Hitchell
FINANCIAL PLANNING

10 IMPORTANT STEPS TO THE RETIREMENT YOU WANT

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Many people now see retirement more as the second stage of life rather than the traditional archetype of slowing down and taking things easy. It's seen as the time to start to enjoy doing things you previously couldn't because you were too busy working and raising a family.

However, the changing nature of how people see retirement in the 21st century raises a series of challenges that you need to address. These include issues around when to retire, where to live and how much income you will have.

Wherever you are in your retirement journey, be it 30 years away from retirement, or only five, regular reviews and planning is important. It doesn't have to become a preoccupation, but there are some simple things you can do that will give you the best possible chance of being able to enjoy your retirement.

As a family-run practice, Hitchell Financial Planning have offered a friendly, professional advisory service to clients since 1978.

As well as offering expert retirement planning advice, we place your needs at the heart of our business.

Find out how we can help you to live the life you want.

Email **hello@hitchell.com** or call **01892 532700**.

Here are ten steps you can take now to help make sure you're on track to enjoy the retirement you want, whenever you finally decide to stop work and embark on the next stage in your life.

1. PUT TOGETHER YOUR RETIREMENT PLAN

The first step to getting the retirement you want is to make sure you've got a retirement plan in place.

Initially, your plan does not need to be detailed. At first, you just need an overview, which can form the outline that you can fill in with more details as your plans develop.

There is no correct format for such a plan, but there are some important points you should make sure you include. To help your planning, here are three key questions to ask yourself:

- **When do you want to retire?**

It's likely you'll have some idea of when you'd like to retire, even if it's only a vague aspiration at this stage.

Having a target date in mind can help the planning process, as well as giving you some focus and a timeframe within which to work.

You will want to review this date regularly and be flexible in case your financial circumstances change.

- **What do you plan to do in retirement?**

2018 research from insurer **Aviva** revealed that travel was the most popular activity planned by people approaching retirement.

Other priorities that scored highly included hobbies, old and new (29%) and helping the children and grandchildren financially (21%).

What you plan to do in retirement will have a bearing on how much money you will need. Plans to spend your time gardening will be considerably cheaper than long-distance overseas travel, for example.

So, if you find your projected retirement fund won't be enough to financially cover the lifestyle you've got in mind, you may need to increase the amount you're paying into your pension or delay your retirement.

- ### How long will your money need to last?

Current Office for National Statistics (ONS) stats show the average 65 year old man lives to age 84 and the average 65 year old woman to age 86.

If you are currently looking to retire when you get to 66, that means your pension fund will need to last around 20 years.

It's worth putting together a current cashflow plan by listing all your regular monthly outgoings, as well as noting any major anticipated future expenditure. Then do the same exercise based on what you want to do in retirement.

Depending on your lifestyle, it's likely you'll spend less in retirement than you do now, but how much less? Is your current projected pension fund sufficient to cover your desired lifestyle for more than 20 years?

Advice tip – Your financial adviser will work with you to put a retirement income plan together. Your answers to these three questions will be an important factor in that plan.

2. DECIDE IF YOU WANT TO CONTINUE WORKING

It might seem counterintuitive in a guide about retirement, but one decision you will want to make as you get closer to your planned retirement is whether, in fact, you do want to continue working.

As mentioned above, the idea of retirement has changed a lot in the past 20 or so years. It's no longer a single event, and more and more people are choosing to continue working in some capacity.

