

Kymin

Financial Planners

GUIDE TO

NAVIGATING THE INTRICACIES OF RETIREMENT PLANNING

How to get your retirement plans in motion

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Your home may be repossessed if you do not keep up repayments on your mortgage. The value of investments (including property) and the income derived from them may go down as well as up.

GUIDE TO

NAVIGATING THE INTRICACIES OF RETIREMENT PLANNING

How to get your retirement plans in motion

Welcome to our *Guide to Navigating the Intricacies of Retirement Planning*.

Preparing for your twilight years can often be perceived as a convoluted and daunting task. Questions about the longevity of your savings or the kind of lifestyle you aspire to live post-retirement might hover in your mind. The enormity of the considerations involved can make it difficult to be assured of having the right plans.

The past few decades have witnessed significant transformations in retirement planning. The security of a fixed income from a final salary pension is now a rarity, and eligibility for the State Pension now comes at a later age.

The sooner you initiate your retirement planning, the higher your chances are of amassing sufficient savings to maintain your desired lifestyle post-retirement. However, implementing this advice can often be challenging due to other financial obligations.

Remember, when it comes to making financial decisions in relation to retirement, you're not alone. If you find yourself facing complex choices, don't hesitate to reach out to professionals for guidance. ●

READY TO TAKE THE NEXT STEPS TOWARDS RETIREMENT?

We encourage you to take the next step towards solidifying your retirement plans. If you require further information or need assistance making informed decisions about your retirement, please contact us.

Let's navigate this journey together, ensuring your golden years are as comfortable and fulfilling as you envisage.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE.



02 WELCOME

Navigating the intricacies of retirement planning

04 EVALUATING YOUR READINESS FOR RETIREMENT

Are you sure your target retirement age aligns with your financial status?

06 CHANGES TO THE STATE PENSION

'Triple Lock' to increase by 8.5% from 6 April 2024

07 ADJUSTING YOUR PENSION PLANS

How could the normal minimum pension age change affect your plans?

09 TIME TO KICKSTART YOUR RETIREMENT PLANS?

How to set your retirement plans in motion

10 INFLATION AND YOUR RETIREMENT INCOME

Several strategies to lessen its impact on retirees

12 PLANNING FOR AN EARLY RETIREMENT

Living life to the fullest and accomplishing long-held dreams

14 ASPIRATION FOR EARLY RETIREMENT AMONG THE YOUNG GENERATION

Time is indeed the most powerful asset at the disposal of young savers

16 CHARTING YOUR FINANCIAL FUTURE

Tackling retirement anxieties requires understanding your current financial resources

17 PIECING TOGETHER THE PENSION PUZZLE

Research highlights the gender disparity in financial engagement

18 A DELICATE BALANCE

Financial commitments and pension planning

20 BOLSTERING RETIREMENT SAVINGS

A secure retirement isn't just about spending adjustments and significant lifestyle changes

22 AUTO-ENROLMENT

Facilitating and promoting more significant savings

24 TIME TO SIPP INTO FINANCIAL FREEDOM?

'I want to take charge of my retirement savings'

25 HITTING PAUSE ON YOUR PENSION

Decisions to increase short-term income can dramatically affect future wealth

26 PENSION CONSOLIDATION

How to significantly simplify your financial administration

28 FINDING YOUR WAY THROUGH THE £26 BILLION LOST PENSION MAZE

It's easy for some pension pots to slip through the cracks

29 UNLOCKING PENSION CHOICES

Understanding your pension options from age 55

30 HEIGHTENED DEMAND FOR ANNUITIES

Selecting the most suitable type and securing the best possible deal

32 ENVIRONMENTALLY BENEFICIAL INVESTMENTS

Sustainable retirement savings options

34 DE-RISKING PENSION SAVINGS

Protecting assets from market volatility in the lead-up to retirement

36 POSTPONING RETIREMENT

Financial stability is the primary motivation for many to continue working

38 WHEN YOU RETIRE, THE INVESTMENT DYNAMICS CHANGE

Investing after retirement is quite distinct from accumulating wealth during your working years

40 LIVING TO THE RIPE OLD AGE OF 100

Life expectancy significantly influences the size of the pension pot you will need

42 STEPS TO TAKE TO GET READY TO RETIRE SUCCESSFULLY

Paving the way for a financially secure and enjoyable post-working life

43 IN SUMMARY

How to undertake to safeguard your financial future

“

THE FIRST CRUCIAL STEP TOWARDS PLANNING FOR RETIREMENT IS IDENTIFYING WHAT YOU WANT YOUR POST-RETIREMENT LIFE TO LOOK LIKE. REMEMBER, THERE'S NO UNIVERSAL BLUEPRINT FOR RETIREMENT - EVERYONE'S ASPIRATIONS DIFFER.

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EVALUATING YOUR READINESS FOR RETIREMENT

*Are you sure your target retirement age aligns
with your financial status?*

In today's fast-paced world, the concept of retirement often takes a back seat. For many, it remains a distant reality, mired by uncertainties and apprehensions. However, planning for retirement is an essential aspect of financial planning, which warrants attention from an early age.

Retirement is a phase many of us eagerly anticipate, dreaming of the day when we can step away from the grind and immerse ourselves in activities that bring us joy. Yet, the reality of retiring often hinges on financial preparedness.

Let's delve into four critical considerations to help you evaluate your readiness for retirement.

ENVISIONING YOUR IDEAL RETIREMENT

The first crucial step towards planning for retirement is identifying what you want your post-retirement life to look like. Remember, there's no universal blueprint for retirement – everyone's aspirations differ.

Some might fancy the idea of relocating abroad, embarking on globetrotting adventures or pursuing new hobbies. Others might prefer spending more time with their loved ones. A growing trend is the 'phased' or gradual transition to retirement, which involves reducing work hours or shifting to part-time roles or consultancy.

THE COST OF RETIRING

Once you have a clear vision of your retirement lifestyle, it's time to estimate the associated costs. Broadly, your expenses will fall into two categories: essentials and non-essentials.

Essentials encompass mortgage payments, rent, utility bills, insurance, groceries and gifts for occasions like birthdays and Christmas. Non-essential expenses revolve around entertainment, leisure activities and holidays – the extras that add zest to life.

Financial advice can assist you in calculating these expenses and estimating the retirement income required to cover them. We can also help you understand how your income needs may fluctuate over time, starting high during the early retirement years, gradually decreasing and possibly increasing again later due to care-related costs.

DETERMINING YOUR PENSION SIZE

Once you have a clear understanding of your post-retirement income requirements, the next step is to calculate the size of the pension that can generate that income. This involves considering factors like life expectancy, investment growth, tax and inflation.

We can help you with these calculations and demonstrate the impact of various scenarios or choices, such as adjusting your retirement income, weighing the advantages and pitfalls of taking your tax-free cash lump sum or changing your retirement age.

EVALUATING YOUR CURRENT SAVINGS

Finally, compare your retirement needs with your current savings. If your savings are on track to meet your goals, it's time to strategise how to access your money during retirement. If there's a shortfall in your savings, don't panic. There are several strategies to boost your pension. You could consider increasing your pension contributions, extending your working years or leveraging other savings and investments.

Combining additional pension contributions, tax relief and investment growth can bolster your pension pot significantly. Additionally, don't overlook other sources of retirement income, such as Individual Savings Accounts (ISAs) and the State Pension. We can provide a comprehensive view of your assets and potential income sources, helping you make informed decisions. ●



CHANGES TO THE STATE PENSION

Triple Lock' to increase by 8.5% from 6 April 2024

The State Pension is set to increase commencing on 6 April 2024 due to a mechanism known as the 'Triple Lock'. Chancellor Jeremy Hunt has announced an increase of 8.5%, which pensioners will welcome.

The State Pension is a recurring benefit paid out every four weeks by the government. This payment is made available to individuals who have reached the qualifying age and have sufficiently contributed to National Insurance.

CHANGES IN THE WEEKLY PENSION AMOUNTS

Qualifying for a full State Pension is based

on your National Insurance Contributions (NICs). The number of years you've paid or been credited with these contributions and when you start claiming your State Pension determines the amount you receive. You can access government websites to check your personal NI record and forecast your State Pension.

This increase announced during the Autumn Statement translates to significant changes in the weekly pension amounts. For those receiving the full, new flat-rate State Pension, the weekly amount will be £221.20. Meanwhile, for those on the full, old basic State Pension, the weekly figure will be £169.50.

THE HIGHEST OF THE THREE MEASURES

The State Pension 'Triple Lock' concept might seem complex, but it's quite straightforward. It's a system that ensures the State Pension increases each April, with the increase based on the highest of three measures.

The 'Triple Lock' system measures inflation as per the Consumer Price Index of the previous September, the average wage increase across the UK or a minimum of 2.5%. Whichever of these three measures is highest dictates the increase in the State Pension. ●

ADJUSTING YOUR PENSION PLANS

How could the normal minimum pension age change affect your plans?



In the ever-evolving landscape of retirement planning, a significant shift is on the horizon that could potentially impact when you can access your pension funds. The normal minimum pension age (NMPA), or the age at which you can start withdrawing from your pension savings, is currently set at 55.

There are a few exceptions to this rule – for instance, in cases of ill health or if you have a lower protected pension age. However, this standard generally applies across the board.

UPCOMING SHIFT IN NMPA

But from the 6 April 2028, the NMPA will rise to 57. Depending on your birth date, this

shift could affect you in various ways. If your birthday falls after 5 April 1973, it's advisable to reassess any pre-existing plans to see whether this change could impact them.

For instance, you might need to factor in an additional couple of years of saving, which could alter the retirement income available to you when the time comes. On the other hand, if you hadn't planned on touching your pension savings until you turned 57, there's no need for any immediate action.

REGULARLY REVIEW YOUR RETIREMENT PLANS

Although the change is still four years away, regularly reviewing your retirement

plans is a beneficial habit to cultivate. This is especially true as you approach the age at which you wish to start withdrawing your pension savings.

BORN BETWEEN 6 APRIL 1971 AND 6 APRIL 1973?

If your birthday falls between these dates, you have two choices. Think carefully about which option best aligns with your circumstances.

ACCESS YOUR PENSION SAVINGS BEFORE THE WINDOW CLOSSES

If you'd prefer not to wait until 57 to

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YOU CAN ACCESS YOUR PENSION SAVINGS FROM AGE 57 ONWARDS AT A TIME THAT SUITS YOU. JUST REMEMBER, IF YOU DON'T WITHDRAW ANYTHING BEFORE 6 APRIL 2028, YOU'LL LOSE THE OPPORTUNITY TO ACCESS YOUR PENSION BEFORE AGE 57.

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start withdrawing your pension savings, you'll need to begin accessing your funds after you turn 55 but before 6 April 2028. Accessing your pension savings doesn't necessarily mean withdrawing large or regular amounts. You have the freedom to determine the withdrawal size that suits your needs. However, seeking professional financial advice is crucial if you choose to access your savings during this window.

Also, remember that leaving your pension savings invested for longer could allow them to grow. Furthermore, for most people, withdrawing taxable money from your plan could reduce the amount you can contribute to your plan. This is known as the 'money purchase annual allowance'.

