this is a good time to take stock of your savings and ensure that you have a steady income during your retirement to sustain your lifestyle.

There's always a danger that you could underestimate how much you are going to need so you can do what you want to do, when you want to do it. Most of us probably feel we could also do with a little more money during our working years. Will that change so much when you stop working?

A sensible rule of thumb is typically to aim for a retirement income of around two thirds of your earnings when you retire. Either way, you need to decide how much you want so you can plan, and it is often easier to think in relation to your current earnings and decide how much of your salary you would want to maintain.

Helping you take control of your future

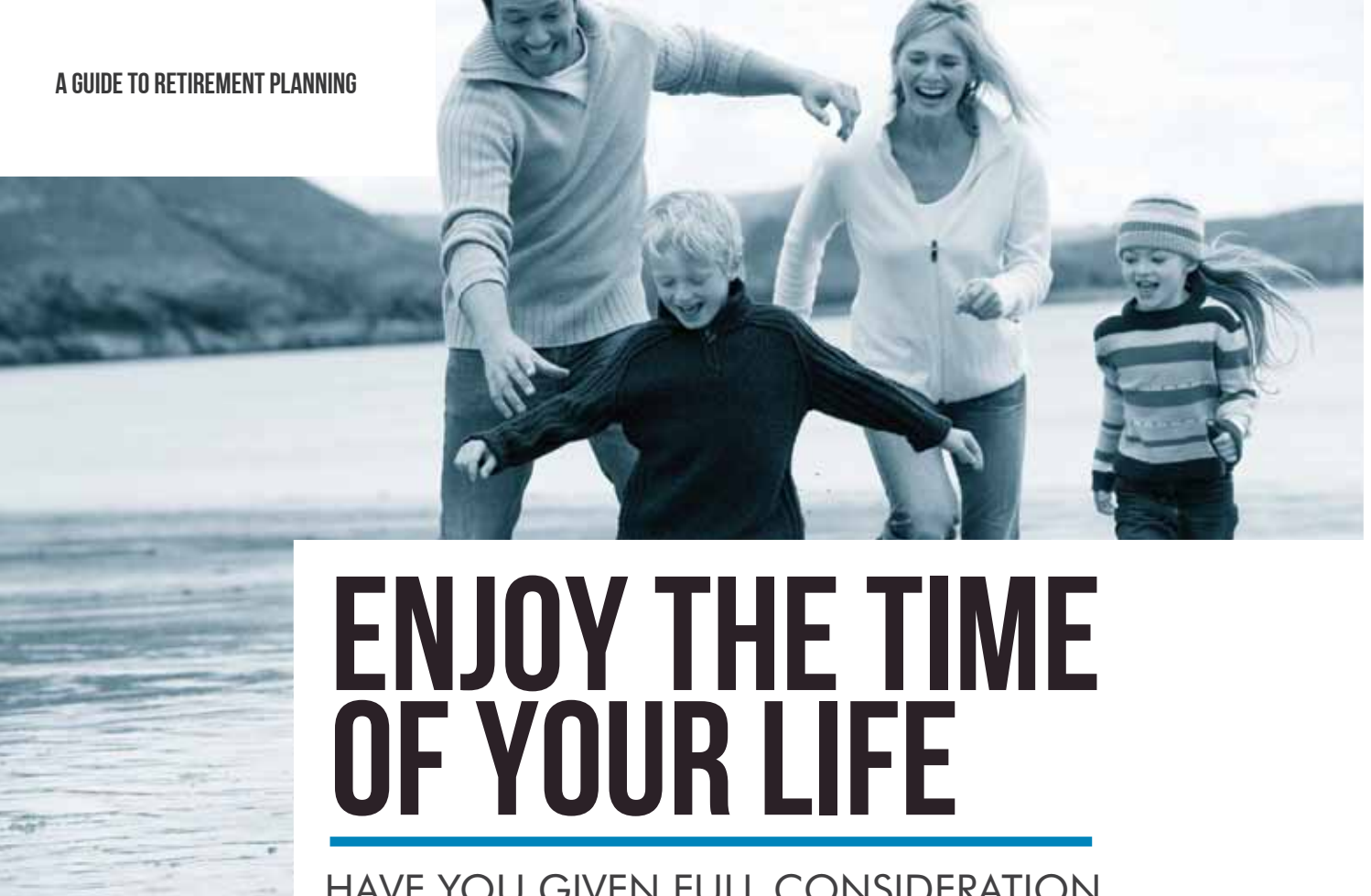
It is also worth bearing in mind that investing in a pension may not be the only way to build towards your retirement with maximum tax-efficiency. We can ensure that you have enough money accumulated when the time comes for you to start taking benefits. To discuss how we could help you take control of your future and plan to achieve the retirement you want, please contact us for further information.

Contact us today

Content of the articles featured in *A Guide to Retirement Planning* is for your general information and use only and is not intended to address your particular requirements. They should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. The pension and tax rules are subject to change by the Government. Tax reliefs and State benefits referred to are those currently applying. Their value depends on your individual circumstances. The performance of the investment funds will have an impact on the amount of income you receive. If the investments perform poorly, the level of income may not be sustainable.

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ENJOY THE TIME OF YOUR LIFE

HAVE YOU GIVEN FULL CONSIDERATION TO YOUR LONG-TERM PENSION INVESTMENT STRATEGY?

ARE YOU PROACTIVE?

When it comes to planning for your retirement, time is your friend. The earlier you start, the longer your money has the potential to grow. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive. To review your current situation or requirements, please contact us for more information.

Retirement planning involves thinking about your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. Careful professional financial planning, the right mix of assets and starting sooner rather than later could all help lead to the retirement you are looking for. Many years ago the traditional view of saving for retirement was to simply put your money into a pension, with few decisions to make in the run-up to your retirement date and no choice over how the pension was taken.

Reviewing your retirement planning

Having a pension today is recognised as just one important step along the path to achieving your dreams once you have stopped working. Now, not only must you carefully consider where you actually invest your pension money and how you are going to use your pension, but if appropriate you should also review other forms of retirement savings. Reviewing your retirement planning is critical, and probably the single most important decision you can make to help you realise your long-term goals.

Different investment choices produce different results. It's essential that you review all your retirement investments to make sure they are heading in the right direction. If your circumstances change, some investments may no longer be appropriate. It's important to get these things right as you will be relying on the provisions you make now to generate income after you retire.

Factors that will determine your strategy

When building or reviewing your pension portfolio there are a number of factors that will determine your strategy, including the level of risk you are willing to take. This is likely to change throughout your life, which means your investment strategy will also need to change. Receiving professional financial advice will play a vital role in helping to make sure that your pension holdings match your risk profile and your investment goals.

Typically, people in the early years of the term of their pension may feel they have time to take more risks with their investments to increase the potential for higher returns. As they approach retirement and the duration of the investment is shorter, they may prefer more predictability to start to plan for their future after work. Alternatively, if they have reached their pension age and are still investing part of their fund while drawing benefits, they may prefer to keep an element of greater risk in return for higher potential growth.

When it comes to retirement planning

Your 40s is 'the golden decade' when it comes to retirement planning. This is when you should be putting as much as possible into your pension to give your contributions time to grow.

In your 50s you may want to start making decisions about your retirement. If you are going to convert

all of your retirement funds into income the moment you retire, you may wish to start reducing risk now. If you expect to keep it mainly invested, you may wish to keep a good weighting in investments based on shares. After all, with the growing trend towards taking work in retirement, many people may feel they can afford to keep their pension invested for longer while drawing an income.

Delaying the start of your retirement provision will have an obvious impact on the potential growth of your pension. Not only will the time period for growth potential be reduced, but you could also be passing up the opportunity for valuable tax relief.

Streamlined pension regime

Pensions have always provided a highly tax-efficient environment for long-term retirement investments. However, in April 2006, a streamlined pension regime introduced a number of extra benefits, including the potential to contribute larger sums into your pension fund when the timing is right for you.

Since the rules were simplified, pensions have become easier to navigate. Whether you have occupational pensions, personal pensions or both, you now have one overall annual and one Lifetime Allowance for pension savings. You can save as much as you like into any number and type of registered pension schemes and receive tax relief on contributions of up to 100% of your earnings (salary and other earned income) each year, provided you paid the contribution before age 75. But the amount you save each year towards a pension from which you benefit from tax relief is subject to the 'Annual Allowance'. The Annual Allowance for the tax year 2013/14 is £50,000 (reducing to £40,000 commencing 6 April 2014).