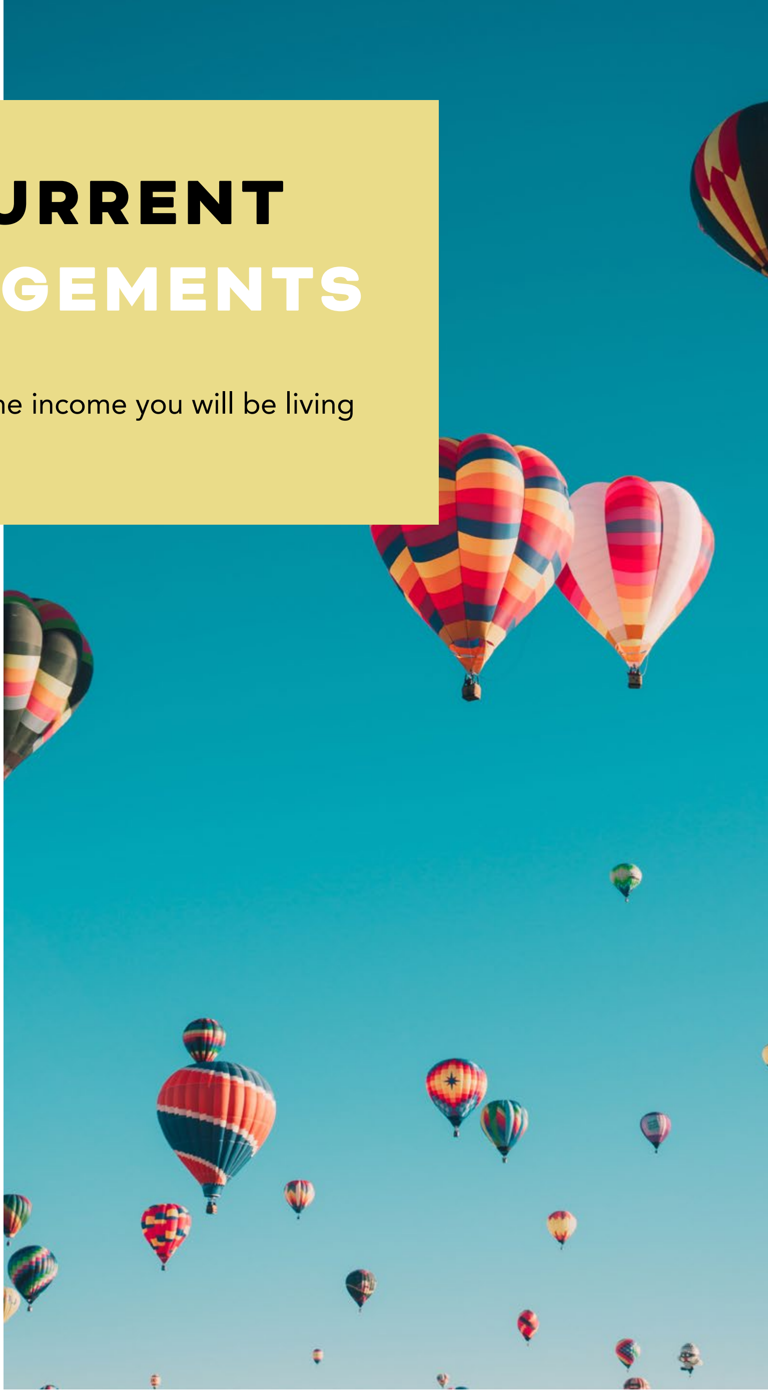
If you have spent many years commuting into London, the recent lockdown, and the massive increase in the numbers of people working successfully from home, may have persuaded you that the daily office routine is no longer for you.

You might have considered working closer to home or reducing your hours and enjoying more leisure time. Working can be easier if you are doing it because you want to, rather than because you must.

Advice tip – Speak to your financial adviser if you are planning to continue to work in some capacity after you have started taking income from your pension to fund your retirement.

3. REVIEW YOUR CURRENT PENSION ARRANGEMENTS

Your pension fund will most likely provide the bulk of the income you will be living on once you retire.



The days of one job for life are long gone, so it's likely you could have several different work-based pensions, as well as personal pensions you may have started yourself. It's worth spending time making sure you have details of all your existing pensions and get up-to-date values for each. The **Pension Tracing Service** can help you find any pension details you may have lost track of.

As well as values and projections for your planned retirement date, you should also check the full details of the type of arrangements you have. These details will include the following:

- **Do they offer flexible access?**
- **What funds are available?**
- **What charges are you currently incurring?**
- **Are there any guaranteed benefits?**

Once you have the details of all your pension arrangements, you might want to consider consolidating them into a single arrangement. This can make them easier to manage, as you will have a single plan with a single value. You could also benefit from lower management and fund charges.

However, you should be aware that consolidation is not appropriate in every instance, especially if you have funds with enhanced or guaranteed benefits or lower charges. Please also be aware that we do not provide advice on transfers out of Defined Benefit (Final Salary) schemes.