WAIT UNTIL YOU TURN 57

Alternatively, you can choose to wait. If you weren't planning on accessing your pension savings before age 57, there's no need for action. You can access your pension savings from age 57 onwards at a time that suits you. Just remember, if you don't withdraw anything before 6 April 2028, you'll lose the opportunity to access your pension before age 57.

BORN ON OR BEFORE 6 APRIL 1971?

If you were born on or before 6 April 1971, rest easy. The upcoming change won't affect you or your retirement plans, as you'll already be 57 by the time it takes effect.

REVIEW YOUR RETIREMENT DATE

Reviewing your retirement date is crucial if you're on your journey towards retirement but haven't reached the finish line yet. Surprisingly, your plan might still indicate your 55th birthday as the day of retirement, even if current regulations prevent you from accessing your funds at that age. This discrepancy could affect your financial plans, making examining and adjusting your retirement date critical.

It's worth noting that your retirement date isn't rigid. You're free to alter it whenever you feel the need. However, the date you select can significantly impact your pension plan and, subsequently, your financial stability during retirement.

INFLUENCE OF YOUR RETIREMENT DATE ON PENSION INVESTMENTS

Suppose your investment strategy includes a lifestyle profile. In that case, it's designed to gradually transition into lower-risk investments as you inch closer to your retirement date. This approach helps

to buffer the value of your pension pot against the roller coaster of market highs and lows, ensuring a level of protection for your savings.

But here's a potential issue: if your retirement date is pegged at your 55th birthday, and you don't plan to access your funds until you're 65, there's a clear misalignment between your investment strategy and your actual retirement plans. This discrepancy could affect your pension savings' value when it's time for withdrawal.

POTENTIAL IMPACT OF MISALIGNED INVESTMENTS ON YOUR PENSION VALUE

A mismatch between your retirement date and actual retirement plans can lead to unplanned financial outcomes. For instance, if your investments shift towards lower-risk areas prematurely due to an inaccurately set retirement date, you may miss out on potential growth in your pension pot's value.

Conversely, if your retirement date is later than when you plan to retire, your investments may remain in high-risk areas for too long, exposing your savings to unnecessary market volatility. ●



TIME TO KICKSTART YOUR RETIREMENT PLANS?

How to set your retirement plans in motion



Retirement signifies a well-deserved achievement, a significant turning point in life. It should be a period of anticipation and joy, an opportunity to indulge in activities that bring happiness and contentment. Currently, retirement is marked by increased flexibility in accessing your pension savings. While this offers many choices, it also gives rise to numerous queries.

Retirement planning, accompanied by crucial decision-making and understanding various options, might seem daunting, especially with the escalating cost of living affecting several financial plans. This is where the value of professional retirement advice comes into play. We can help you simplify major decisions by clarifying your options, instilling confidence in your choices and ensuring they are beneficial and tax-efficient.

RETIREMENT LIFESTYLE

With the UK witnessing record-breaking inflation in food and fuel prices, the rising cost of living undoubtedly influences our financial plans. If retirement is on the horizon, apprehension about increasing inflation, interest rates and the potential impact of the cost of living crisis on your retirement lifestyle is quite natural.

We can guide you in such circumstances and assist in determining an achievable retirement date based on your total income and expenses. When you include all your potential income sources, not merely your pension savings, you might discover the possibility of retiring earlier than anticipated or gradually reducing work hours before fully retiring. Even if immediate retirement is outside your agenda, we can help you understand when you can afford to retire.

INCOME SOURCES

We'll work with you to analyse all your income sources to estimate your possible annual income post-retirement while ensuring you have sufficient funds for as long as you need. Income sources will likely include pensions, your entitlement to a State Pension, and any savings or investments like Individual Savings Accounts (ISAs). Rental income from a buy-to-let property may also be an option, in addition to any equity in your home that you're willing to release, either through downsizing or equity release.

As your retirement may last 30 to 40 years, ensuring your income lasts throughout this period is crucial. As

we've witnessed over the previous few years, inflation rates have reached double-digit figures, so ensuring your money is working hard for you is more important than ever.

BEAT INFLATION

Investing a portion of your money during retirement also offers growth and an opportunity to beat inflation. This is where our professional advice is essential, helping to ensure your money is invested wisely and that your investments align with your retirement plans. However, remember that investments can fluctuate in value, and you may get back less than you initially invested.

Overpaying taxes in retirement is another common pitfall. For instance, if you withdraw more from your pension savings than necessary, you could pay more tax than required. We can guide you through this, ensuring you draw your retirement income in the most tax-efficient way. However, bear in mind that tax laws and legislation can change. Your circumstances, including your location within the UK, will significantly impact your tax treatment. ●

INFLATION AND YOUR RETIREMENT INCOME

Several strategies to lessen its impact on retirees



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STRUCTURING YOUR INCOME COULD ALSO BOOST TAX SAVINGS, ENSURING MORE OF YOUR MONEY SUPPORTS YOUR LIFESTYLE AND GOALS. THIS IS PARTICULARLY CRUCIAL IF RISING COSTS INCREASE YOUR INCOME AND BUMP YOU INTO A HIGHER TAX BRACKET.

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The recent inflationary rises over the past few years could be a source of worry if you're a retiree relying on your pension for income. It's natural to question the resilience of your retirement income plan in the face of escalating prices and how it might influence your lifestyle and long-term aspirations.

Even with rates falling, mitigating the effects of inflation is still crucial for all savers and investors, but even more so for retirees.

UNDERSTANDING INFLATION'S IMPACT

As a retiree, you may have a savings pool to sustain your current lifestyle and provide a financial legacy for future generations. But if climbing prices necessitate withdrawing more income than anticipated, your savings could be stretched thin. In the worst-case scenario, your savings could run out prematurely, requiring sacrifices to prevent financial depletion.

This might seem daunting, but now's not the time for avoidance. Receiving professional financial advice and utilising cash flow modelling will provide a transparent view of how inflation may affect your savings and cash flow. With this knowledge, we can help you evaluate whether you need to modify your financial plans.

MAINTAINING A DIVERSIFIED PORTFOLIO

The prospect of further price increases might encourage you to hoard more cash for daily expenses. While having a cash safety net for emergencies or income gaps is vital, holding excess cash may not be prudent in a high-inflation environment. Despite a rise in some deposit account interest rates, they remain significantly lower than inflation rates. Hence, leaving surplus cash in a savings account could exacerbate the struggle with rising costs.

A diversified portfolio, investing across various asset classes such as stocks and bonds, is an effective way to insulate your pension from inflation's harm. Your allocation to each asset class should reflect your individual needs and risk tolerance, which we can assist with. We'll also ensure your portfolio's resilience for long-term performance, regardless of broader economic trends.

EVALUATING YOUR INCOME STRATEGY

A thoughtful income strategy is another way to lessen inflation's impact during retirement. This involves determining the income needed for your current needs and adjusting this over time as your circumstances evolve. It also includes knowing when and from which

investments to generate income; this minimises the risk of realising losses or selling quality investments at unfavourable times.

We can help you understand which asset classes and sectors have the potential to grow in various economic conditions. Structuring your income could also boost tax savings, ensuring more of your money supports your lifestyle and goals. This is particularly crucial if rising costs increase your income and bump you into a higher tax bracket.

TAKING THE NEXT STEP

Inflation's effect on your retirement income may cause anxiety, but there are strategies to keep your plans on track. However, these steps can be intricate, making professional advice invaluable. We can help you comprehend what rising prices mean for you, where to invest in a high inflation environment and how to withdraw income sustainably and tax-efficiently. You can then focus on enjoying life today, confident that you have a robust plan in place. ●

PLANNING FOR AN EARLY RETIREMENT

Living life to the fullest and accomplishing long-held dreams



Early retirement typically signifies reaching financial autonomy before the statutory pension age, usually in the mid-60s. In the United Kingdom, retirees can begin drawing their State Pension at age 66. However, this retirement benchmark is set to increase to age 67 by 6 April 2028.

Consequently, the early retirement age could be anywhere in your early 60s. Yet, for most, the concept of early retirement begins at age 55, when individuals can start drawing on their personal or workplace pension savings. However, this age is also due to increase to 57 from 6 April 2028.

ASPECTS OF LIFE

During the early retirement phase, the focus

tends to be on living life to the fullest and accomplishing long-held dreams. One's spending might then reduce as activity levels decline, only to surge again later, possibly due to rising care needs.

It's common for individuals to either overestimate their health or underestimate their lifespan. As average life expectancy gets longer, some people may spend over 20 years or more in retirement – over twice our grandparents' duration. Yet, as with many aspects of life, this depends on luck.

COMPLEX CALCULATION

In fundamental terms, full retirement implies that your lifetime expenses should not surpass your income plus

any remaining assets, such as savings and investments. This can be a complex calculation in many instances. It will require you to weigh your pension and other income sources against your expenditure and evolving needs as you age.

Simultaneously, it's crucial to consider investment returns and inflation, which refers to the rising cost of living. As we have recently witnessed, everyday prices can escalate rapidly, significantly diminishing the purchasing power of a fixed income or cash savings.

MULTIPLE FACTORS

Embracing early retirement doesn't necessarily translate to a full-stop on

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IT'S COMMON FOR INDIVIDUALS TO EITHER OVERESTIMATE THEIR HEALTH OR UNDERESTIMATE THEIR LIFESPAN. AS AVERAGE LIFE EXPECTANCY GETS LONGER, SOME PEOPLE MAY SPEND OVER 20 YEARS OR MORE IN RETIREMENT.

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professional life. Instead, many individuals transition into more flexible, part-time roles or switch towards volunteering. This shift allows retirees to sidestep less appealing aspects of working life, such as long commutes or stressful work environments while reaping employment benefits.

Unfortunately, early retirement due to ill health isn't a choice but a necessity, creating unique challenges for some. Time constraints limit opportunities to plan and build retirement finances. Additionally, careful planning for care and support becomes a priority. Making the decision to retire early is significant and requires thorough consideration of multiple factors.

To determine whether you can retire

early, you will need to assess your financial standing. This means calculating your total pension pots, tracking lost ones and considering other possible income sources or debts. Additionally, you need to envision your ideal early retirement lifestyle and estimate its costs.

ASSESSING YOUR FINANCIAL HEALTH

To begin, you need to calculate your total pension pots. This includes private or workplace pensions and any final salary pensions you might have. If you're considering early retirement, remember that the State Pension won't be included in this income.

RECLAIMING LOST PENSIONS

It's not uncommon to lose track of pensions over time. The government's free Pension Tracing Service can assist if you suspect a missing pension but lack any supporting information. Visit their gov.uk website or phone them on 0345 600 2537. Consolidating your pensions might also be a sensible strategy.

UNDERSTANDING YOUR STATE PENSION

Check up on your State Pension to understand how much you'll receive and when the payments will start. This is crucial for your overall retirement planning.

IDENTIFYING ADDITIONAL INCOME SOURCES

Consider other potential income sources after retirement. This could include savings and investments, property ownership, or even starting a part-time job or your own business.

MANAGING DEBTS AND LOANS

Take stock of any outstanding debts or

loans. Consolidating them could potentially expedite their clearance. Set a specific date to pay them off entirely.

ESTIMATING RETIREMENT INCOME

We can help you estimate your retirement income and offer valuable insights into your financial future.