Excess taxed on income

The Lifetime Allowance, the amount you can save in total in all your pensions, is for most people £1.5 million in the current tax year 2013/14. It applies to all the pensions you have, excluding your State Pension. In 2014/15 the Lifetime Allowance commencing 6 April 2014 will reduce to £1.25 million. If you save more than this, you will be taxed on income from the excess at an effective rate of 55% if taken as a cash sum, and 25% if taken as pension benefits. These charges are on top of any income tax due on the pension payments.

Consolidating funds

Another feature of pensions is that you can consolidate payments from one UK registered pension scheme to another. This could be either to access different benefit options or simply to consolidate your funds in one place. It is important to note that there are costs involved, and obtaining professional financial advice is essential to ensure that you take the appropriate course of action for your specific situation.

If you have more than one pension plan in your name, there could be a number of advantages to consolidating all your plans into one. Having one pension can make it much easier for you to keep track of funds, monitor performance and change strategy if necessary. Consolidation may also cut down on paperwork and could make estate planning simpler.

Again, it's possible that consolidating pension funds may not be beneficial for your particular circumstances. You should always receive professional financial advice before deciding if it is the right course of action for you.

Post-retirement

The array of post-retirement options is vast and will need to be considered carefully. The best option for you will depend on factors such as the size of your fund, your ongoing involvement, the risk you are willing to take and the level of benefit flexibility you want.

Annuities have long been the mainstay of turning your retirement pot into income. When it comes to buying a pension annuity you can choose from any provider in the market, with the option of inflation-proofing it or buying a guarantee so that it continues to pay out for a set period of time. You might also want an income to continue for your spouse after your death. All these options will reduce the amount you initially receive.

You have other options besides buying an annuity, such as using a drawdown facility and leaving your pension invested but receiving an income from the fund. If you do this, you can still take your 25% tax-free lump sum out of your pension.

There are many choices to make during the pre- and post-retirement years. However, these choices are some of the most important you will ever make, so careful consideration is essential in order to safeguard your financial future and give you the retirement you are dreaming of. We can provide professional help and advice on retirement planning, so please contact us to arrange a meeting.

Some occupational schemes may not be able to offer you all the options referred to within this article. While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore, there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement. The value of investments and the income from them can go down as well as up. You may not get back as much as you invested.

SAVING FOR YOUR RETIREMENT

THE SOONER YOU START SAVING FOR YOUR RETIREMENT, THE MORE SECURE YOUR FUTURE WILL BE

Saving for your retirement may not seem important when you're starting out. But the sooner you start saving for your retirement the more secure your future will be.

It's so important to invest for your retirement. Putting as much as you can into a pension provision as soon as you can gives you a much better chance of having the retirement you want.

When planning your retirement there are three main types of pension you need to consider. These are State Pensions, private personal pensions and occupational workplace pensions.

Whether you are thinking of starting a pension, reviewing your existing pension provision or are about to take benefits from a scheme, there are many issues you should discuss with us:

1. At your age, how much should you be saving?
2. Could you optimise your tax position for retirement by also saving in an alternative tax-efficient vehicle?
3. Would bringing existing pension funds you have built up together in one place help you manage them better?

4. How can you maximise your pension contributions as you reach retirement age?

5. What might you expect by way of pension from the State and when will you receive it?

6. What's the best time to start taking income from your pension fund?

7. What are the alternatives to buying a pension annuity and why might they be better for you?

8. How can you use your tax-free cash allowance to the best advantage?

9. What if you want to take your pension fund overseas?

The quality of life you want in your future retirement years will depend on what you contribute in the present. Planning your finances can help to ensure that you have peace of mind, so that you can look forward to a secure and financially independent retirement. To discuss how we could help you achieve this goal, please contact us.

STATE PENSION

A REGULAR PAYMENT FROM THE GOVERNMENT THAT YOU RECEIVE WHEN YOU REACH STATE PENSION AGE

The basic State Pension is a regular payment from the Government that you receive when you reach State Pension age. To receive it you must have paid or been credited with National Insurance contributions.

In his 2013 Autumn Statement, the Chancellor announced that someone in their 40s won't receive their State Pension until they are aged 68; the linkage to life expectancy is likely to mean someone starting work now may have to wait to age 72, and a child born today is unlikely to receive their State Pension until they reach 75.

An increase in the retirement age to 69 is expected to fall in the mid 2040s, potentially affecting those in their late 30s, while people in their late 20s are likely to have to work until their 70th birthdays in the 2050s.

Because life expectancy rates are constantly rising, the final retirement dates for people affected by the new policy will not be fixed for several years. An independent review will assess likely lifespans every five years, with the first due after the 2015 election.

The basic State Pension is currently worth £110.15 a week for a single person in 2013/14 (or £5,728 a year).

If you're married, and both you and your partner have built up State Pension, you'll get double this amount – so £220.30 a week. But if your partner has not built up their own State Pension, they'll still be able to claim a State Pension based on your record. The maximum is £66 a week.

If your income is below a certain qualifying level, you can boost it by claiming pension credit. This will take your income up to £145.40 a week for a single person and £222.05 a week for a couple (in 2013/14).

Additional State Pension

You may also qualify for the Additional State Pension, also known as State Earnings Related Pension Scheme (SERPS) or State Second Pension (S2P).

The additional pension is based on your earnings. Many people may have opted, or 'contracted', out of the Additional State Pension at some point in their working lives. The average additional pension, therefore, is around £124 a week in 2013/14.

There are a number of rules that can influence your retirement planning. To discover how we could help you save for your retirement and achieve financial independence, please contact us for further information.



THE BASIC STATE PENSION IS A REGULAR PAYMENT FROM THE GOVERNMENT THAT YOU RECEIVE WHEN YOU REACH STATE PENSION AGE. TO RECEIVE IT YOU MUST HAVE PAID OR BEEN CREDITED WITH NATIONAL INSURANCE CONTRIBUTIONS.



PRIVATE PERSONAL PENSIONS

TO AFFORD THE LIFESTYLE YOU WANT WHEN YOU RETIRE, YOU NEED TO DO SOMETHING ABOUT IT TODAY

It may be tempting to say, 'But retirement is a long way off', yet it's never too early to start investing in order to protect your future. To afford the lifestyle you want when you retire, you need to do something about it today. You now have a much greater choice when it comes to how and when to take retirement benefits from pensions since the pension simplification rules were introduced.

UK's pension tax regime radical overhaul

On 6 April 2006 major changes were introduced to the structure of UK pension schemes. These changes heralded probably the most radical overhaul of the UK's pension tax regime. The simplified regime was largely a replacement of the past pension framework as opposed to the addition of another layer of legislation.

The most important thing is to plan your retirement funding strategy in advance. Anyone investing in a pension should remember that whilst pensions are extremely tax-efficient, it's important to regularly review where your money is invested. This becomes more important as you begin to approach retirement when your investment aims may gradually change from growing the value of your pension fund to protecting it.

A private personal or stakeholder pension scheme could be right for you if:

- you want to save money for retirement in addition to your occupational workplace pension
- you're self-employed, so don't have access to an occupational workplace pension scheme
- you aren't working but can afford to pay into a pension
- your employer offers it as an occupational workplace pension

Personal and stakeholder pensions are 'defined-contribution' private pensions that you arrange yourself. You contribute money into a pension fund which you use to buy a regular income when you retire. Sometimes employers set up group personal or stakeholder pensions for their employees.

Tax-efficient environment

Personal private pensions grow in a tax-efficient environment. You pay no capital gains tax on any growth and no further UK tax on any income the

investments produce, and income from fixed-interest investments and deposits are received gross.

UK investors under age 75 can benefit from up to 45% pension tax relief (2013/14 tax year).

The higher your rate of tax, the more tax relief you could receive. Even non-earners, including children, and those with an income under £3,600 can benefit, but can only contribute up to £3,600 this tax year.