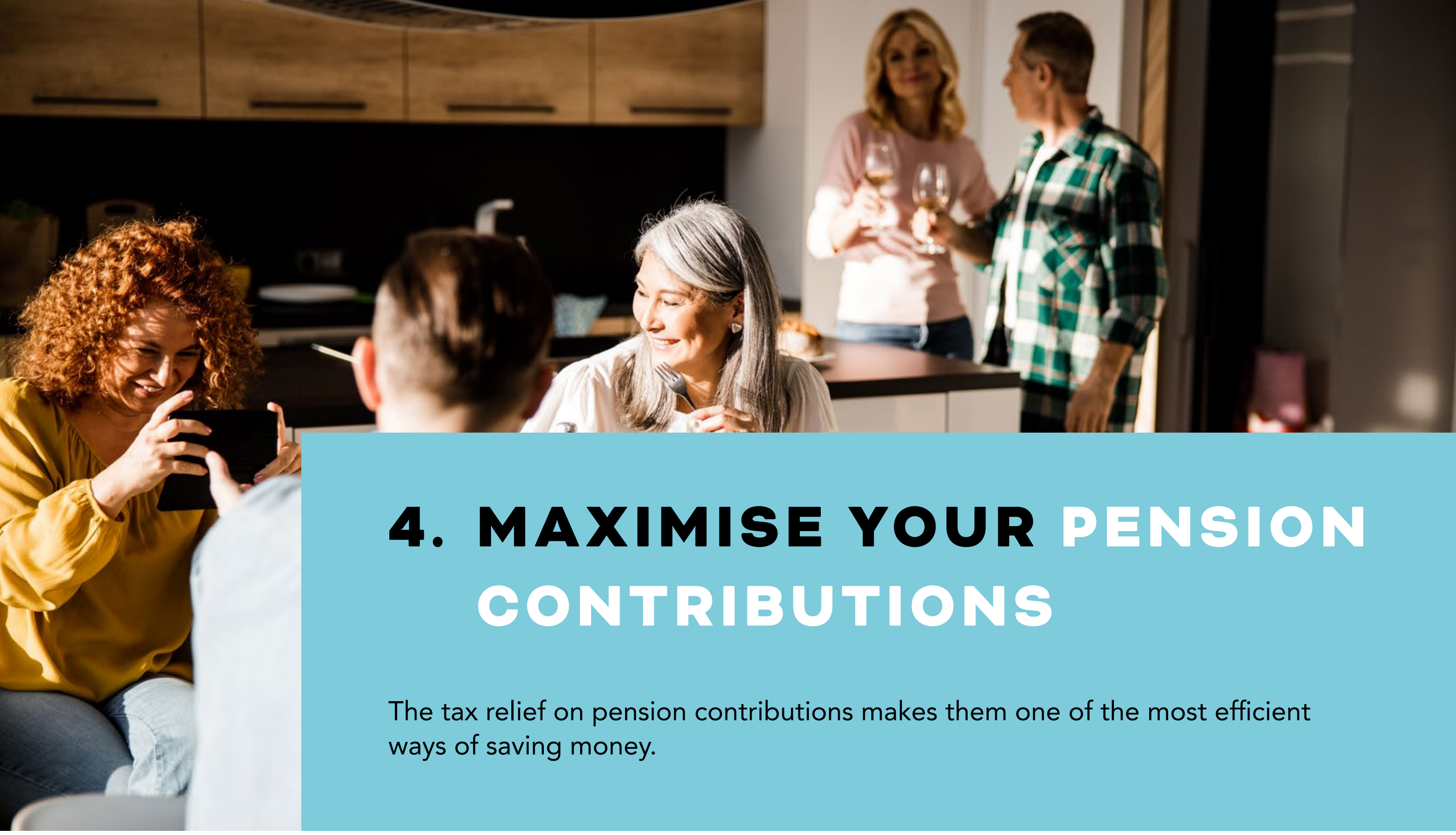
The value of a pension and any income from them can fall as well as rise and you may not get back the original amount invested.

Advice tip – Compile a schedule of all your pension arrangements. The government **Pension Tracing Service** can help you track down old arrangements you may have lost track of. Your adviser can help you if you want to consider consolidating all your defined contribution pensions into a single arrangement.

CLIENT TESTIMONIAL

"Richard helped me with pension advice as a work pension matured. I was extremely pleased with the initial advice and outcome. He then provided a full financial service for me covering savings and an investment portfolio and annuity drawdown. Long-term financial planning for the future has been key. Along the way, he has helped with mortgage and inheritance planning.

"I have been very pleased with the outcome of all the advice I have received and have a stable financial platform for the future, which was the outcome I was seeking."