ENVISIONING YOUR RETIREMENT LIFESTYLE

Next, plan your essential retirement spending by mapping out mortgage repayments, utility bills and other necessary expenses. Then, envision your ideal retirement lifestyle. What do you want your life to look like once you've retired? How much will it cost?

FACTORING IN RESPONSIBILITIES

Consider any responsibilities that might impact your retirement plans. Will your children still be dependent on you? Might you need to care for older parents or relatives? Are there any other responsibilities you should bear in mind?

DECIDING WHERE TO LIVE

Housing decisions are a crucial part of retirement planning. Do you want to stay in the same house, release equity with a lifetime mortgage, move somewhere new, downsize and release some money, or even move to a cheaper region and upscale?

ESTIMATING RETIREMENT SPENDING

Finally, combine all the above factors to estimate your total retirement spending. There's a lot to consider here. But as you work through it, you might realise that you're more prepared to retire early than you initially thought. ●

ASPIRATION FOR EARLY RETIREMENT AMONG THE YOUNG GENERATION

Time is indeed the most powerful asset at the disposal of young savers

The dream of early retirement is alive and well among the younger generation. Still, to realise this dream, they must prepare to bolster their pension savings by an estimated 15%. A recent study has revealed that approximately one-fifth (17%) of youthful savers aged between 22 and 32 aspire to retire before reaching the age of 60. Intriguingly, 70% anticipate retiring before the present State Pension age of 67^[1].

This aspiration for early retirement among the young generation is commendable. Nevertheless, the research highlights that these savers must supplement their regular 8% contributions towards their workplace pensions by an additional £312 per month to realise this dream^[2]. This translates to an extra 14.25% of their monthly income towards a workplace pension.

TAKING A CLOSER LOOK AT THE CURRENT STATE PENSION AGE

Even if the goal is to retire by the current State Pension age of 67, young savers still need to augment their workplace pension contributions by another 3.5%. This equates to an additional £72.50 per month, even after accounting for an annual State Pension boost of £10,600 upon retirement^[3].

While setting aside an extra £312 each month may seem daunting for most young savers, it's essential to recognise the potential impact of compound growth. Even minor adjustments early in one's career can dramatically influence the overall retirement fund. The research highlighted that an extra contribution

of just £30 per month from the age of 27 could result in an additional £100,000 in one's pension pot by the time one reaches the State Pension age.

THE GREATER THE POTENTIAL FOR GROWTH

Time is indeed the most powerful asset at the disposal of young savers when planning for retirement. The principle of compound interest works in their favour, allowing their savings to grow exponentially. The longer the time frame, the greater the growth potential, making early investment a crucial strategy in accumulating substantial retirement funds.

While retiring before age 60 may be attractive, it might not be a practical or attainable goal for everyone. Factors such as current income, financial obligations and lifestyle choices can significantly impact the feasibility of this goal. However, this doesn't mean a comfortable retirement is out of reach. Even small financial adjustments early in one's career can significantly impact retirement comfort. This could involve investing in a diversified portfolio, increasing contributions to retirement accounts or adopting a more frugal lifestyle to increase savings.

REMOVING THE BURDEN OF DECISION-MAKING

Introducing auto-enrolment schemes has been a significant milestone in promoting retirement savings. These schemes automatically enrol employees into pension plans, removing the burden of

decision-making and making it easier for individuals to start saving. This approach has encouraged millions to build their nest eggs for retirement.

However, while auto-enrolment schemes have successfully got people to start saving, it's worth considering whether further changes are necessary to ensure that individuals have enough funds for a comfortable retirement. The default contribution rates set by these schemes may only be adequate for some, particularly when considering the rising living costs and the impact of inflation. Therefore, individuals may need to contemplate increasing their contributions or exploring other investment opportunities to secure a sufficient retirement income. ●

Source data:

[1] Opinium Research conducted 2,000 online interviews of people aged 22-32 between 15-29 August 2023.

[2] Analysis based on the following research and assumptions: CPI = 3%, Salary assumed to increase with CPI inflation +1%, LEL and UEL in place and assumed to increase with CPI inflation, Median male salary at age 27 = 35,000, Median female salary at age 27 = 25,000, Investment return on pension pot, assuming broad 60/40 asset split, (7% p.a.), Assume basic rate taxpayer, and personal tax allowance of £12,570, increasing with CPI inflation, Based on single life, RPI, 5-year GMPP.

[3] State Pension of £10,600 p.a., escalating with CPI inflation.



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NEVERTHELESS, THE RESEARCH HIGHLIGHTS THAT THESE SAVERS MUST SUPPLEMENT THEIR REGULAR 8% CONTRIBUTIONS TOWARDS THEIR WORKPLACE PENSIONS BY AN ADDITIONAL £312 PER MONTH TO REALISE THIS DREAM^[2].

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CHARTING YOUR FINANCIAL FUTURE

Tackling retirement anxieties requires understanding your current financial resources

Retirement is often seen as the golden phase of life, a period earmarked for relaxation and pursuing personal interests. However, a recent study has pointed towards an increasing trend of 'retirement anxiety', especially among individuals aged over 40^[1].

This anxiety stems from both financial and emotional concerns, with rising living costs adding to the financial strain. Many adults (39%) fear their savings might not suffice for their retirement years, while 33% worry about affording the activities they wish to undertake.

EVALUATING EXISTING RESOURCES

The initial step towards addressing these concerns is understanding your current financial resources. This includes pensions, Individual Savings Accounts (ISAs), other investments and potential rental income. The State Pension, which stands at £10,600 for the tax year 2023/24, can also supplement your retirement income. By evaluating your existing resources, you can gauge how close you are to the retirement lifestyle you envision.

WELL-THOUGHT-OUT PLAN

Having identified your potential needs and current resources, the next step is strategising to fill any savings gaps. Unfortunately, the study highlights that 43% of adults have yet to save enough for retirement, and 27% regret not planning earlier. A well-thought-

out plan can alleviate these concerns. Remember, pension savings offer 20% to 45% relief depending on your marginal tax rate, and your employer's contribution can further enhance your retirement fund.

POTENTIAL CUTBACKS

In today's economic climate, the study also highlighted that 29% of adults struggle to save for retirement while maintaining their current lifestyle. Regardless of the financial pressures, resisting the temptation to dip into your retirement savings prematurely is crucial. A well-thought-out plan can help you identify areas for potential cutbacks to grow your savings. A good rule of thumb is to allocate 50% of your income to essentials, 30% to discretionary spending, and save the remaining 20% or use it to reduce debt.

MULTIPLE PENSION SCHEMES

Consolidating multiple pensions into one pot could lower annual fees and simplify management. This process involves moving your pension savings from multiple schemes into one, which can offer several advantages. Having all your pension savings in one place allows you to explore and opt for funds better suited to your financial needs and goals. However, seeking professional advice is crucial before deciding on pension consolidation. Individual circumstances vary greatly, and a strategy that works well for one person may not be ideal for another. Always ensure you

fully understand the potential implications of pension transfers before proceeding.

REEVALUATING RETIREMENT

The rising cost of living and the current economic climate have caused many adults concerns regarding their retirement plans. With 39% expressing worry about the impact on their future, now might be a prime time to reevaluate how you plan to draw your income during retirement. Retirement no longer signifies a complete withdrawal from professional life for many. The research shows that 17% of adults fear being stereotyped as 'old' post-retirement, while 14% are apprehensive about losing their identity once they stop working.

SIGNIFICANT LIFE EVENTS

Remember, retirement is what you make of it, whether that means kickstarting a new business, opting for a 'flexible retirement', working part-time or choosing a path that brings you joy and aligns with your values. For many, retirement always seems like a distant prospect, even when looming closer than we think. It's one of those significant life events that can significantly benefit from expert guidance. ●

Source data:

[1] <https://www.abrdn.com/en-gb/personal/news-and-insights/dont-let-retirement-anxiety-push-you-off-track>

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IN TODAY'S ECONOMIC CLIMATE, THE STUDY ALSO HIGHLIGHTED THAT 29% OF ADULTS STRUGGLE TO SAVE FOR RETIREMENT.

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PIECING TOGETHER THE PENSION PUZZLE

Research highlights the gender disparity in financial engagement

A recent study has identified an alarming discrepancy in financial confidence between genders. It shows that women are 33% more likely to confess to a lack of understanding about their pension operations^[1]. This gap in comprehension could be a potential reason why some women seem less inclined to engage with pivotal financial products that promise better future outcomes.

For instance, the study reports that women are 38% less likely to possess a Stocks & Shares Individual Savings Account (ISA) and 32% less likely to own a private pension. This reluctance towards financial engagement, coupled with other factors such as the persistent gender pay gap, could leave young British women (aged 22 to 32) with a mere £12,873 per year by their retirement in the 2060s.

ALMOST A THIRD MORE IN THEIR RETIREMENT FUNDS

By contrast, young men are predicted to have almost a third more in their retirement funds, garnering an average annual income of £19,803. Current savings trends suggest that young women can expect an average of £644,701 in their workplace pension pot (equivalent to £195,636 adjusted for inflation) when they reach State Pension age. This

amount translates into an annual retirement income of approximately £42,421.

Although this might seem like a substantial income today, inflation adjustments predict that by the 2060s, this sum will shrink to a mere £12,873. Further contributing to the gender pensions gap is the significant gender pay gap. The research identified that by the age of 27, women earn £10,000 less than their male counterparts.

COMPOUNDING FACTORS OF THE GENDER PENSION GAP

This research doesn't factor in other elements that could negatively impact women's pension savings. These include lower representation in senior leadership roles, more frequent career breaks for childcare and a wider pension gap in reality. Current projections estimate that young women will have £300k less in their pension pots than their male peers by the time they hit State Pension age.

This staggering figure underlines the persistent gender pension gap. The report explains that the reasons behind this are manifold, including lower pay for women, fewer women in senior leadership positions and consequently smaller pensions. But the gender pension gap isn't just about pay. Women are also more likely

to work part-time or reduced hours, take career breaks for childcare, serve as unpaid carers or require medical leave, such as during the menopause.

CONFIDENCE BARRIER IN SAVINGS AND INVESTMENTS

The various responsibilities and challenges that women typically face can significantly hinder their ability to accumulate savings comparable to men. One of the key factors is the societal expectation for women to serve as primary caregivers. Whether it's for children, the elderly or other family members, this role often necessitates taking time off from work or even quitting jobs, leading to gaps in their income and, consequently, their savings.

Furthermore, women are generally paid less than men, a stark reality reflected in the gender pay gap that persists globally. This income disparity means that women have fewer resources to allocate towards savings, putting them at a significant disadvantage.

LOWER CONFIDENCE IN SAVINGS AND INVESTMENTS

In addition to these systemic obstacles, the research has highlighted another critical issue – women's self-perception of their financial capacities. Some women tend to identify themselves as having lower confidence in savings and investments.

This can be attributed to various factors, but this lack of confidence can be a psychological barrier, preventing many women from actively participating in financial planning and decision-making, further widening the savings gap between men and women. ●

Source data:

[1] Analysis based on the following research and assumptions: Opinium Research conducted 2,000 online interviews of people aged 22-32 between 15–29 August 2023.