MAKE SURE YOU REALLY ENJOY YOUR RETIREMENT

You deserve a comfortable retirement where you don't have to worry about getting by on a State Pension and other benefits. By acting now and putting in place your pension arrangements, or by reviewing your current pension provision, you're making sure that you can really enjoy your retirement. Contact us to discuss how we could help you plan – don't leave it to chance.

NEW LIFETIME ALLOWANCE LIMIT CHANGES

THOUSANDS OF PENSION SAVERS COULD BE IMPACTED UNLESS THEY ACT SWIFTLY

If you are making high levels of pension contributions you will need to obtain professional financial advice to make sure that you know whether you will be affected by the impending new lifetime allowance (LTA) limit changes. Thousands of pension savers could be impacted by the forthcoming changes unless they act swiftly.

Your total pension savings

You should check what the value of your total pension savings will be as at 6 April 2014. It is also particularly important to bear in mind how much money you have accumulated in any legacy pension schemes from a previous employer, as your current employer will not necessarily know you have one and will therefore not count this towards your total amount.

According to Standard Life, if you're ten years from retirement with a current pension fund of £700,000 you could exceed your allowance if your pot grows at 7% a year – even if you don't pay another penny into it. Yet it's unlikely you were even aware you had a problem. Of course, growth could be higher or lower depending on your investment performance and we don't know what the allowance is likely to be in ten years' time.

Linked to your final salary

It's even trickier with some company pension schemes that are linked to your final salary. It's easy to underestimate just how valuable a final salary pension is – or how it's tested against the LTA. You could be surprised to learn, for example, that a £25,000 paid-up pension from a previous

job already eats up £500,000 of your allowance. Adding in revaluation for leaving up to retirement, at say 3.3% over ten years, takes the pension up to £34,590 – using up almost £692,000 LTA.

You can save as much as you like towards your pension but there is a limit on the amount of tax relief you can get. The LTA is the maximum amount of pension saving you can build up over your lifetime that will benefit from tax relief. If you build up pension savings worth more than the LTA you'll pay a tax charge on the excess.

An individual's entire pension savings

From 6 April 2014 the LTA will reduce from £1.5 million to £1.25 million. It applies to an individual's entire pension savings (apart from the State Pension). The figure may sound high but many thousands of people could be affected, especially those in final-salary schemes who have built their entitlement through many years' work.

If your pension savings are worth more than the LTA when you take your benefits, you'll have to pay the LTA tax charge on the excess unless you have some form of LTA protection. The rate depends on how this excess is paid to you. If the amount over the LTA is paid as a lump sum, the rate is 55%. If it is paid as pension, the rate is 25%.

Many people had built up pension pots worth more than £1.5 million before 6 April 2006 when the LTA was introduced. LTA protection was introduced so that they didn't have to pay the LTA tax charge on pension funds built up before this date.

Two ways you can protect yourself

There are two ways you can protect yourself from paying the LTA charge. The most common is to apply for 'Fixed Protection', which effectively caps your LTA at £1.5 million.

The scheme, termed by HM Revenue & Customs as 'Fixed Protection 2014', allows savers with pensions likely to exceed the £1.25 million cap to apply now – before the deadline of 6 April 2014 – for an extension to the limit. Applying for the protection will benefit those near to retirement and wanting to maximise the value of their pot, as well as savers who expect the value of their pension to grow without making any new contributions.

There are a number of restrictions to be aware of. Individuals in defined-contribution pension schemes cannot add new benefits to their existing pot. Pension savers in defined-benefits schemes can only build up benefits in line with inflation on an annual

basis. No new pension arrangement may be started, other than to receive a transfer of rights from an existing pension arrangement.

An attractive alternative solution for individuals

The second way to avoid the 55% tax penalty is to apply for 'Individual Protection'. This option may be an attractive solution for individuals who will not receive any alternative remuneration from their employer if they opt-out of their pension scheme. Savers can apply for this protection from 6 April.

It is possible to apply for both Individual Protection and Fixed Protection. This would give you an LTA of £1.5 million (Fixed Protection) and contributions must stop. If you choose to restart contributions in the future, your Fixed Protection would be lost. But you would still benefit from your Individual Protection allowance rather than the standard £1.25 million LTA.

The annual allowance, meaning the amount of pension savings or contributions that can be made in any one year, will also reduce commencing 6 April 2014 from £50,000 to £40,000. The rules for the annual allowance are more complicated than those for the LTA.

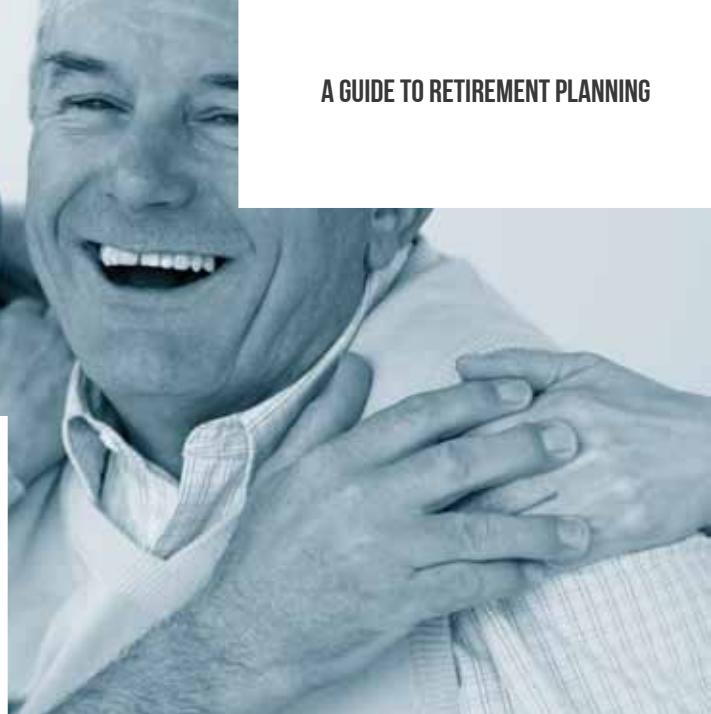
IT IS IMPORTANT THAT YOU LOOK AT YOUR PENSIONS

There is no one-size-fits-all solution. Each person's individual circumstances will require a different solution. It is important that you look at your pensions to see if they could be impacted and seek professional financial advice. The sooner you act, the better. If you leave it too late then your options might be restricted. To review your current situation or requirements, please contact us for more information.



IF YOUR PENSION SAVINGS ARE WORTH MORE THAN THE LTA WHEN YOU TAKE YOUR BENEFITS, YOU'LL HAVE TO PAY THE LTA TAX CHARGE ON THE EXCESS UNLESS YOU HAVE SOME FORM OF LTA PROTECTION.

BUYING YOUR ANNUITY



AN IMPORTANT ONE-OFF DECISION THAT HAS LONG-TERM CONSEQUENCES IF YOU GET IT WRONG

If you save through a private personal pension, when you approach retirement age you'll have to decide what to do with the pension fund you have built up. If applicable to you, one option is to buy an annuity. It's important to find an annuity that suits you and provides the best deal because, after your property, an annuity is probably the biggest purchase you will ever make.

An annuity is the annual pension that many people buy with their private pension pots when they retire. Purchasing your annuity is an important one-off decision that has long-term consequences if you get it wrong. You may not receive the best deal if you just take the annuity offered by the insurer that has been investing your money.

Lack of professional financial advice might be costly

You only have one opportunity to shop around for your annuity. This is called exercising the open market option. Once you have committed to an annuity provider and started to receive an income, the decision can't be reversed. So it is essential that you shop around and obtain professional financial advice to help you through the process.

Failure to shop around

The National Association of Pension Funds (NAPF) pointed out that the failure of someone to shop around – or being unaware they were able to do so – might reduce their annual pension income by a third.

The insurance industry has in recent years reformed its annuity practices, and insurers now have to conform to guidelines set down by the Association of British Insurers (ABI).

New guidelines will require insurers to:

- provide clear and consistent information, including details on how to shop around for an annuity
- highlight the details of enhanced annuities – the higher pension income available to those with shorter life expectancy
- signpost clients to external advice and support that is available
- give a clear picture of how their products fit into the wider annuity market

The point of retirement

Insurers have been obliged since 2002 to draw their clients' attention to the fact that they can shop around for an annuity at the point of retirement.

