

# Retirement Planning Guide



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## Retirement Planning

Whether you're approaching retirement or just putting pension plans in place, we know that preparing for the future can be a daunting task. But to make sure you're financially secure, it's important to plan by carefully considering your options.

To help you out, we've put together a simple, no-nonsense Retirement Planning Guide, outlining the steps you need to take to have a full and happy retirement.

Before we start, just a quick note. Our guide is primarily intended for those with defined contribution pensions (either personal or workplace). If you have a defined benefit (or final salary) pension scheme, most of what follows will not apply to you.

# The Key Steps in any Retirement Planning Process



We're frequently asked, "Will I have sufficient income in retirement?" and "Will I run out of money in retirement?". But the answers to these questions are personal and dependent on each individual's financial situation and current pension and investment arrangements.

To assess your position and get a better understanding, you'll need to know:

- Who do you need to provide for?
- What income you would like to have?
- What minimum income will you need?
- Do you need more in the early years of retirement?
- What level of flexibility do you need and what level of risk is acceptable?
- Do you have aspirations of retiring abroad, or downsizing your home?
- What retirement fund will you have available?
- Do you want to leave an inheritance? Is this feasible?
- What happens if your health fails and you need care?
- How will your pension fund and investments be managed?



# How can we help?

The future is unpredictable, and pensions can be complex. But by starting a conversation we'll help you build a clearer picture of what life will look like after retirement.

Our first step is to get to know you, so we'll pop the kettle on and listen to your plans and ideas. If you haven't thought about it yet (or if it's all a bit confusing) don't worry – it's our job to make sure it all makes sense! With a bit of clarity and guidance, you'll soon be filled with confidence about the future.

We'll gather information about your financial situation, health, your attitude to investment risk and your responsibilities to those around you. Once we know enough about you, we'll assess your current pension funds and assets and create a model so that you can see for yourself if your plans are achievable.

Everything we discuss will be in the strictest confidence. After carefully considering the information you provide, we'll talk you through your pension and retirement options and make a plan for the way forward.

We don't charge for our retirement planning reviews. We only charge if you decide to act on our recommendation and we'll never pressure you to move forward. To chat through your retirement plans call us on **0800 043 8341** or email us at [letstalk@fathomfinancial.co.uk](mailto:letstalk@fathomfinancial.co.uk)



## Let's look at each of the retirement planning steps in a little more detail:

### Who Do You Need To Provide For?

Consider who you need to provide for. If your partner or spouse is financially independent and your children are able to provide for themselves, you'll only need to consider your own income. However, you may be financing your children through education, or you may have a partner who's entirely financially dependent on you. There may even be others who need your support. Whatever your circumstance, it's essential to determine exactly who you need to provide for so that you're able to budget accordingly.

### What Income Would You Like In Retirement?

The income you want might be completely different to the income you need. It is worthwhile considering the lifestyle that you aspire to and establishing the level of income you would need to achieve this objective. We don't need to go on holiday or have special treats but it can make your retirement more enjoyable if you have costed and planned for these things.

### What Is The Minimum Income You Will Need?

This isn't aspirational this is the amount that you require to meet your basic day to day living expenses. It is important to spend some time "nailing this down". You can live without a holiday but you can't

survive if you can't meet your monthly bills and feed and clothe yourself.

### Do You Need More In The Early Years Of Retirement?

You need to bridge the income gap between your retirement date and state pension age. This is not uncommon but you need to assess the impact of taking more in the early years to make sure any income or capital withdrawals will be either a/ sustainable or b/ show that you will have sufficient income throughout your retirement when your state pension commences.

### How Much Will You Have in Retirement?

If you've worked for a single employer for most of your working life – or if you have a single personal pension – estimating your retirement funds should be relatively easy. And if you're still several years away from retirement, there could be options available to boost your fund.

However, for most, estimating is a bit more complicated. Working for several employers generally means that you'll have several 'frozen' schemes. Some pensions will be defined benefit and others will be defined contribution. These different schemes have different rules which will impact the pension options available.

It could be that you've taken a tax-free cash sum from a pension after reaching 55 years-old, or this could be something you're thinking about. It's important to remember that doing so will impact the size of your remaining fund and must be factored into any calculations.

It's best to collect all of your pension statements and calculate their total value. Once you've done so, add the value of any other investments such as ISAs. You'll then need to find an estimate of your state pension entitlement, which you can find at:

[www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension).

If you've lost the details of any pension, you can use the government free pension-tracing service to find the contact details of the scheme administrators. Using these details, you'll be able to write to them and request the information you need.

### What Do You Need In Retirement?

Some estimate that you'll need roughly 60% of your annual final salary to live a comfortable life in retirement. But in reality, what you need depends entirely on your individual circumstances and aspirations.

Your current monthly expenditure should give you an idea of how much monthly income you'll require in retirement. Hopefully your mortgage and other debts will be paid-off before you enter retirement, while dependants will have left home and you'll no longer need to pay for travel

to-and-from work. Overall, your costs in retirement should be lower than they are today.

You may live for thirty years or more in retirement. Remember, you'll need to replace items such as your car, white goods, technology and other items you use regularly. You'll also need to factor in costs like home maintenance and asset replacement.

Once you've considered your expenses, you should get a baseline figure of the income you'll need.

### Flexibility & Risk

Flexibility in retirement should be balanced carefully against risk. The most risk-free option is to choose a pension scheme that guarantees to pay a fixed-sum each month until your death. However, this option provides little flexibility.