A DELICATE BALANCE

Financial commitments and pension planning

The challenge of managing bills and other financial obligations while simultaneously saving for a pension may seem daunting. However, it is certainly achievable with the right planning and timely action. The sooner you start, the more advantageous it could be if you contribute to a defined contribution pension.

This is a type of pension where the amount you receive when you retire depends on how much you put in and how much this money grows. Your pension pot is built from your contributions and employer's contributions (if applicable), plus investment returns and tax relief.

HERE ARE SIX PRACTICAL STRATEGIES YOU CAN CONSIDER

UTILISING SALARY INCREASES FOR PENSION CONTRIBUTIONS

Let's begin with a straightforward approach if you find contributing as much as you'd like to your pension challenging. Initially, contribute an amount you can comfortably afford. Then, whenever you receive a salary increase, allocate a portion of it directly into your pension. This method ensures that you do not become accustomed to spending the additional income while still benefiting from the pay rise.

INVESTING MORE WHEN REGULAR EXPENDITURE ENDS

A similar strategy can be employed when you've completed regular payments. For instance, once a car loan is fully paid off, consider redirecting the freed-up funds into your pension plan. Even modest increases like these can yield significant results over time. Plus, should you need to reduce your

outgoings in the future, it's typically possible to decrease your contributions.

MAXIMISING EMPLOYER CONTRIBUTIONS

Many employers offer to increase their contributions if you decide to increase yours (up to a certain limit). Therefore, by contributing an extra per cent or two of your salary, they might also contribute more. It would be beneficial to inquire about your employer's pension contribution policy.

BOOSTING YOUR PENSION WITH LUMP SUM PAYMENTS

If you encounter a windfall, consider making a lump sum payment into your pension. This is a quick and effortless way to enhance your pension fund. As with regular contributions, the government will top up lump sum payments with tax relief (subject to certain limits).

DELAYING ACCESS TO YOUR PENSION POT

Allowing your pension to remain untouched for an extended period

can potentially lead to its growth. Leaving your pension invested for a few more years could make a substantial difference if you've had your pension for a while. However, it's crucial to remember that there's no guarantee of growth as investments can fluctuate.

BEING SELECTIVE WITH YOUR INVESTMENT CHOICES

Your investment choices for your pension can significantly influence your returns at retirement. For example, your scheme's 'default' investment option may not be the most suitable for you. Therefore, it's worth examining the investment funds where your money is placed.

The process of making changes to your pension will vary depending on the type of scheme you have. With many modern schemes, alterations can be made online with just a few clicks. Check your policy information or speak to your employer for further details. ●

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IF YOU ENCOUNTER A WINDFALL, CONSIDER MAKING A LUMP SUM PAYMENT INTO YOUR PENSION. THIS IS A QUICK AND EFFORTLESS WAY TO ENHANCE YOUR PENSION FUND.

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BOLSTERING RETIREMENT SAVINGS

A secure retirement isn't just about spending adjustments and significant lifestyle changes

A recent study reveals a promising trend among 45- to 54-year-olds in the UK^[1]. Six out of ten individuals in this age group are actively working towards bolstering their retirement savings^[2]. These mid-lifers are prioritising their future financial stability, implementing changes in their current spending habits to ensure they can support themselves later in life.

The measures taken by these forward-thinking individuals range from trimming down on holidays and luxury items (18%), selling possessions they no longer require (14%) and setting up automatic transfers into savings accounts (13%), to increasing contributions to workplace pensions (14%) and investing more into personal pensions (14%). It's heartening to see that many recognise even small steps can cumulatively

have a substantial impact on their future retirement savings.

CONSIDERING LIFESTYLE CHANGES FOR RETIREMENT SAVINGS

Looking ahead, the top five sacrifices this demographic is willing to consider over the next decade to prioritise saving more include cutting back on eating out and

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THE RESEARCH INDICATES THAT NEARLY HALF (49%) OF PEOPLE AGED BETWEEN 45 AND 54 FIND THAT CONTEMPLATING THEIR FINANCIAL CIRCUMSTANCES IS THE MOST CHALLENGING PART OF RETIREMENT PLANNING.

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takeaways (44%), forgoing the purchase of a new car (35%), skipping a holiday (33%), reducing Christmas spending (29%) and delaying home maintenance or improvement (18%). These findings underscore the determination of this age group to secure a financially stable retirement.

However, it's not all smooth sailing for mid-lifers in the UK. They face acute challenges when preparing for retirement, with a significant majority (63%) conceding that the high cost of living and escalating mortgage costs (20%) are formidable barriers to saving. The study estimates that this age group currently has an average of £88,000 in retirement savings, suggesting they need to save an additional £160,000^[3] on average for a moderate standard of living in retirement, according to Pensions and Lifetime Savings Association (PLSA) estimates^[3].

MAKING SIGNIFICANT LIFESTYLE CHANGES

The road to a secure retirement isn't just about spending adjustments and significant lifestyle changes. About one in ten (10%) mid-lifers contemplate downsizing their homes to boost their retirement savings. Some are exploring job changes or taking on additional work to augment their long-term savings, with 8% considering applying for a higher-paid job and the same number (8%) mulling over a second job – this is equivalent to 710,000 45- to 54-year-olds across the UK^[4].

Despite these challenges, the research reveals a large proportion of 45- to 54-year-olds taking these issues head-on. Over four in ten (42%) state they have a retirement savings plan, and 45% strive to save more. Interestingly, recent research found that the average age people start

actively planning for retirement is 36, making midlife an ideal time to assess progress against these plans^[5].

BENEFITS OF OUR EXTENDED LIFESPAN

In the UK, we are wrestling with maximising the benefits of our extended lifespan. This includes preparing and saving for the years that lie ahead. The challenge is undeniable as only one in ten (10%) people in this age bracket believe they can survive on the State Pension alone when they retire without reducing their expenditure. Particularly for those currently in midlife, often burdened with significant financial and time constraints, it becomes crucial to reassess their situation.

The research highlights that midlife is also when many individuals take decisive action. Those aged between 45 and 54 are reshuffling their spending habits to save more, and some are even contemplating significant changes to their employment status and residential locations.

A UNIQUE JOURNEY FOR EACH INDIVIDUAL

It's important to acknowledge that everyone's path to and through retirement will vary greatly. There isn't a universal solution for how those in midlife are saving and planning for this period. Given that we live longer than the generations that preceded us, we must all reconsider our futures and those of the people we hold dear.

For many, engaging with future planning can be a formidable task. The research indicates that nearly half (49%) of people aged between 45 and 54 find that contemplating their financial circumstances is the most challenging part of retirement planning.

OVERCOMING FINANCIAL HURDLES

However, with the backing of a supportive network, we can all take steps – be they big or small – towards creating a more secure retirement. It's about facing our fears and recognising the opportunities that come with an extended lifespan.

Remember, it's your journey. Your retirement should reflect your dreams, aspirations and the lifestyle you envisage. While the process may initially seem overwhelming, it's entirely achievable with the right plan and support. ●

Source data:

[1] *Phoenix Insights (2023) Reimagining Roads to Retirement. Nationally representative survey of 2,000 workers aged 45-54 conducted by Opinium 29 September–10 October 2023.*

[2] *ONS (December 2022) Estimates of the population for the UK – England, Wales, Scotland and Northern Ireland – here. 59% of UK population aged 45-54 is 5,224,480; 8% of UK population aged 45-54 is 708,404.*

[3] *Phoenix Insights (2023) Pensions Heatmap. Nationally representative survey of 2,500 workers over 45 conducted by Opinium 17–24 May 2023.*

[4] *The Pensions and Lifetime Savings Association estimate that the average UK person will need to have a retirement savings pot of £248,000 in order to achieve a moderate standard of living in retirement, assuming full State Pension entitlement. A moderate standard of living allows for a lifestyle including a car and one foreign holiday a year.*

[5] *Standard Life Retirement Voice Report (October 2023)*

AUTO- ENROLMENT

Facilitating and promoting more significant savings

For employees, auto-enrolment is a crucial component to consider in their retirement strategy. Understanding auto-enrolment becomes critical as we increasingly understand the need for adequate retirement preparation. Historically, while some companies offered their employees the chance to contribute to a pension fund for retirement preparation, others did not.

To facilitate and promote more significant savings, the government implemented legislation for automatic enrolment, or 'auto-enrolment', in October 2012. This mandated all employers to offer a pension scheme to their employees who are eligible to join.

RULE CHANGES EXPECTED TO BE ANNOUNCED SOON

Auto-enrolment applied to employees who were not already a part of a qualifying workplace pension, were aged at least 22 but below the State Pension age, earned more than £10,000 in the current tax year and worked in the UK.

Under the existing auto-enrolment thresholds, anyone earning between £6,240 and £10,000 per tax year could request to join the scheme (and the company would be obligated to allow them to do so), but they would not be automatically enrolled. However, these rules are likely to change soon.

THE NEW FACE OF AUTO-ENROLMENT

Although the bill is yet to be passed into law, it is anticipated there will be two significant changes to the auto-enrolment rules. The minimum enrolment age will be lowered to 18, and the lower salary limit of £6,240 will be abolished.

The previous regulations excluded many individuals from automatic entry into the scheme, particularly part-time and low-wage workers. The logic was simple enough – saving for the future could impact your lifestyle if you're a low earner.

IMPLICATIONS OF THE NEW AUTO-ENROLMENT RULES

These changes won't affect you if you're already enrolled in a pension scheme. However, those not currently covered by

the regulations will see a 3% decrease in their monthly pay, which will be directed towards auto-enrolment contributions. While this might initially strain your household budget, it's an adjustment that can ultimately benefit your future.

Opting out of the company's scheme is possible, but doing so means losing out on the company contributing an additional 5% to your pension savings account. This may not be in your best long-term interests. You can opt out and rejoin later when you feel more comfortable with the payments, and your employer will be required to re-enrol you every three years, giving you a chance to reassess your decision.

A CRITICAL PART OF SECURING YOUR FINANCIAL FUTURE

The anticipated changes to the rules governing auto-enrolment will likely mean that everyone now has an equal opportunity to achieve a more comfortable retirement. But remember, planning your retirement isn't optional; securing your financial future is critical.





Leveraging your employer's pension plan through auto-enrolment could be one of the best decisions you can make for your golden years.

If you'd like to put away more for your retirement, if appropriate, you could consider opening a Self-Invested Pension Plan (SIPP). It's a personal savings account where your investments can grow tax-free, and you'll have a wide range of investments to choose from. You can currently invest up to 100% of your earned income or £60,000 (whichever is the lower) each year and claim Income Tax relief on your contributions. ●

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UNDER THE EXISTING AUTO-ENROLMENT THRESHOLDS, ANYONE EARNING BETWEEN £6,240 AND £10,000 PER TAX YEAR COULD REQUEST TO JOIN THE SCHEME (AND THE COMPANY WOULD BE OBLIGATED TO ALLOW THEM TO DO SO), BUT THEY WOULD NOT BE AUTOMATICALLY ENROLLED.

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TIME TO SIPP INTO FINANCIAL FREEDOM?