One of the ways in which people may end up with too small an annuity is by not taking into account their own medical circumstances. Having conditions as seemingly manageable as high blood pressure or diabetes could qualify you for an enhanced annuity, which could pay you more income because your average life expectancy may be less.

Key points about annuities:

- Make the right decision now, because you cannot reverse it later - don't just accept the annuity your pension provider gives you
- Shop around – it could be worth up to a third more income per month for you
- You can combine multiple pension pots into one annuity
- Common health issues, including smoking, high blood pressure and diabetes can lead to an even higher monthly income
- Obtain professional financial advice

Lack of knowledge

Getting the best annuity rate is just the tip of the iceberg. There are many important issues which, if ignored, could have a detrimental effect on your annuity income. At present, many people who cash in their pensions simply sign up to the annuity provided by their insurer. But this is rarely the best offer.

Live better in retirement

If you are approaching your retirement we can take you through the process step by step to find the best annuity for you. Your retirement should be a special time when you do those things you never had the opportunity to do before. So it's essential you think and plan carefully, as the decisions you take now cannot be undone later. If you are concerned about your retirement provision, please contact us to review your current situation.

Handing over all, or part, of your pension fund

To calculate your annuity they take into account:

- your age
- your gender

- the size of your pension fund
- interest rates
- sometimes your health

Examples of health problems that might entitle you to a higher income include:

- cancer
- chronic asthma
- diabetes
- heart attack
- high blood pressure
- kidney failure
- multiple sclerosis
- stroke

There are other health conditions that could also mean you receive a higher income, so if you're on any prescription medication it's worth checking with your provider whether you are likely to qualify.

Other reasons for higher payments

You might also be able to get a higher monthly retirement income if you are overweight or if you smoke regularly.

Some companies also offer higher annuity rates to people who have worked in certain jobs, such as those involving a lot of manual labour, or who live in particular areas of the country.

Want help to compare rates?

Not only will different annuity providers offer different rates, they'll also offer different annuity options. We can help you shop around to find the right type of annuity that suits you. To discuss the options available to you, please contact us.

DIFFERENT TYPES OF ANNUITY

VALUABLE OPTIONS THAT ALLOW YOU TO TAILOR THE INCOME YOU NEED

In the UK, there are basically two types of annuity:

- pension annuities (compulsory purchase)
- purchased life annuities (voluntary purchase)

All annuities share the following characteristics:

- they pay a level of guaranteed income
- they turn a lump sum into a stream of future income
- lifetime annuities guarantee to pay an income for as long as you are alive, no matter how long you live
- when you die, payments stop, unless you have chosen a joint-life annuity, a guaranteed payment period or a value protected (money back) annuity

Tailoring the income to meet your personal circumstances

Annuities have a number of important and valuable options that allow you to tailor the income to meet your personal circumstances.

Single or joint

As you approach retirement, you'll need to decide how you want to take an income from your pension fund. One key thing to decide is whether you want an income just for yourself (individual) or one that would continue to pay out to a partner or dependant if you were to die (joint). Your choice of income could make a big difference to you and a partner or dependant, so it's important to consider your options.

Fixed-term annuities

If you need an income in retirement, but are unwilling to commit to an annuity for the rest of your life, you can use all, or part, of your pension fund to buy an annuity for a set number of years. These are called 'fixed-term annuities'.

Fixed or increasing annuities

If you're buying an annuity to provide you with a retirement income, one of the key choices you must make is whether to opt for an annuity that provides a fixed pension income or one that increases each year. You'll initially get more with a fixed retirement income than with an increasing one, but its buying power will go down over time.

Investment-linked annuities

With an investment-linked annuity your pension income varies to reflect changes in the value of investments such as stocks and shares. This means you can benefit from stock-market growth after your retirement. There's also a risk that the value of your income could fall, but most investment-linked annuities limit this risk.



RETIREMENT INCOME GUARANTEE

ADDITIONAL INCOME PROTECTION

If you have a partner or other dependants, such as children, you might want to think about additional retirement income protection. With income protection, your named dependants could get some, or all, of your retirement income if you die, either as regular payments over a period of time or as a one-off lump sum.

Having a guarantee period means your retirement income will be paid out for a specific number of years from the time you start taking a pension income. Guarantee periods are often for five or ten years, but you can usually choose any period of years up to 10 years. If you die during this period, your pension income could be paid to your partner or other named dependants, such as your children. Sometimes if someone dies during a guarantee period, a lump sum payment is made to their estate instead, in which case tax might need to be paid on the money.

You shouldn't see a guarantee period as an alternative to a joint retirement income. This is because any income will stop at the end of the guarantee period, rather than when your partner or dependants die. That would mean they could be without an income for a period of time.

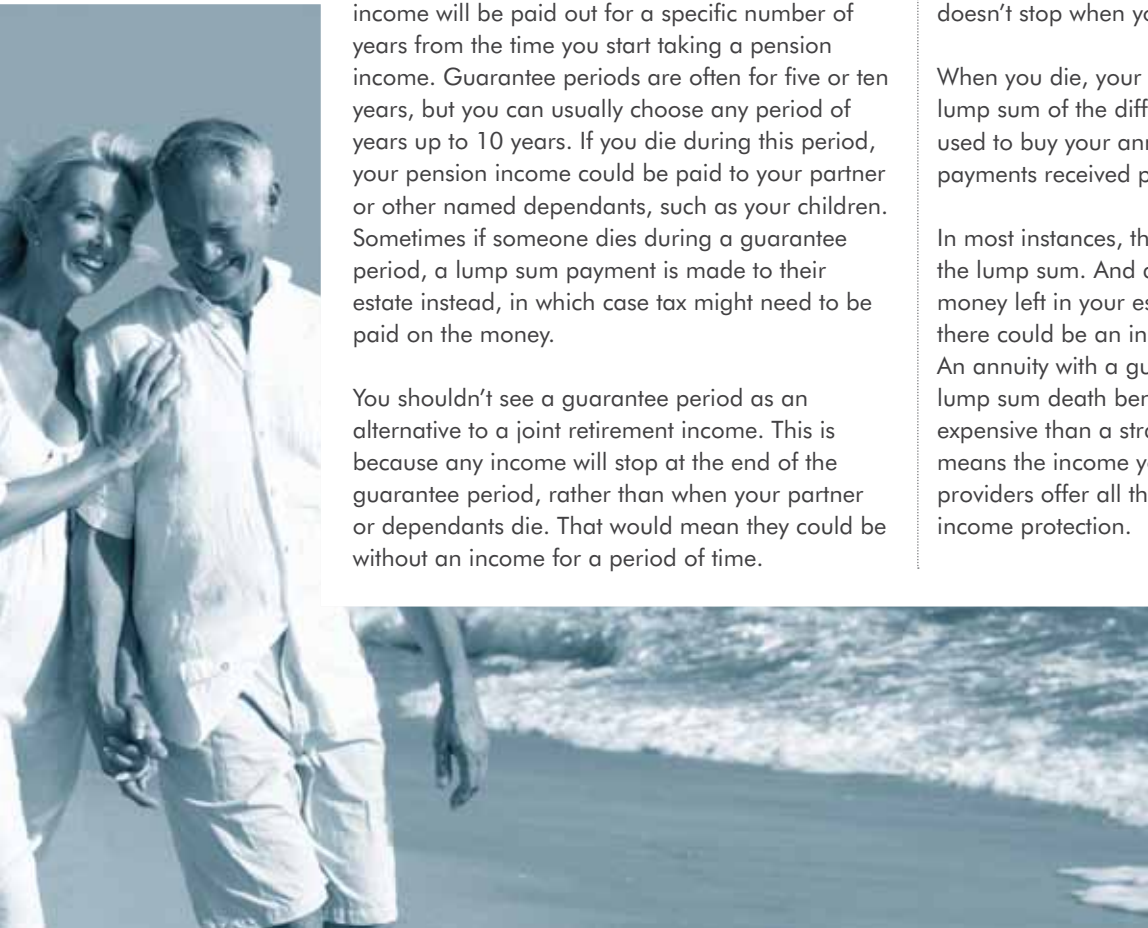
A guaranteed period is more frequently used in addition to a joint-life annuity. This is because the cost of the additional benefit is minimal compared to the added protection it provides should you die in the early years of your retirement.