Various risks may impact the value of your retirement fund. Inflation risk, investment risk and longevity risk are three of the main risks to consider. Some risks can be addressed in full, depending on your retirement choices, while others are dependent on your motivations and personal circumstances.

For more financial flexibility, as well as a better ability to deal with the unexpected, you could decide to keep working part-time. This would also offer a number of social benefits.



Whether you're saving for retirement, ready to start spending it or considering your options for the next step. We're here to arm you with the right information and equip you for the future.

## Will You Retire Abroad?

You can, of course, choose to retire abroad. If you do, it will have a significant impact on your retirement planning. Not only will the cost of living be different, you could also have a lower level of pension income. You will be entitled to your state pension – but depending on where you decide to live, that pension may not be index-linked (to cover the impact of inflation). There are many issues to consider, from the impact of foreign exchange through to tax issues. When it comes to tax, being a resident of one country while still having financial commitments can be fairly tricky, so be sure to learn the ins and outs.

## Downsizing Your Home

It is sometimes an option to sell the family home and buy a smaller property for your retirement using any surplus cash to supplement your income. This can work well however don't forget to factor in that it isn't always the best time to sell your property and if you rely on this option you may find that you do not have as much extra cash as you hoped for or that you might have to delay your retirement.

## Your Retirement Options

Before the pension reforms, most people used their pension fund to purchase an annuity. However, when the reforms came into effect (April 2015), flexi-pension drawdown was added as an option. These options are not exclusive, and it is possible to take a mix-and-match approach.

An annuity pays a fixed monthly pension income for life, but (with some policies) this pension disappears upon your death. Using drawdown, there's no lifetime guarantee on pension payments, but the value of the remaining fund (if any) can be passed to your beneficiaries after your death. In some circumstances, this can be tax-free.

The provision for a spouse or partner is generally clear and is specified as part of the terms of an annuity. Drawdown, however, is much more complex as there are more options for the beneficiary to consider.

## Will You Have Enough To Fund The Retirement You Want?

When trying to assess the amount of pension fund you'll need, there will always be one piece of crucial information missing. You don't know when you or your partner will pass away. It could be within a week of retirement (let's hope not) or forty years into the future. Retirement planning is not an exact science.

You'll need to consider who you'd like to provide for after your death, what your plans for retirement will be, and what basic living requirements you'll need. You'll also need to assess what growth you can expect from your pension fund over time, the risk you are prepared to take as well as any fees and costs that will inevitably have an impact on your fund.

Given the above, you should be able to predict your ideal withdrawal

profile and match this against your available retirement fund. If there's a mismatch, you should use your time before retirement to consider extra contributions. You could increase your fund by choosing to take a pension drawdown, working for longer (either part or full time), or modifying your plans.

## Looking After Beneficiaries

One of the key issues to consider during retirement planning is how to protect your spouse or partner after your death. Looking after children or other beneficiaries may also be a consideration.

There are various options available, so be sure to carefully consider the best way forward for you. As mentioned above, your ability to pass any remaining pension fund to your beneficiaries depends on the choices you make at retirement.

No solution is perfect and there will be compromises to be made. Whatever you decide, it's important to plan ahead, ensuring that your loved ones are aware of your wishes and how they should be carried out after your death.

## Health & Care

We know that ill health later in life isn't nice to think about, but it's something you should prepare for if you can. Hopefully, you'll lead a long and healthy life, but it's important to be ready if the worst does happen.

On a positive note, the treatment of serious health conditions continues

to improve every year – but this also increases the likelihood of older people living for many years with a serious health condition. According to Macmillan Cancer Support, the number of over 65s living with cancer increased 23% in the five years to 2015.

You should consider the potential cost of care, should you need it, and how you will finance it (state support can be limited). If you have health issues that may limit your life expectancy, there are several potential options available that you should consider carefully.

## Managing Your Pension

If you decide to select the annuity option in retirement, you won't have to make any further decisions about your pension or worry about your income running out in retirement. However, with a drawdown pension, you (or your advisers) will need to actively manage your fund and constantly monitor your income withdrawals to ensure that you don't run out of income in retirement.

Investment growth, risk and fees will need to be assessed. Fees and charges can have a major impact on the value, of a pension fund over time and should be considered carefully.

# Choosing the right Financial Adviser

The 'Should I do it myself or hire a professional?' question arises in many situations, whether you're fixing a shelf or submitting a tax return. In every situation, the answer always comes down to skill, time, cost and risk.

Finding the right financial adviser is not as simple as it may seem. A referral from someone you trust is a good starting point, but it's also important to note that some financial advisers specialise in certain areas.

Be sure to review the advisers' qualifications and check they're experienced in retirement planning.

There's a lot to consider, but that doesn't mean retirement planning should be complex. Some practical, straightforward and down-to-earth advice and guidance is all you need – which is what Fathom can provide. We'll help you put a plan in place to make sure you're secure and comfortable in retirement.

We don't charge for our initial retirement planning reviews. We only charge if you wish to act on our recommendation. And if you don't, that's fine too.

Ready to take the first step towards financial peace of mind?

For help to Fathom out your finances

Call us on

0800 043 8341

Drop us an email

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# Thank You

Thanks for taking the time to read our guide.  
We hope we've covered everything but if not,  
don't hesitate to get in touch.



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## Fathom

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