'I want to take charge of my retirement savings'



A Self-Invested Personal Pension (SIPP) is more than just a pension. It's a gateway to financial freedom that can offer you an unparalleled level of control. With a SIPP, you are at the helm of your investment decisions, determining how your money is invested and your pension pot grows. Whether you make regular contributions or occasional lump-sum deposits, even a modest start can significantly impact your retirement nest egg.

SIPPs come with the bonus of tax benefits, matching those other pensions offer. If you're a higher rate taxpayer, you can gain even more through tax relief.

TAX SITUATION

The government substantially enhances up to 45% (or 47% for Scottish rate taxpayers) as tax relief on any contributions you make. This means your money can grow more efficiently and provide a larger nest egg for your retirement. However, remember that your specific tax situation will depend on

your circumstances and may be subject to pension and tax law changes.

Investing in a SIPP means securing your funds until you reach a certain age – currently 55, but set to increase to 57 from 2028 onwards. This is an essential factor to consider before opting for a SIPP. In most cases, you can contribute up to £60,000 a year of your earnings tax-free (less any employer contributions). There's no 'right' age to start saving for a pension, but starting early allows your money more time to grow.

INVESTMENT OPTIONS

SIPPs are normally accessible to anyone under the age of 75. Even without an income, you can contribute up to £2,880 each tax year and still qualify for tax relief. For parents, a Junior SIPP offers a way to start investing in your child's future. Remember, though, access to these funds will only be available to your children once they reach the minimum age – again, 55 now, rising to 57 in 2028.

SIPP schemes offer a broad selection of investments you can manage independently

or with our expert guidance. They provide a more comprehensive range of investment options, including company shares (UK and overseas), collective investments like Open-Ended Investment Companies (OEICs), unit trusts, investment trusts, property and land. However, residential property is excluded.

ACCELERATING GROWTH

Remember, as with any investment product, the value of your pension may fluctuate. You might not get back the amount you originally invested. Additionally, choosing how to reinvest dividends could also accelerate the growth of your SIPP pension pot, outpacing some employer-based pensions that don't offer the same control and flexibility.

While your employer may contribute to your SIPP, there's no legal obligation for them to do so. This pension scheme allows you to make informed decisions about your savings and where to invest them, standing out from standard employer's pension schemes.

HITTING PAUSE ON YOUR PENSION

*Decisions to increase short-term income can
dramatically affect future wealth*

In times of financial stress or uncertainty, it may be tempting to hit pause on your pension contributions. However, before you do so, it's essential to understand the long-term implications this decision may have on your retirement savings plan.

Decisions to increase short-term income can dramatically affect future wealth. It may seem like a viable solution to current financial struggles to reduce or stop pension contributions. However, this short-term increase in take-home pay can significantly impact long-term pension values. Higher earners stand to lose almost four times as much.

TAX RELIEF ADVANTAGE

Pension contributions attract tax relief. Research^[1] shows that a worker earning £35,000 annually and saving 5% in a workplace pension scheme matched by their employer could increase their take-home pay by £117 monthly, or £1,404 yearly, if they stopped paying into their pension^[2]. But they would lose £341 monthly, or £4,092 yearly, in pension savings due to lost matched contributions and tax relief.

MAGIC OF COMPOUNDING

Pension wealth hugely benefits from compounding – the longer money is invested, the more it could grow. In 20 years, the £4,092 could have boosted the

pension pot by £10,575 through investment growth if contributions hadn't been paused.

IMPACT ON HIGHER EARNERS

For higher rate taxpayers earning £70,000, the difference is even more significant. They could increase their take-home pay by £3,360 yearly by stopping 8% matched pension contributions. However, their pension pot would be worse off by £12,192 in that period. Their pension savings would also be worse off by a projected £31,508^[3] in 20 years if they had not taken a one-year pause.

THE TOLL ON PERSONAL FINANCES

The research involving over 6,000 UK adults shows that the past two years have strained people's finances. A third (33%) of workers across all age groups confessed to decreasing or stopping their pension contributions. Among younger workers, the figures are even more alarming – nearly half (49%) of workers aged 18-34 are looking at the impact of adjusting their pension contributions.

COST OF OPTING OUT

Exiting your savings scheme means forgoing the benefits of saving through a workplace pension. Initially, you'll miss out on your employer's contribution. Any breaks in savings could also delay your retirement or mean you'll have less

income when you stop working. Catching up on any breaks will mean saving even more when you resume to achieve your desired lifestyle in retirement.

WEIGHING UP THE DECISION

While the number of people opting out of schemes remains relatively low, it's clear that many have considered the option in a bid to boost their take-home pay. However, the decision to pause pension contributions must be weighed carefully, especially for those at the start of their career.

SHORT-TERM GAIN, LONG-TERM LOSS PARADOX

Some might need to stop or reduce contributions, but decisions mustn't be taken impulsively. Figures from the research show that the money gained in the short term doesn't seem like great value when compared to what's being given up in the long term. ●

Source data:

[1] Royal London commissioned a survey by Opinium between 1–8 August 2023, with a sample of 6,003 nationally representative UK adults.

[2] £1,404 per annum saving for a worker aged 40 earning £35,000 and previously contributing 5% of their salary to their pension.

[3] 20-year projection, based on a 5% investment growth net of charges.

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**NEARLY HALF (49%) OF WORKERS AGED 18-34 ARE LOOKING AT
THE IMPACT OF ADJUSTING THEIR PENSION CONTRIBUTIONS.**

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PENSION CONSOLIDATION

How to significantly simplify your financial administration



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BEFORE CONSOLIDATING, CHECKING WHETHER YOUR EXISTING PENSIONS CARRY EXIT FEES IS CRUCIAL. THESE CHARGES CAN SOMETIMES OUTWEIGH THE BENEFITS OF CONSOLIDATING, PARTICULARLY IF THEY ARE SUBSTANTIAL.

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You may have worked with several employers throughout your career, accumulating multiple pension plans. This can also apply if you've been self-employed or a contractor, resulting in personal pensions.

While multiple pensions can be administratively challenging to manage, they could also be financially draining due to high fees or subpar investment performance. What is a potential solution? Pension consolidation.

This strategy can simplify financial management, lower charges and increase future funds. However, it has potential pitfalls, so seeking professional financial advice is crucial. Let's delve into pension consolidation and what needs to be considered.

THE UPSIDE OF PENSION CONSOLIDATION

Managing multiple pensions can be a daunting task. Imagine tracking the investment performance, charges and annual statements for five different pensions. This can be overwhelming and time-consuming for many. Therefore, transferring pensions to a single provider could significantly simplify your financial administration.

Moreover, you're likely paying administrative fees for each pension. This might not be the most cost-effective approach, especially when dealing with providers who have outdated and uncompetitive charging structures. These fees can affect your investment returns, eventually reducing your retirement funds. By consolidating your pensions, you could save on these charges.

However, pay attention to the performance of each pension fund while focusing on fees. Some of your pensions might be underperforming, and shifting to a different scheme could offer better growth potential.

Assessing charges and performance is more complicated, so we're here to help. We can thoroughly evaluate your pensions and guide you on the best course of action.

POTENTIAL PITFALLS OF PENSION CONSOLIDATION

Consolidating your pensions may have downsides if it means giving up valuable benefits and guarantees. Here are some key features you should consider. One of the most significant risks associated with pension consolidation is the potential loss of defined benefits. These benefits often come with older

pension schemes, including guaranteed annuity rates and spouse or dependents' pensions. Consolidating pensions could mean giving up these benefits, potentially resulting in lower income during retirement.

Before consolidating, checking whether your existing pensions carry exit fees is crucial. These charges can sometimes outweigh the benefits of consolidating, particularly if they are substantial.

Additionally, while having all your pensions in one place might make them easier to manage, it could also lead to a need for more diversification. If all your pension savings are invested in the same funds, you could put your retirement savings at a higher risk.

SECURING A MORE COMFORTABLE FUTURE FOR YOU AND YOUR FAMILY

The funds you've accumulated over the years could be substantial, and a simple decision could jeopardise your future financial security. Conversely, making the right decision could secure a more comfortable future for you and your family. We're here to guide you, ensuring you make informed decisions with your money. ●

FINDING YOUR WAY THROUGH THE £26 BILLION LOST PENSION MAZE

It's easy for some pension pots to slip through the cracks

Navigating the world of pensions can be challenging, particularly when you've participated in various schemes or shifted jobs throughout your working life. Pension plans may close, merge or change names as time progresses, adding to the complexity. It might have been rebranded even if you recall your scheme's original name.

In our varied careers, it's common to accumulate multiple pensions from different jobs. It's easy for some of these to slip through the cracks, especially when moving house and changing addresses. Ensuring you know all your pension schemes is essential to maximise your retirement benefits. Asserting your claim over your pension is crucial – the earlier you locate a misplaced one, the more beneficial it will be.

With £26 billion in lost pensions in 2022 worth an average of £9,500^[1], it's well worth seeing if some belong to you. If you suspect you have a lost pension, your first port of call should be your previous pension provider. The government's Pension Tracing Service is available if their identity eludes you. This service provides current contact details for your pension scheme, helping you keep track of your retirement funds.

REFLECTION ON EMPLOYMENT HISTORY

Reflect on every job you've held since leaving education. Each employment stint possibly came with a workplace pension. Look for old pension statements. These documents will provide valuable information about your past pension schemes.

CONTACTING YOUR PREVIOUS PENSION PROVIDER

Knowing your old pension provider simplifies the task. Contact them armed with as much information as possible to facilitate the reunion with your pension savings.

Essential details include your plan number (if available), date of birth and National Insurance number.

UTILISING THE PENSION TRACING SERVICE

The government's free Pension Tracing Service can assist if you suspect a missing pension but lack any supporting information. Visit their gov.uk website or phone them at 0345 600 2537. If you remember your old employer's name or the pension company, the service will provide up-to-date contact details.

UNDERSTANDING THE ROLE OF PENSION ADMINISTRATORS

It's worth noting that the Pension Tracing Service provides only the pension administrator's contact details. It won't disclose whether you have a pension or its value. You will need to contact the pension administrator directly to confirm your pension status and worth.

RECOGNISING POTENTIAL PITFALLS

Remember, possessing pension paperwork doesn't necessarily equate to a pension entitlement. You may have received a refund of your contributions upon leaving an employer, or certain older workplace pensions require a minimum membership period before entitlement.

BEWARE OF SCAMMERS

Scammers also look to exploit the subject of pension transfers with offers to access your pension early, which may be called 'pension liberation' or a 'pension loan', as the scammers often claim you can borrow money from your pension fund. If someone accepts the offer, their pension funds will typically be transferred into a scheme set up by the scam, often based abroad. ●

Source data:

[1] 'Lost Pensions 2022: What's the scale and impact?', PPI Briefing Note Number 134, Pensions Policy Institute, October 2022.





UNLOCKING PENSION CHOICES

Understanding your pension options from age 55

Since the pivotal year of 2015, a variety of options have been granted to both personal and workplace pension savers. This heightened level of flexibility, however, doesn't alter the fundamental purpose of pension savings to support your retirement years financially.

Beginning from the age of 55 (or 57 from 6 April 2028, unless you have a protected pension age), you're given the freedom to utilise some or all of your defined contribution pension fund to buy an annuity, withdraw cash, choose a flexible income or even combine these options. The choices available to you are determined by your pension type and what your specific pension provider offers.