Annuity protection

An annuity protection lump sum death benefit is another way of ensuring your retirement income doesn't stop when you die.

When you die, your estate or beneficiaries receive a lump sum of the difference between the fund value used to buy your annuity less the gross pension payments received prior to death.

In most instances, there is a tax charge of 55% on the lump sum. And depending on the amount of money left in your estate after the payment is made, there could be an inheritance tax charge too. An annuity with a guarantee period or with a lump sum death benefit will typically be more expensive than a straightforward annuity. This means the income you get will be lower. Not all providers offer all the different types of retirement income protection.





INCOME DRAWDOWN

WHEN YOU'RE NOT READY TO CONVERT YOUR PENSION FUND INTO RETIREMENT INCOME

If you decide that you're not ready to convert your pension fund into retirement income by buying a lifetime annuity, but you do need funds, you have a few options. These are often known as 'income drawdown options'.

Income drawdown is a type of pension product that enables you to take an income from your pension fund while leaving it invested so you can continue to benefit from growth in the fund. By using income drawdown, you could avoid or defer having to turn your fund into an annuity.

There are two kinds of income withdrawal:

- capped drawdown
- flexible drawdown

In both cases, any income you take from your pension is taxed in the same way as all other pension income.

Capped drawdown

Capped drawdown is the more common type of the two types of income drawdown.

There is:

- an upper limit on the income you can take
- a requirement to review the upper limit every three years
- no minimum level of income you must take – so your fund can remain invested for as long as you like without drawing any income at all

Flexible drawdown

Under flexible drawdown, there are no limits on the income you can draw, but you must be able to show you are already receiving other pension income of at least £20,000 a year. This minimum income level includes State Pension benefits, salary-related pensions, lifetime annuities and scheme pensions. This limit applies to 2013/14 and may change in the future.

Income drawdown is an option with many personal private pensions as well as with some occupational workplace money-purchase schemes. If you're in an employer's scheme and want to use income drawdown, you might first need to consolidate your pension rights from the employer's scheme to a personal pension.

Due to the increased charges and investment risk associated with income drawdown, it is generally not used for pension funds smaller than £50,000.



IF YOU DECIDE THAT YOU'RE NOT READY TO CONVERT YOUR PENSION FUND INTO RETIREMENT INCOME BY BUYING A LIFETIME ANNUITY, BUT YOU DO NEED FUNDS, YOU HAVE A FEW OPTIONS.

MINIMISING POTENTIAL TAXES AND DUTIES ON YOUR DEATH

IMMEDIATE ACCESS TO YOUR PENSION FUNDS, ALLOWING YOU TO TAKE OUT WHAT YOU WANT, WHEN YOU WANT IT

As your wealth grows, it is inevitable that your estate becomes more complex. Money saved via a pension can be passed on to a loved one, usually outside their estate and free of any death tax, provided the pension fund has not been touched and they die before age 75. People fortunate enough not to need immediate access to their personal pension may therefore decide not to touch those savings for as long as possible.

However, once someone reaches age 75, the death benefit rules change dramatically and their entire pension fund may become subject to a 55% tax charge on death. This means it can become a race against time for many individuals to reduce the impact of this charge.

Flexible drawdown lifeline

It can take years to move money out of the 55% death tax environment using capped income withdrawals due to the set limits on the amount that can be withdrawn each year. A lifeline can, however, come in the form of flexible drawdown. Flexible drawdown can provide people with immediate access to their pension funds, allowing them to take out what they want, when they want it. Flexible drawdown is only available to people who are already receiving £20,000 p.a. minimum guaranteed pension income – which can include their State Pension entitlement.

For individuals who wish to leave as much as possible to their beneficiaries, taking income from their pension and gifting it to their beneficiaries under the 'normal expenditure' rules will allow certain amounts of money to be passed to their beneficiaries outside their estate.

Passing money outside your estate

This may be more tax-efficient than suffering the 55% death tax charge, or the 40% inheritance tax charge if the money is simply brought into their estate. Any money taken out under flexible drawdown will be subject to income tax, so higher-rate tax payers need to be careful to ensure the money is either passed on outside their estate tax-effectively or that their estate is within the annual IHT allowance of £325,000 (2013/14 tax year).

This may be particularly relevant for people who are approaching, or who have already reached, their 75th birthday, especially as many older pension arrangements will not allow pension savings to continue to be held beyond that date.

Younger people who have accessed their pension fund, even if it's just to take the lump sum cash, could also be at risk of the 55% death tax, and could benefit from moving funds out of this environment as efficiently as possible.

WANT TO INVESTIGATE THE OPPORTUNITIES AVAILABLE TO YOU?

The benefits of flexible drawdown should not be underestimated. Putting off accessing your pension income could store up problems when you reach age 75. But once someone does access their pension fund, regardless of age, flexible drawdown could dramatically help with estate planning. To investigate the opportunities available to you, please contact us today.

OCCUPATIONAL WORKPLACE PENSIONS

'SO WHAT DO I DO WITH MY MONEY?'

There are two main types of occupational workplace pension schemes:

Defined-contribution pension schemes

A defined-contribution (DC) or money-purchase pension scheme is one that invests the money you pay into it, together with any employer's contribution, and gives you an accumulated sum on retirement - with which you can secure a pension income, either by buying an annuity or using income drawdown.

Occupational pension schemes are increasingly a DC, rather than defined-benefit (DB), where the pension you receive is linked to salary and the number of years worked. As an alternative to a company pension scheme, some employers offer their workforce access to a Group Personal Pension (GPP) or stakeholder pension scheme.

External pension provider

In either case, this is run by an external pension provider (typically an insurance firm) and joined by members on an individual basis. It's just like taking out a personal pension, although your employer may negotiate reduced management fees. They may also make a contribution on your behalf. GPPs are run on a DC basis, with each member building up an individual pension 'pot'. The amount you receive depends on the performance of the funds in which the money has been invested and what charges have been deducted.

Degree of choice

Although your total pension pot usually increases each year you continue to pay into the scheme,

there's no way of accurately predicting what the final total will be and how much pension income this will provide. Unlike those who belong to a DB pension scheme, members of DC pension schemes have a degree of choice as to where their pension contributions are invested.

Many opt to put their money in the scheme's 'default fund', but some will want to be more cautious, investing in cash funds and corporate bonds, while others may prefer a more 'adventurous' mix, with equity and overseas growth funds. GPPs also offer investment choice, often between funds run by the pension provider.

During your retirement

Defined-contribution pension schemes allow you to build up a personal fund, which is then used to provide a pension income during your retirement. The usual way of doing this is to buy a lifetime annuity. The alternative is to leave your pension pot invested and draw a regular income from it each year.

Lifetime annuities are essentially a form of insurance, which removes individual risk by paying out a set amount each year for the rest of your life. How much you get depends on your age, your health and the prevailing annuity rates at the time you come to convert your fund.

Open market option

A workplace fund will usually negotiate a rate on your behalf, but you're not obliged to take this and can opt instead to shop around, comparing rates from other providers, by exercising the 'Open Market Option'. For those with poor health, it can be particularly advantageous.

Drawdown schemes are less predictable. They continue to depend on investment performance to maintain your pension pot. If the investments do badly, or you deplete your capital too early, there's a risk of your income declining significantly before you die.

Before buying an annuity, you can, on retirement, take up to 25% of your pension savings as a tax-free lump sum. This reduces the pension

income you can secure by buying an annuity, but may be worthwhile if you need the money (to pay off outstanding debts, for example) or decide to invest it independently. The earliest you can draw a pension or take a lump sum is from the age of 55.

Defined-benefit schemes

A defined-benefit (DB) pension scheme is one that promises to pay out a certain sum each year once you reach retirement age. This is normally based on the number of years you have paid into the scheme and your salary either when you leave or retire from the scheme (final salary), or an average of your salary while you were a member (career average). The amount you get depends on the scheme's accrual rate. This is a fraction of your salary, multiplied by the number of years you were a contributing member. Typically, these schemes have an accrual rate of 1/60th or 1/80th. In a 1/60th scheme, this means that if your salary was £30,000, and you worked at the firm for 30 years, your annual pension would be £15,000 ($30 \times 1/60\text{th} \times £30,000 = £15,000$).

Your pay at retirement

How your salary is defined depends on the type of scheme. In a final salary scheme, it is defined as your pay at retirement, or when you leave (if earlier). In a career average scheme, it is the average salary you've been paid for a certain number of years.

Final salary and career-average schemes offer the option of taking a tax-free lump sum when you begin drawing your pension. This is restricted to a maximum 25% of the value of the benefits to which you are entitled. The limit is based on receiving a pension for 20 years - so for someone entitled to £15,000 a year, the maximum lump sum might be £75,000 ($25\% \times £15,000 \times 20 = £75,000$).

Scheme's 'commutation factor'

Taking a lump sum at the outset may reduce the amount of pension you get each year. The amount you give up is determined by the scheme's 'commutation factor'. This dictates how

much cash you receive for each £1 of pension you surrender. If it is 12, for example, and you take a £12,000 lump sum, your annual income will fall by £1,000.

As well as providing pension income, most defined-benefit company schemes also offer additional benefits to their members.

These include as follows:

- Death in service payments to a spouse, civil partner or other nominated individual if you die before reaching pensionable age and/or a continuing partner's pension if you predecease them after reaching pensionable age
- A full pension if you're forced to retire early due to ill health
- A reduced pension if you retire early through choice. It normally cannot be paid before age 55, and it may be considerably reduced by the scheme's 'actuarial reduction' rules. An actuarial reduction is a cut in the yearly pension (to take into account that it will have to be paid out for more years). It is common to surrender 6% for each year below normal retirement age that you retire. The pension will also be lower, because the number of years on which it is based will be fewer than would have been the case if you'd worked a full term

Closed to new members

Most private sector schemes have now been closed to new members and replaced by defined-contribution (DC) schemes. A large number remain open to existing members who are still employees, however, or those who have left the firm but built up contributions while they were there and retain the right to a 'preserved pension' when they reach retirement age.

Many public sector pensions are still defined-benefit schemes, underwritten by central government. This has caused them to be called 'gold-plated', as they offer a certainty that few private sector schemes can now match. But, even in the public sector, pension promises are being cut back with a shift from final salary to career average and increases in the normal pension age.

Expensive to run

Because they're so expensive to run, final salary schemes have been closed to new members since the 1990s. This means that new employees cannot join them, but are covered by defined-contribution money-purchase schemes instead.

Until recently, closed schemes continued to remain open to existing members, who carried on making contributions each year and accruing additional years' pensionable service. Some schemes found this too much of a drain, however, and have opted to close to existing members too.

Pension is 'preserved'

When this happens, employees at a firm can no longer pay into the final salary scheme, even though they continue to work for the same employer. Their DB pension is 'preserved' in the same way as someone who has left the firm, and they are typically invited to pay into a DC (money-purchase) scheme for the rest of their career.

This leaves them with two separate pension incomes - one from the old DB scheme, based on the number of years' service and salary at the time of closure, and another from the new DC scheme, based on the contributions they have paid into it. This is not guaranteed, but depends instead on the scheme's underlying investment performance (net of charges) and annuity rates at the time the member wants the pension to start.

Retirement is a major change in life, and sometimes it's hard to plan beyond it – especially if you're worried that you won't have the funds you need. But it's best to plan early for retirement if you can. The first step is to set out your retirement goals and contact us to review your finances. We look forward to hearing from you.



BEFORE BUYING AN ANNUITY, YOU CAN, ON RETIREMENT, TAKE UP TO 25% OF YOUR PENSION SAVINGS AS A TAX-FREE LUMP SUM.





WORKPLACE PENSIONS

MONEY IS USED TO PAY YOU AN INCOME FOR THE REST OF YOUR LIFE

A workplace pension is a way of saving for your retirement that's arranged by your employer. Some workplace pensions are called 'occupational', 'works', 'company' or 'work-based' pensions.

A percentage of your pay is put into the pension scheme automatically every payday. In most cases, your employer and the Government also contribute money into the pension scheme for you. The money is used to pay you an income for the rest of your life when you start getting the pension.

You can usually take some of your workplace pension as a tax-free lump sum when you retire. If the amount of money you've saved is quite small, you may be able to take it all as a lump sum. 25% is tax free but you'll have to pay income tax on the rest.

'Auto-enrolment'

New legal duties, from October 2012, require employers to automatically enrol their eligible employees into a qualifying pension scheme. The reform will be 'staged' over a six-year period depending on the size of the employer.

The new law means that every employer must automatically enrol workers into a workplace pension scheme if they:

- are currently aged between 22 and State Pension age
- earn more than £9,440 a year
- work in the UK

This is called 'automatic enrolment'. You may not see any changes if you're already in a workplace pension scheme. Your workplace pension scheme will usually carry on as normal.

But if your employer doesn't make a contribution to your pension now, they will have to by law when they 'automatically enrol' every worker.

If you are an employer you need to make sure that your business is prepared as workplace pension reform becomes applicable to you. See our checklist of things you need to consider:

- I know my staging date
- I have assessed my workforce and I know which employees are eligible jobholders
- I have reviewed my pension arrangements and have confirmed that I have a qualifying pension scheme in place
- I have communicated the changes to the entire workforce
- I'm ready to enrol all eligible jobholders from my staging date
- I'm ready to register with The Pension Regulator
- I have the systems in place to maintain accurate records
- I'm ready to contribute to workers' pensions
- I'm ready to deal with opt-out requests

To find out how we could help you, please contact us for further information.

SELF-INVESTED PERSONAL PENSIONS

TAKING MORE CONTROL OVER YOUR PENSION FUND INVESTMENT DECISIONS

If appropriate to your particular situation, a Self-Invested Personal Pension (SIPP) could be another option to consider if you require the flexibility to choose where your pension money is invested. SIPPs are now also open to people of lower incomes - not just those with commercial property.

More accessibility

A SIPP is a personal pension wrapper that offers individuals greater freedom of choice than conventional personal pensions. However, they are more complex than conventional products and it is essential you seek expert professional financial advice.

SIPPs allow investors to choose their own investments or appoint an investment manager to look after the portfolio on their behalf. Individuals have to appoint a trustee to oversee the operation of the SIPP but, having done that, the individual can effectively run the pension fund on his or her own.

Thousands of funds

You can typically choose from thousands of funds as well as pick individual shares, bonds, gilts, unit trusts, investment trusts, exchange-traded funds, cash and commercial property (but not private property). Also, you have more control over moving your money to another investment institution, rather than being tied if a fund under-performs.

Once invested in your pension, the funds grow free of UK capital gains tax and income tax (tax deducted from dividends cannot be reclaimed).

Unrivalled tax benefits

SIPPs, like all pensions, have unrivalled tax benefits. If you aren't using a pension to save for retirement, you could be missing out on valuable tax relief. In the current 2013/14 tax year you could receive up to 45% tax relief on any contributions you make and pay no income or capital gains tax on any investments returns inside your SIPP.

Other considerations

You cannot draw on a SIPP pension before age 55 and you should be mindful of the fact that you'll

need to spend time managing your investments. Where investment is made in commercial property, you may also have periods without rental income and, in some cases, the pension fund may need to sell on the property when the market is not at its strongest. Because there may be many transactions moving investments around, the administrative costs are higher than those of a normal pension fund.

The tax benefits and governing rules of SIPPs may change in the future. The level of pension benefits payable cannot be guaranteed as they will depend on interest rates when you start taking your benefits. The value of your SIPP may be less than you expected if you stop or reduce contributions, or if you take your pension earlier than you had planned.

A SIPP could be a suitable option if you:

- would like to have more control over your retirement fund and the freedom to make your own investment decisions, or prefer to appoint investment managers to do this for you and are prepared to pay a higher cost for this facility
- would like a wide range of investments to choose from
- want to consolidate your existing pension(s) into a more flexible plan
- need a tax-efficient way to purchase commercial property

Dividends received within a SIPP do not come with a 10% tax credit, so basic-rate taxpayers are no better off receiving dividends within a SIPP than receiving the dividends directly. Investors in a SIPP need to be comfortable making their own investment decisions about their retirement. Investments go down in value as well as up so you could get back less than you invest. The rules referred to are those that currently apply; they could change in the future. You cannot normally access your money until at least age 55. Tax reliefs depend on your circumstances. If you are unsure of an investment's suitability you should seek professional financial advice.