THE TAX-FREE BENEFIT AND ITS IMPLICATIONS

In most cases, you can withdraw 25% of your pension tax-free. Any amount above this will be taxed as income, which subsequently reduces the sum available to provide an income.

YOUR PENSION ACCESS OPTIONS

MULTIPLE LUMP SUMS

One option is to take your pension as a series of lump sums. This means you can withdraw smaller amounts from your pension pot as and when needed until it's depleted.

Your 25% tax-free amount isn't paid in one go – it's received over time. Each lump sum you take is 25% tax-free, while the rest is treated as earnings and taxed accordingly.

FULL PENSION WITHDRAWAL

Alternatively, you can opt to cash in your entire pension pot in one go. Here, 25% is tax-free, and the remaining amount is taxable.

GUARANTEED RETIREMENT INCOME (ANNUITY)

Another option is to take up to 25% of your pension pot tax-free and then use the remaining amount to purchase an annuity. This guarantees you an income for the rest of your life, regardless of how long you live. You can also get a guaranteed income for a fixed period.

FLEXIBLE RETIREMENT INCOME (PENSION DRAWDOWN)

With this option, you can take up to 25% of your pension pot tax-free and keep the rest of your pot invested to provide an income. The amount and frequency of withdrawal are entirely up to you, and you can set up a regular income if you wish. How long it lasts depends on the performance of your investments and the amount you withdraw.

MIXING YOUR OPTIONS

You're not restricted to choosing just one of these options; you can mix different ones. This flexibility allows you to adapt to varying needs at different stages of your retirement. For instance, you could start with a flexible retirement income and switch to an annuity later for a guaranteed retirement income.

If your pension pot is large, you might be able to split it to provide some guaranteed retirement income while keeping some invested. If you have more than one pension pot, you could choose different options for each pot. Furthermore, you can continue saving into a pension if you wish and receive tax relief up to age 75. Some providers even offer products that combine two or more options. ●

HEIGHTENED DEMAND FOR ANNUITIES

Selecting the most suitable type and securing the best possible deal



As we navigate life's journey, retirement presents both a dream and a challenge. It's the stage where we finally enjoy the fruits of our labour, a time for relaxation, exploration and personal growth. But the question that often looms is how can we ensure a steady income stream that keeps pace with our aspirations and maintains our lifestyle? Enter the world of annuities.

Annuities in recent years have often been overlooked in the retirement planning conversation. But current heightened interest rates have increased demand for annuities, offering unparalleled peace of mind, knowing that your basic needs will be covered, irrespective of how the financial markets perform.

SECURING THE BEST POSSIBLE DEAL

They offer a steady, guaranteed income throughout your retirement years or for a specific period. But given the irreversible nature of purchasing an annuity, it's imperative to thoroughly explore your choices, select the most suitable type and secure the best possible deal.

Annuities provide a practical means of converting your accumulated pension savings into a lifelong source of income. Comparing rates across various providers is essential once you determine your required income level. This process, known as the 'open market option', allows you to bypass your provider's

offer and potentially secure a higher rate with another provider.

BOOSTING YOUR RETIREMENT INCOME

Shopping around could boost your retirement income by as much as 20%. To put it in perspective, simply by exploring your options, you could increase your retirement earnings by nearly £6,000. Recent analysis reveals that a 66-year-old with a £100,000 pension pot can now purchase an annuity yielding an annual income of £6,790 – an increase of £842 compared to last year^[1].

The analysis highlights a striking difference between the best and worst

annuities available. For a 66-year-old with a £100,000 pension pot, rates can vary by up to 3.6% – equating to a potential annual income discrepancy of £254 or £5,945 over an average retirement period^[2].

MAKING THE RIGHT CHOICE

Securing the right annuity for your needs can seem daunting, given the variety of options available. This one-time, typically irreversible decision is vital, and understanding the different types of annuities can greatly facilitate the process.

When choosing an annuity, you can select a conventional level-income annuity, which ensures consistent payments throughout your life. Alternatively, an increasing annuity starts with a lower initial income, but your payments increase annually in line with inflation or a predetermined rate, such as 3% or 5%. It's essential to carefully consider the options' costs and benefits to make the most suitable choice.

SELECTING AN ANNUITY

Your marital status is another significant factor in selecting an annuity. If you opt for a single-life annuity, it will only pay out during your lifetime. In contrast, a joint-life annuity provides a full payout to you during your life and, after your death, it typically pays 50% of that amount to your partner until their demise.

Another option worth considering is a guaranteed income period. Under this plan, payments continue until the end of a chosen period (usually five or ten years), even if you pass away prematurely. In such a scenario, the income would be paid to your beneficiaries or estate, offering them financial security.

CERTAIN LIFESTYLE CONDITIONS

An enhanced annuity may be the right option for those with certain lifestyle conditions or medical history. Whether

you smoke, are overweight, have type 2 diabetes, or have suffered from cancer, heart disease or other life-threatening conditions, you may be eligible for an enhanced annuity, which results in higher payouts.

The rates are increased to reflect the potential impact of these conditions on your lifespan. Even conditions like excess weight or high blood pressure could qualify you for an enhanced annuity. ●

Source data:

[1] As of 30/09/23, a standard lifetime annuity with a rate of 7% for a single life with a £100k premium, 66 years old, with a 5-year guarantee. Based on a level benefit that is paid monthly in advance.

[2] As of 30/09/2023, Legal & General Retail estimates that an average 66-year-old with a standard level of health will have a life expectancy of 90 years.





ENVIRONMENTALLY BENEFICIAL INVESTMENTS

Sustainable retirement savings options

Over recent years, our comprehension of the climate crisis has significantly transformed. Countries and organisations are becoming increasingly ambitious with their net zero targets, while many individuals are making lifestyle alterations to reduce their household carbon emissions. However, some remain oblivious that pensions represent one of our most potent tools for making substantial strides towards net zero.

A recent Green Pensions Report^[1] reveals that whilst most Britons understand how to lessen their carbon footprint through behavioural changes, two-thirds (67%) are unsure how to transition to a 'green pension'.

Addressing this knowledge gap could empower UK consumers collectively to save up to 386 million tonnes of carbon emissions annually through their pensions^[2] – the equivalent of 11 return flights from London to New York per person^[3]. Despite this, savings and pensions are often overlooked in the conversation around individual impact on climate change.

GROWING APPETITE FOR RESPONSIBLE RETIREMENT SAVINGS

A green pension is a fund designed to produce returns for savers through

environmentally beneficial investments. These funds typically have explicit environmental objectives, such as avoiding or reducing investments in industries like fossil fuels that generate substantial carbon emissions or focusing on investments that support carbon emission reductions.

The report delves into the rising interest in responsible retirement savings options among employers and employees. Key findings include:

- Three-quarters of UK consumers (74%) are interested in learning more about sustainable options for retirement savings.
- Yet, only 10% of the UK population has fully transitioned to green pensions, primarily due to a lack of information and access.
- Nearly a quarter (23%) of UK companies do not offer green or ethical pensions to their employees.

THE NEED FOR GREATER AWARENESS AND ACCESSIBILITY

The potential for green pensions to contribute significantly to our net zero goals is vast. However, there is a pressing need for increased awareness and accessibility to these sustainable retirement savings options. By bridging the information gap, individuals

can make informed decisions about their pensions, contributing significantly to the fight against climate change. ●

Source data:

[1] The research was conducted online by Opinium for Scottish Widows, polling 3,000 UK adults (18 and over) working, self-employed or looking for work and 1,000 HR DMs in companies of 1+ employees. Fieldwork was carried out between 25/08/2023 – 06/09/2023.

[2] 368 million tonnes of carbon saved by switching to a green pension was calculated as follows: 19 tonnes [Total carbon savings secured per person by switching pension to an equity-focused sustainable fund (Source: Make My Money Matter, 2021)] x 20,340,000 people [Number of people with a workplace pension who do not have a green pension (Source: ONS 2021 states that 22.6 million people have a workplace pension, SW Green Pensions Report 2023 found that 10% of respondents have a green pension (20,340,000 = 90% of 22,600,000)]

[3] The equivalent of 11 return flights from London to New York was calculated as follows: 19 tonnes [Total carbon savings secured per person by switching pension to an equity-focused sustainable fund (Source: Make My Money Matter, 2021)] ÷ 1.7 tonnes [Average amount of carbon dioxide emitted per person by a return trip from London to New York (Source: Wired 2021)]

DE-RISKING PENSION SAVINGS

*Protecting assets from market volatility
in the lead-up to retirement*

For many individuals, their pension investments are allocated to funds. These could be funds selected by their pension provider or ones they've chosen independently. Traditionally, retirement planning has centred around investing in shares-based funds during one's younger years. As retirement approaches, the strategy typically shifts to de-risking the portfolio, diversifying into bonds, cash and shares.

However, this strategic shift could leave some savers worse off if they fail to communicate their planned retirement age to their pension provider. De-risking pension savings is a common practice many individuals and organisations adopt as they approach retirement. The traditional convention involves transferring assets into less risky investments to protect them from market volatility in the lead-up to retirement.

This strategy is often implemented in defined contribution schemes, where clients' funds are automatically shifted into cash and bonds as they near their standard retirement age. Pension schemes transition money from higher-risk stocks and shares to lower-risk assets like government bonds as you near retirement – the process is also known as adopting a 'lifestyle' strategy.

DE-RISKING TIMELINE

Investing in stocks and shares is inherently more volatile than bonds,

making this shift a protective measure for your pension value, especially when there's less time for investments to recover from a sudden dip.

The pension provider decides the de-risking timeline based on your expected retirement age. Hence, savers must keep their pension scheme updated about their retirement plans and clearly understand how their money is managed.

TARGET RETIREMENT AGE

At the age of 50, it might be challenging to ascertain precisely when you plan to retire. However, ensuring your pension scheme knows your target retirement age is vital for timely de-risking. Otherwise, you may miss out on the full benefits of the investment growth phase, resulting in less money than anticipated at retirement.

Pension schemes typically shift your money from a growth fund, primarily composed of stocks and shares, to a consolidation fund dominated by bonds five to fifteen years before your stated retirement date. Bonds, essentially loans to governments or companies, offer a fixed interest rate or coupon, providing a lower investment risk avenue.

SCHEME'S DEFAULT FUND

However, prematurely transitioning from equities could affect your investment

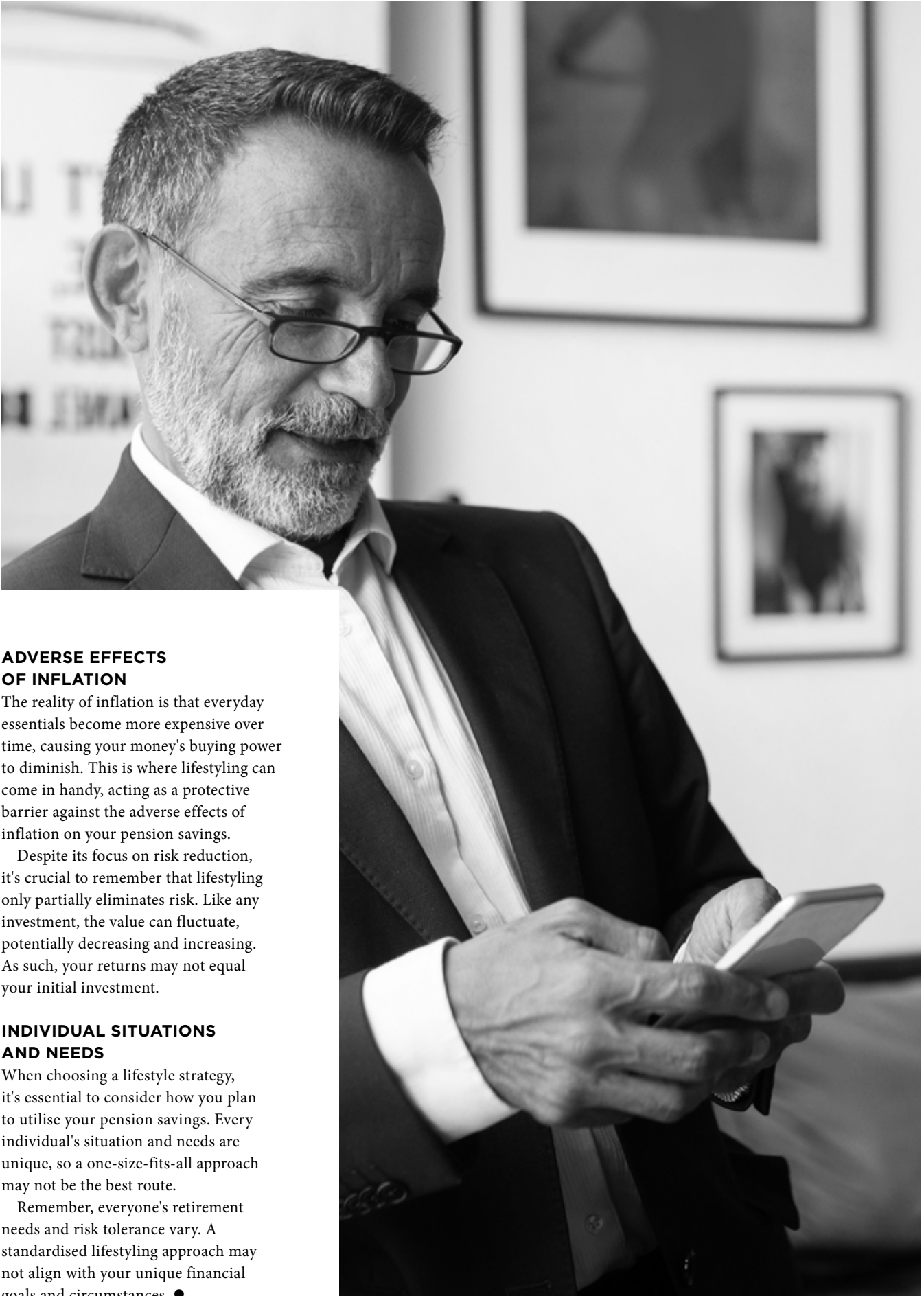
returns. Should you then stick with risk? Bonds are typically viewed as a shield against stock market fluctuations, as they usually rise in value when share prices drop. This makes them appear as a safe haven against market volatility.

However, the turbulence witnessed in stock and bond markets over the past few years challenges this long-standing theory. If you prefer not to de-risk your investments, you could request your money to be moved out of the scheme's default fund and into an alternative one that won't be 'lifestyled'.

VARIOUS LIFESTYLING OPTIONS

Lifestyling is a unique investment approach designed to protect your pension savings by automatically transferring them into lower-risk funds as you retire. This strategy aims to align your pension savings with your retirement plans, reducing risk as you edge closer to your golden years.

There are various lifestyling options, each tailored to the specific needs of different pension plans. Your choice of lifestyling strategy could shield you from short-term falls in your pension savings value as you near retirement. It's all about aligning your pension savings with your future plans and aspirations.



ADVERSE EFFECTS OF INFLATION

The reality of inflation is that everyday essentials become more expensive over time, causing your money's buying power to diminish. This is where lifestyling can come in handy, acting as a protective barrier against the adverse effects of inflation on your pension savings.

Despite its focus on risk reduction, it's crucial to remember that lifestyling only partially eliminates risk. Like any investment, the value can fluctuate, potentially decreasing and increasing. As such, your returns may not equal your initial investment.

INDIVIDUAL SITUATIONS AND NEEDS

When choosing a lifestyle strategy, it's essential to consider how you plan to utilise your pension savings. Every individual's situation and needs are unique, so a one-size-fits-all approach may not be the best route.

Remember, everyone's retirement needs and risk tolerance vary. A standardised lifestyling approach may not align with your unique financial goals and circumstances. ●

POSTPONING RETIREMENT

Financial stability is the primary motivation for many to continue working

Recent studies indicate that approximately half (49%) of non-retired Britons plan to extend their working lives beyond the age at which they'll receive their State Pension^[1], equivalent to approximately 19.2 million individuals^[2].

Those contemplating working post-State Pension age anticipate doing so until they're 72 on average, a rise from the projected 70 years in 2022^[3] when similar research was last undertaken.

MOTIVATIONS BEHIND THE DECISION

Financial stability is the primary motivation for many to continue working past the State Pension age. More than a third (36%) feel their pension won't cover their daily expenses; worryingly, over half (52%) of this group are aged 55 or above. Almost a third (30%) express concern about the ongoing cost of living crisis, while 29% are uncertain about the longevity of their savings.

Nevertheless, there are non-financial reasons as well. A considerable 23% of respondents appreciate the routine work provided. Additionally, 20% genuinely enjoy their job, and 18% admit they're unprepared for retirement.

AFTERMATH OF THE DECISION

For those considering extending their working life, 51% intend to retain their current or similar roles. However, this decision does not come without concerns. About 34% fear that continuing to work will impact their ability to enjoy their later years. One-third (33%) are apprehensive about potential health deterioration due to prolonged work, and a quarter (24%) worry about missing quality time with their families.

As workplaces become more technologically advanced, 18% of those planning to work post-retirement express concerns about keeping pace with these rapid changes. However, it's crucial to note the immense value older workers bring. Their experience, resilience and insight can greatly benefit younger colleagues and their organisations.

ROLE OF EMPLOYERS

Regardless of the reasons for working beyond the State Pension age, employers have a crucial role to play. They must foster an inclusive culture that respects and understands the evolving needs of their older employees.

The rising cost of living forces many to rethink their retirement plans, leading to an increasing number contemplating work beyond their State Pension age.

While this may not be a welcome prospect for those who need to work to make ends meet, the positive aspects of working should not be disregarded.

ADVANTAGES BEYOND RETIREMENT

Benefits and perks play a pivotal role in the decision-making process for employees when considering job opportunities. These incentives can often be the tipping point that convinces an individual to accept a job offer. A study revealed that 34% of British workers have been persuaded to take on a position due to a compelling benefits package or company policy^[4].

When inquiring about the most useful provisions employers could provide for those choosing to work past their State Pension age, income protection was the clear winner, with 45% of participants highlighting its importance. This was closely followed by critical illness cover (39%) and life insurance (38%), indicating the significant value placed on financial security in potential health-related situations.

REHABILITATION SERVICES ARE AN ESSENTIAL CONSIDERATION

Interestingly, one quarter (24%) of





participants considered access to a rehabilitation service – a service designed to facilitate a return to work following a serious illness – as the most beneficial offering. This insight emphasises the importance of supportive measures that help maintain productivity and wellbeing during challenging periods.

This highlights why it is incumbent upon employers to create a culture where their mature workforce feels enabled and comfortable to extend their working lives. Achieving this requires a thorough understanding of the unique needs of their employees, which can fluctuate based on their stage in life.

KEY TO EMPLOYEE SUPPORT

Providing relevant benefits such as group life, group income protection and group critical illness cover – benefits that usually come with additional support services – is a straightforward yet effective strategy for employee support. By tailoring these benefits to meet the specific needs of older workers, employers can foster a sense of security and inclusivity.

The importance of benefits and perks for employees working beyond their State Pension age cannot be overstated. Employers can attract and retain experienced talent with the right blend

of benefits, thus ensuring a diverse and resilient workforce. ●

Source data:

[1] Survey conducted by Opinium for Canada Life among a national representative sample of 2,000 UK adults between 10–14 November 2023.

[2] Questions asked to a subset of UK adults under age 66 who have not yet retired.

[3] Survey conducted by Opinium among a national representative sample of 2,000 UK adults between 21–25 October 2022.

[4] Survey conducted by Opinium among a national representative sample of 2,000 UK adults between 11–15 August 2023.

WHEN YOU RETIRE, THE INVESTMENT DYNAMICS CHANGE

Investing after retirement is quite distinct from accumulating wealth during your working years

After a lifetime of hard work, you've successfully built a substantial and comfortable retirement account. Congratulations are in order. You've officially entered the golden years of retirement! Now, it's time to enjoy the fruits of your labour, provided you've laid the groundwork for a well-prepared retirement. But investing after retirement is quite distinct from accumulating wealth during your working years.

The approach of steadily building your investment portfolio, benefiting from pound cost averaging and return compounding, worked well during your earning years. A low-maintenance 'set and forget' strategy, with occasional rebalancing, might have been all you needed. But when you retire, the investment dynamics change.

DON'T UNDERESTIMATE YOUR LIFESPAN

Entering retirement might bring a sense of accomplishment but can also usher

in doubts. You might question whether you've amassed enough resources, how to optimise them and what to do if unforeseen circumstances arise.

If you're transitioning out of work entirely, you may experience a significant shift in perspective. It can be psychologically challenging to watch your net worth decrease after a lifetime of seeing it grow. Planning ahead can alleviate this stress. Begin by defining your financial goals and estimating their costs. Additionally, don't underestimate your lifespan. The average life expectancy in the UK during 2023 was 81.77 years, but if you're in good health in your sixties, you are likely to live longer^[1].

'NECESSARY EXPENDITURES' AND 'DESIRED EXPENDITURES'

This will likely involve distinguishing between 'necessary expenditures' and 'desired expenditures'. Compare these projected expenses against your known income sources – state and defined

benefits pensions, any annuities due – to determine how much your personal pensions, capital and investments need to generate to cover any deficit.

In your retirement income strategy, you'll encounter three major risks: inflation, longevity and market volatility. Each requires a unique solution. Inflation silently erodes your spending power annually as prices rise. This has become particularly noticeable recently with the sharp increase in the cost of living after a period of relatively low inflation. However, even minor annual increases can compound into substantial hikes over the two decades or so that the average person spends in retirement.

TWO PRINCIPAL COURSES OF ACTION TO CONSIDER

Market fluctuations are an ever-present uncertainty. While risk-taking can yield rewards over the long term, significant swings in a retirement portfolio's value can be unsettling and potentially catastrophic



if withdrawals coincide with market downswings in the early retirement years.

Regarding retirement, your pension options are not solely about investing. You can take two principal courses of action as you approach this phase of your life. You can either continue investing and withdraw money from your pot as needed, a strategy known as ‘pension drawdown’, or purchase an annuity, an insurance policy ensuring a steady income for life.