We can help you decide whether a SIPP investment is right for you and outline the options available to enable you to take full investment control over your retirement planning, while enjoying the tax benefits available. For more information, please contact us.

PENSION CONSOLIDATION

BRINGING YOUR PENSIONS UNDER ONE ROOF

Most people, during their career, accumulate a number of different pension plans. Keeping your pension savings in a number of different plans may result in lost investment opportunities and unnecessary exposure to risk.

However, not all consolidation of pensions will be in your best interests. You should always look carefully into the possible benefits and drawbacks and if unsure seek professional financial advice.

Keeping track of your pension portfolio

It's important to ensure that you get the best out of the contributions you've made, and keep track of your pension portfolio to make sure it remains appropriate to your personal circumstances. Consolidating your existing pensions is one way of doing this.

Pension consolidation involves moving, where appropriate, a number of pension plans – potentially from many different pensions' providers – into one single plan. It is sometimes referred to as 'pension switching'.

Pension consolidation can be a very valuable exercise, as it can enable you to:

- bring all your pension investments into one easy-to-manage wrapper
- identify any underperforming and expensive investments with a view to switching these to more appropriate investments
- accurately review your pension provision in order to identify whether you are on track

Why consolidate your pensions?

Traditionally, personal pensions have favoured with-profits funds – low-risk investment funds that pool the policyholders' premiums. But many of these are now heavily invested in bonds to even out the stock market's ups and downs and, unfortunately, this can lead to diluted returns for investors.

It's vital that you review your existing pensions to assess whether they are still meeting your needs – some with-profits funds may not penalise all investors for withdrawal, so a cost-free exit could be possible.

Focusing on fund performance

Many older plans from pension providers that have been absorbed into other companies have pension funds which are no longer open to new investment, so-called 'closed funds'. As a result, focusing on fund performance may not be a priority for the fund managers.

These old-style pensions often impose higher charges that eat into your money, so it may be advisable to consolidate any investments in these funds into a potentially better performing and cheaper alternative.

Economic and market movements

It's also worth taking a close look at any investments you may have in managed funds. Most unit-linked pensions are invested in a single managed fund offered by the pension provider and may not be quite as diverse as their name often implies. These funds are mainly equity-based and do not take economic and market movements into account.

Lack of the latest investment techniques

The lack of alternative or more innovative investment funds, especially within with-profits pensions – and often also a lack of the latest investment techniques – mean that your pension fund and your resulting retirement income could be disadvantaged.

Significant equity exposure

Lifestyling is a concept whereby investment risk within a pension is managed according to the length of time to retirement. ‘Lifestyled’ pensions aim to ensure that, in its early years, the pension benefits from significant equity exposure.

Then, as you get closer to retirement, risk is gradually reduced to prevent stock market fluctuations reducing the value of your pension. Most old plans do not offer lifestyling – so fund volatility will continue right up to the point you retire. This can be a risky strategy and inappropriate for those approaching retirement.

Conversely, more people are now opting for pension income drawdown, rather than conventional annuities. For such people, a lifestyled policy may be inappropriate.

Consolidating your pensions won’t apply to everyone

The potential benefits of consolidating your pensions won’t apply to everyone, and there may be drawbacks to moving your pension plans – particularly so for certain types of pension. It is therefore vitally important to carefully consider all aspects of your existing pensions before making a decision as to whether or not to consolidate.

As well as whether the total size of your pension funds make consolidation viable, issues to take into account include whether your existing pensions have:

- loyalty bonuses
- early termination penalties
- guaranteed annuity rates
- integrated life cover or other additional benefits
- final salary pension benefits

Many people during their career may accumulate a number of different pension plans, and maintaining these separate plans can be laborious and complicated, leading to lost investment opportunities, exposure to undue risk and higher costs. To find out how we could help you, please contact us for further information.



CONVERSELY, MORE PEOPLE ARE NOW OPTING FOR PENSION INCOME DRAWDOWN, RATHER THAN CONVENTIONAL ANNUITIES.

WHAT TO CONSIDER IF YOU ARE APPROACHING YOUR RETIREMENT

MAKE SURE YOU HAVE ENOUGH INCOME TO PROVIDE FOR YOUR NEEDS IN THE FUTURE

Sooner or later we will retire, and the decisions we make today are the ones that will determine the standard of living we will enjoy in the future. If you are approaching your retirement there are some very important choices you need to make that will determine how much income you live on once retired.

Firstly, you'll need to check your personal, company and State Pensions. You must make sure you have enough income to provide for your needs in the future. If you are planning on using your pension to buy an annuity when you retire, it is essential that you don't just accept the deal offered by your pension provider, as you could potentially lose out on a significant amount of money over the lifetime of the annuity.

Exercise your 'Open Market Option'

You should always exercise your 'Open Market Option' that will enable you to get the best possible deal for your pension fund. Comparing the different rates available – instead of buying an annuity from the company with whom you have built up your pension savings – could result in an increase to your retirement income of up to 40% depending on your circumstances.

You can buy your annuity from any provider and it certainly doesn't have to be with the company you had your pension with. The amount of income you will receive from your annuity will vary between different insurance companies, so it's essential that you receive professional financial advice before making your decision.

Don't forget about inflation

As you are likely to spend around 20 or even 30 years in retirement, remember that inflation could have a serious impact on the purchasing power of your savings. If you have opted for an

inflation-linked annuity rather than a level annuity, then you will have protection against the rising cost of living.

Work out carefully how much income you need to draw

When you retire, you don't have to go down the route of purchasing an annuity. An alternative to purchasing an annuity is to leave your pension invested and take a portion of the pension pot each year as an income, hence the phrase 'income drawdown'. This option may also mean that you could possibly leave your family some legacy when you die, as your pension pot, after tax of 55%, passes on to your family according to your wishes. However, if you take out too much, your capital could soon be eaten away. But the upside of not buying an annuity is that your funds remain invested with the potential for further growth.

Another route worth considering is flexible drawdown

To qualify for flexible drawdown you must have a guaranteed pension income of £20,000, known as the 'Minimum Income Requirement'. If you are eligible, then you can withdraw the rest of your pension fund in a manner that best suits your circumstances, whether that's in its entirety or in part withdrawals. It is often sensible to make withdrawals over several years though, as you still pay income tax on any withdrawals, so the larger the withdrawal the more tax you'll pay.

Have you forgotten about any other pensions?

It can be easy to lose track of pensions over time, especially if you move from job to job, but you can locate a lost pension by contacting the Pension Tracing Service online at www.gov.uk/find-lost-pension. This service is free, and if they locate your pension they'll give you the address of your scheme provider.



RETIRING SOON?

Not sure about your retirement options? There is a lot to think about as you approach your retirement. Contact us to discuss your retirement options and we'll help you decide what's right for you. We look forward to hearing from you.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore, there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement.

WILL YOU ENJOY YOUR RETIREMENT?

HOW TO IMPROVE YOUR GOLDEN YEARS NO MATTER WHAT YOUR CURRENT STAGE OF LIFE

Retirement may seem a long way off for you at the moment but that doesn't mean you should forget about it. Consider our tips, which could help you increase your retirement income – no matter what your current stage of life – and pursue the retirement you envisage.

1. How much State Pension will you receive?

The State Pension is a valuable foundation on which to build your retirement income, together with any workplace or personal pension provision you have. If you work, you're required to contribute, and if you don't work, you might be making voluntary contributions or being credited as though you were contributing. You can log onto www.gov.uk/calculate-state-pension to get a State Pension forecast.

2. Track down your missing pension(s)

You might move jobs a number of times during your working life and pay into a number of pensions. It can be hard for you to keep track of your pensions. If you do lose track, you can visit www.gov.uk/find-lost-pension to track your lost pension or pensions.

3. Think about the 'what if' scenario – who inherits your pension pot?

Make sure your pension paperwork is up to date or there could be confusion over who the beneficiary should be. This is particularly important if you're not married and you want to safeguard your partner's position. Most pension providers have an Expression of Wishes form where you can state a preference for who should receive your pension pot once you're no longer here. There are typically different choices depending on the type of pension and also whether you've started to take an income yet.