CHALLENGING ENDEAVOUR FILLED WITH NUMEROUS PITFALLS

Pension drawdown provides additional flexibility and the potential for higher returns and increased income from your pension pot. Since your pension fund remains invested, market performance can fluctuate. Purchasing an annuity guarantees you a regular income that will last throughout your lifetime. Moreover, annuity rates have increased over the past year due to the rise in interest rates.

Securing a steady income for 30 or so years can be a challenging endeavour filled with numerous pitfalls when drawing from an investment portfolio; the long-term average return and the sequence of returns matter. Poor performance in the initial years can also be costly, even if followed by good returns.

PENSION INVESTMENT STRATEGY ALIGNED WITH YOUR NEEDS

While it’s crucial not to take too little investment risk, de-risking a portfolio might not be the best move if you only need to draw modestly on your money and keep most of it invested for long-term returns. However, withdrawing from your pot means you can benefit less from compounding returns.

Ensuring your pension investment strategy aligns with your needs is essential as you approach retirement. Depending on whether you opt for an

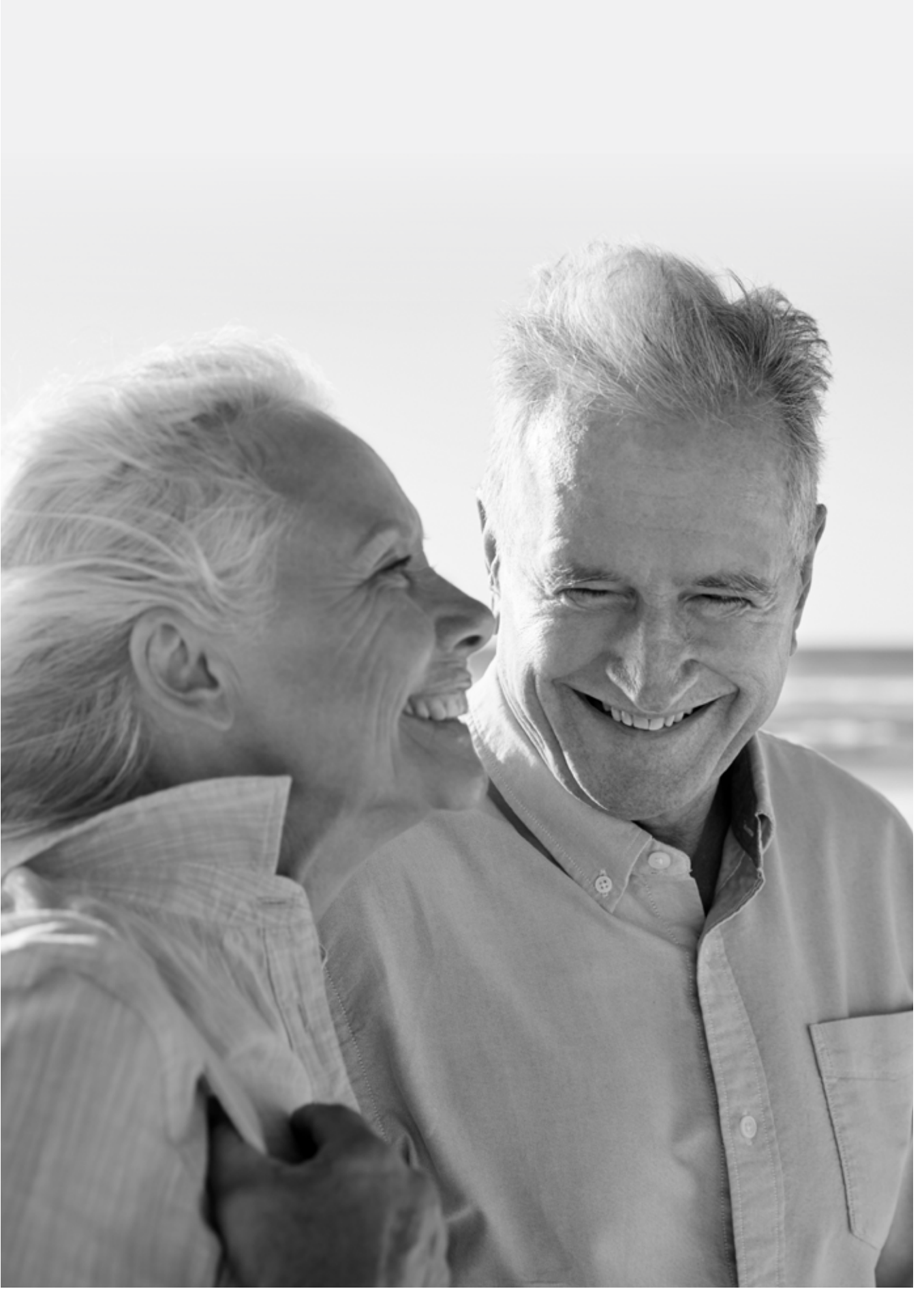
annuity or a drawdown, you might need to adjust the asset mix in your portfolio to meet your retirement objectives.

READY TO SECURE YOUR FINANCIAL FUTURE DURING RETIREMENT?

It’s time to adopt a strategic approach to investing that generates a steady income and ensures the longevity of your retirement fund. Whether drawing down your capital or opting for income-producing assets, the choice is yours. We’ll create a personalised investment plan tailored to your retirement goals. Act now and secure your tomorrow. ●

Source data:

[1] <https://www.macrotrends.net/countries/GBR/united-kingdom/life-expectancy>



LIVING TO THE RIPE OLD AGE OF 100

Life expectancy significantly influences the size of the pension pot you will need

Living to the ripe old age of 100 could require an additional £260,000 in pension wealth to ensure a comfortable retirement, compared to someone living until the current average life expectancy, according to the Office for National Statistics (ONS)^[1].

In 2022, the ONS estimated 15,120 centenarians (people aged 100 years and over) lived in England and Wales, an increase of 3.7% from 2021. The number of centenarians has more than doubled since 2002 (including a doubling of the numbers aged 105 years and over from 300 in 2002, to 640 in 2022).

Similarly, those planning a moderate retirement may need an extra £121,000 in pension wealth if they live beyond the average life expectancy. These calculations stem from the 2022 Pensions and Lifetime Savings Association (PLSA) Retirement Living Standards^[2].

RETIREMENT LIVING STANDARDS AND PENSION POT CALCULATIONS

The standards suggest that single retirees need a private pension income of £15,383 for a moderate retirement and £32,882 for a comfortable one, assuming they have a full State Pension. Interactive investor computations consider someone retiring at 66 and using income drawdown to extract this income from their pension pot.

Life expectancy significantly influences the size of the pension pot you will need, as those living longer may require a substantially larger pension pot to last throughout their retirement. Despite a slight decrease in life expectancies during the Covid pandemic, the number of individuals over 90 actually increased by 2% in the year leading up to 2022, according to recent ONS estimates.

MODERN MEDICINE AND PENSION PLANNING

The advancements in modern medicine are enabling more people to maintain good health for longer periods, impacting our pension planning. With an increasing number of us reaching advanced ages, predicting how long our pension needs to last can be challenging.

Typically, retirees need their pension pot to sustain them for about 17 to 20 years, with women outliving men by an average of three years. However, these are just averages, and many people live beyond 90 years old, requiring their pensions to last significantly longer.

IMPLICATIONS OF LIVING UNTIL 100

If you live until 100, you might need £260,000 more than if you lived until 83 years old. Running out of money could result in dependence on the State

Pension alone, providing only a basic, frugal retirement.

It's also crucial to account for potential care home costs as part of your retirement planning. The average nursing home now charges approximately £61,000 per year, meaning two years in a care home could cost around £122,000, though home care costs are generally lower^[3].

ROLE OF WORKPLACE PENSIONS IN RETIREMENT SAVINGS

Fortunately for those still in employment, nearly all workers automatically contribute to a workplace pension, which can accumulate significantly by retirement. Keeping track of your savings and ensuring you're on course to meet your retirement objectives is essential. ●

Source data:

[1] <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/bulletins/estimatesoftheveryoldincludingcentenarians/2002to2022#population-growth-of-those-aged-90-years-and-over-in-england-and-wales>

[2] <https://www.retirementlivingstandards.org.uk/>

[3] <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/exploring-howtheaveragepriceofindividualitemshaschangedinthelastyear/2023-05-03>

STEPS TO TAKE TO GET READY TO RETIRE SUCCESSFULLY

Paving the way for a financially secure and enjoyable post-working life



Identifying what will bring you tranquility and satisfaction in your retirement is a crucial first step. However, understanding the financial pathway that leads to this goal is equally important.

Navigating towards retirement can be an intimidating phase, but by focusing on the following seven crucial areas, you can pave the way for a financially secure and enjoyable post-working life.

1. Locate all your pensions: Ensure you're claiming everything you're entitled to by tracking down all of your pensions. If necessary, utilise the UK government's pension tracing service.

2. Understand when you can access your pensions: Keep in mind that pension

freedoms allow for flexible withdrawals from age 55. Understanding your accessibility timeline can help you plan better.

3. Monitor your pension value: Regularly check your pension statements to stay updated on your accrued funds. Knowing your financial standing can guide your spending and saving decisions.

4. Obtain a State Pension forecast: This will provide an estimate of your payout at retirement based on your National Insurance contributions. This knowledge can give you a clearer picture of your potential financial situation during retirement.

5. Decide your pension access method: Explore the various pension options available and choose the one that best fits your retirement needs. Your selection

could significantly impact your financial stability during retirement.

6. Regularly review your pension investments: This includes understanding the associated costs and risks. Regular reviews ensure your retirement savings align with your personal circumstances and financial goals.

7. Engage professional financial advice: Making informed decisions about your finances and future is crucial. We can provide you with insights and recommendations tailored to your specific needs and aspirations.

By focusing on these areas, you can take control of your financial future and enjoy your retirement with peace of mind. Start planning today for the retirement you deserve. ●

IN SUMMARY

How to undertake to safeguard your financial future

Retirement planning may initially appear overwhelming, but with the appropriate professional guidance and well-structured strategies, it's entirely feasible to secure financial stability for your retirement years. The journey towards a comfortable retirement begins with setting tangible goals, crafting a realistic budget, investing in a diverse financial portfolio and maximising your retirement benefits.

There are several steps you can undertake to safeguard your financial future. Retirement planning is not a one-

off event but a continuous process that evolves with your lifestyle and changes in the economy. It's crucial to remember that it's never too late to start. Even small steps taken now can contribute significantly towards a more secure and financially stable retirement.

With meticulous planning and astute decision-making, you can approach your retirement years with assurance and tranquillity. You have the potential to turn your golden years into a period of life to look forward to rather than fear.

READY TO DISCUSS MAKING THE MOST OUT OF YOUR RETIREMENT?

Whether your retirement dreams include traversing the globe, launching a new business venture or simply revelling in comfort and leisure, we're here to assist you in making the most out of your retirement. Don't delay – start planning today and secure your financial future! Let us help you transform your golden years into a time of prosperity and fulfilment. ●



WHERE ARE YOU ON YOUR RETIREMENT JOURNEY?

Estimating the exact amount you'll require in your later years can be challenging, as individual circumstances and aspirations vary greatly. We'll help you understand more about pensions and retirement.

To see how we can help, please contact us.

Kymin
Financial Planners

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