4. How much have you saved for your retirement?

If you don't know, what are you expecting to live on later in life? When thinking about your income in retirement, you need to consider the sort of retirement you want and how much money you'll need. We can help you to review how much you've saved for retirement so far and explore your options if you're not saving enough.

5. Relationships

Another factor is the rise in 'silver splitters' – those who divorce and form new relationships later in life. More relaxed attitudes to divorce among the 'baby boomer' generation in comparison with their parents, as well as greater financial independence among women, have been cited as possible explanations for this. We recommend that you seek legal and professional financial advice to help preserve your chances of having the retirement you want and are entitled to.



CONSIDER OUR TIPS, WHICH COULD HELP YOU INCREASE YOUR RETIREMENT INCOME – NO MATTER WHAT YOUR CURRENT STAGE OF LIFE – AND PURSUE THE RETIREMENT YOU ENVISAGE.

IS YOUR NEST EGG CRACKED?

MAKING SUFFICIENT FINANCIAL PREPARATIONS FOR THE FUTURE

Retirement savings have plummeted among those aged 55-64 over the past year as the cost of living continues to rise, according to Aviva's latest Real Retirement Report.

The report assesses the impact of financial pressures and concerns across the UK's three ages of retirement: the 55-64s (pre-retirees), 65-74s (retiring) and over-75s (long-term retired).

Savings habits have tailed off

Savings habits among those nearing retirement have tailed off in the last year, leaving 40% of 55-64s – over 2.9 million according to the latest population estimates[1] – finding no room in their monthly budget to make regular savings. The trend sets pre-retirees apart from both older age groups, who have succeeded in increasing their monthly savings habits in the last twelve months.

Pre-retirees have been rendered even more vulnerable by a 22% drop in their average savings pot over the last year. One in five 55-64s – almost 1.5m people – have no savings or investments to fall back on, while almost one in three have less than £500 (30%).

Financial preparations for the future

As everyday living costs continue to rise, it is vital that you make sufficient financial preparations for the future, as any unexpected expenses that come your way could have a serious impact on your finances if you don't have savings to dip into.

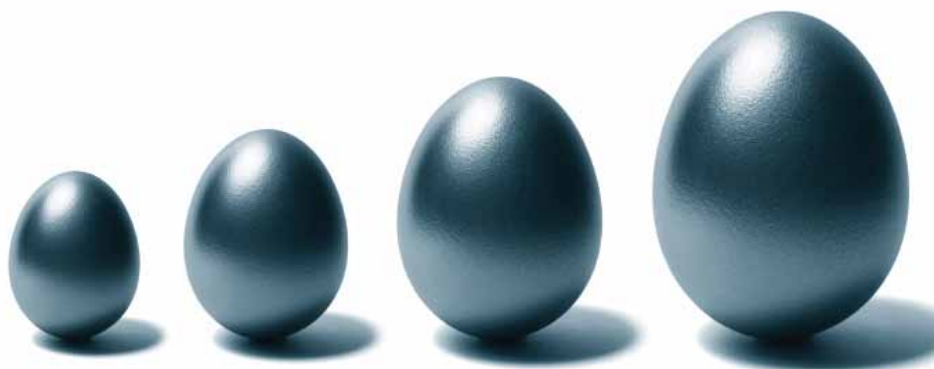
It is therefore particularly alarming to see the slump in savings habits among those who are nearing retirement. Putting away even a small amount each month can make a real difference if you start early enough.

Financial freedom to fund an enjoyable retirement

Giving yourself some room to manoeuvre in the approach to retirement can prove invaluable, as it allows you the financial freedom to fund an enjoyable retirement regardless of any sudden expenses. If you would like to review your options, please contact us.

Source:

[1] Office for National Statistics, mid-2012 population estimates published on 8 August 2013 show there are 7,308,618 people in the UK aged 55 to 64. The Real Retirement Report was designed and produced by Wriglesworth Research. As part of this, more than 17,686 UK consumers aged over 55 were interviewed between February 2010 and October 2013. Wherever possible, the same data parameters have been used for analysis but some additions or changes have been made as other tracking topics become apparent.



NAVIGATING A SHIFTING LANDSCAPE

PRIORITISING SHORT-TERM NEEDS AS OPPOSED TO LONG-TERM GOALS

Recent years have brought tremendous change around the globe, change that affects us all. People are trying to navigate this shifting landscape, but it's not easy.

In the first Investor Pulse survey conducted by BlackRock, half (50%) of the people surveyed said they feel in control of their financial futures and are confident they are making the right savings and investment decisions. However, this means that many (50%) may still need to take steps to achieve their financial goals.

The long-term impact of inflation

Only 19% describe themselves as 'active investors', with the majority choosing to hold their assets in what are perceived to be 'risk-free' assets, notably cash, often unaware of the long-term impact that inflation may have on their purchasing power, i.e. what they can buy with their money.

Tomorrow's retirees aspire to an active lifestyle

As more people look forward to a lengthy retirement, expectations about retirement lifestyles are rapidly changing. Aspirations for an active retirement are very strong, as people expect to travel more, take frequent exercise and take up new hobbies.

Working patterns in particular look set to undergo massive changes: whereas one in ten of current UK retirees combine work and retirement, this figure is set to rise with 30% who see 'continuing to do some paid work' as a retirement goal.

Biggest current financial priority

'Funding a comfortable retirement' came up as the biggest current financial priority for the people

surveyed. However, there's a gap between people's retirement goals and their confidence in achieving them. Only four in ten (41%) of UK adults are confident that they will achieve the retirement lifestyle they aspire to.

The simple problem is that many are prioritising short-term demands over long-term planning, with retirement suffering greatly because it is such a distant goal. Over half of people in the UK (53%) admit to not saving anything specifically for retirement. That number remains the same among those aged 35-54, typically the age at which earning power should peak and planning for retirement should become more of a priority, especially as people are living longer.

A better financial future

People are adopting a broad range of positive aspirations for their later life, but it is clear that savings and investments behaviour often falls short of what is required to meet these aspirations. Over half claim to take their financial planning seriously, yet much of this planning is focused on meeting short-term goals.

Spending is often prioritised over long-term savings. Even where individuals are taking steps on the journey towards a better financial future, the sense of concern among savers and investors means that half of all people remain very much risk-averse. Also, cash is seen as the asset class of choice.

SO WHAT DO I DO WITH MY MONEY?

We offer a wealth of expertise and advice on how you can save, invest and plan more effectively for the future. The start of a New Year is the perfect time to re-evaluate your current attitude towards risks and returns and to consider whether your current investment approach is the right one. To review your options, please contact us – we look forward to hearing from you.

You should be aware that moving out of cash in search of higher returns will involve accepting a greater risk of capital loss. There are no guarantees that financial market investments will provide an effective way of combatting the impact of inflation on your savings. Past performance is not a guide to future performance.

Source:

[1] BlackRock Investor Pulse survey, conducted in association with research agency Cicero Group in September 2013 amongst a nationally representative sample of 17,600 individuals in 12 countries aged 25 to 74 years old, of which 2,000 were UK residents. The results of this survey are provided for information purposes. The conclusions are intended to provide an indication of the current attitude of a sample of citizens in the UK to saving and investing and should not be relied upon for any other purposes.



**SPENDING IS OFTEN
PRIORITISED OVER
LONG-TERM SAVINGS.**

The survey reveals that many people continue to prioritise short-term needs as opposed to their long-term goals.

PEOPLE SPEND MORE TIME PLANNING FOR THEIR HOLIDAY

39%

PLANNING A HOLIDAY

27%

RESEARCHING A NEW
TECHNOLOGY PURCHASE

13%

AGE 65 REVIEWING
RETIREMENT PLANS

21%

RESEARCHING A NEW
CAR PURCHASE

15%

RESEARCHING A NEW
HOME PURCHASE

34%

REVIEWING SAVINGS &
INVESTMENTS

Source: BlackRock[1]

Helping you take control of your future

It is also worth bearing in mind that investing in a pension may not be the only way to build towards your retirement with maximum tax-efficiency. We can ensure that you have enough money accumulated when the time comes for you to start taking benefits. To discuss how we could help you take control of your future and plan to achieve the retirement you want, please contact us for further information.

Contact us today

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