4. MAXIMISE YOUR PENSION CONTRIBUTIONS

The tax relief on pension contributions makes them one of the most efficient ways of saving money.

The government adds an extra 20% to any amount you personally contribute if you are a basic-rate taxpayer – that's immediate growth of 20% without you having to do anything.

Higher rates of tax relief make pensions equally attractive for those earning more than £50,000 per year.

Contributions are restricted to the Annual Allowance, which is currently capped at £40,000 or 100% of annual earnings if lower, although a lower limit of £4,000 may apply if you have already started accessing your pension. The annual allowance applies across all of the schemes you belong to.

So, if you haven't started putting money into a pension already you should make it a priority, regardless of your age. If you're already contributing, you should look to maximise the amount you put aside.

Delaying starting your pension contributions can be costly. This table shows the value of a £250 monthly contribution over different terms to age 65, assuming 4% investment growth each year.

Starting age	Value at age 65
35	£171,317
40	£127,212
45	£90,960

Source: The Calculator site

As you can see, a delay of just five years can have a big impact in the final value of your fund. It could make the difference between a decent standard of living in retirement, and a good one.

Review all your monthly outgoings and see if there are ways you could reduce or remove some of the regular monthly amounts you are paying – and then divert the saving into your pension.

If you currently have fixed-term financial outgoings such as a car loan, consider diverting that money into your pension when you have paid the loan off.

Please note

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The value of your investment (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. The tax implications of pension withdrawals will be based on your individual circumstances. Levels, bases of and reliefs from taxation may change in the future.

Advice tip – if you are not yet contributing to a pension, you should start straight away. Maximise your contributions as far as possible and aim to increase the amount you regularly contribute.

5. CHECK YOUR STATE PENSION ENTITLEMENT

The amount of State Pension you receive will depend on the number of qualifying years of National Insurance Contributions (NICs) you have.

A full record of National Insurance contributions means you'll be entitled to the full State Pension, which is £9,339.20 in the 2021/22 tax year. This amount will increase each year, roughly in line with the rate of inflation.

To get the full amount you will need 35 qualifying years of NICs. You can **request a forecast** to find out exactly how much your State Pension will be when you retire. Ask your financial adviser if you are unsure.

It's unlikely to be enough to provide you with a comfortable retirement but, as a guaranteed income increasing each year, it will form a valuable part of your income in retirement.

Advice tip – Request a State Pension forecast. Your financial adviser will then be able to recommend if you should consider paying additional voluntary NICs to increase your State Pension at retirement.

6. CHECK YOUR INVESTMENTS

How you choose to invest your pension fund can make a big difference to the ultimate size of your fund when you come to retire.

Different types of investment – such as equities, gilts and bonds – have different levels of investment risk. Investments with a higher element of risk can potentially provide higher returns, but can also be more susceptible to short-term volatility and sudden loss.

Likewise, lower risk investments are less likely to suffer any dramatic downturn in value but are likely to deliver less investment value in the longer term.

So, you need to ensure your investment holdings are appropriate to your aims and timeframe. If you are still many years from retirement, you may be in a better position to take on more investment risk, as there is plenty of time for your investments to recover in the event of any sudden fall in value.

A sudden drop in value within five years of retirement, however, could seriously impact on your retirement plans. So, as you get closer to taking income from your fund, you may want to consider moving some of your investments into lower risk sectors.

Please note

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. Past performance is not a reliable indicator of future performances.

Advice tip – Your financial adviser will be able to help you find out what levels of risk apply to your current pensions. They will then suggest any required changes to your investment choices to ensure your investments are in line with your retirement plans and tolerance for risk.

CLIENT TESTIMONIAL

"As cautious, nervous investors, Richard has proved invaluable advising us on the best options for my pension and our savings over several years.

"As 'risk-averse' clients it is particularly important to have complete trust in our financial adviser and he has always offered sound advice, explaining the reasoning behind our decisions clearly and patiently. Richard is always on hand if we have any questions or concerns and keeps us up to date with the progress of our plans. I would have no hesitation in recommending his services."

7. MAKE SURE YOU ARE AS DEBT FREE AS POSSIBLE

It'll be much more difficult to repay any outstanding debts you have after you stop working, as it's likely your regular income will fall. This means that it's essential to put a debt repayment plan in place as soon as possible – and to stick to it.

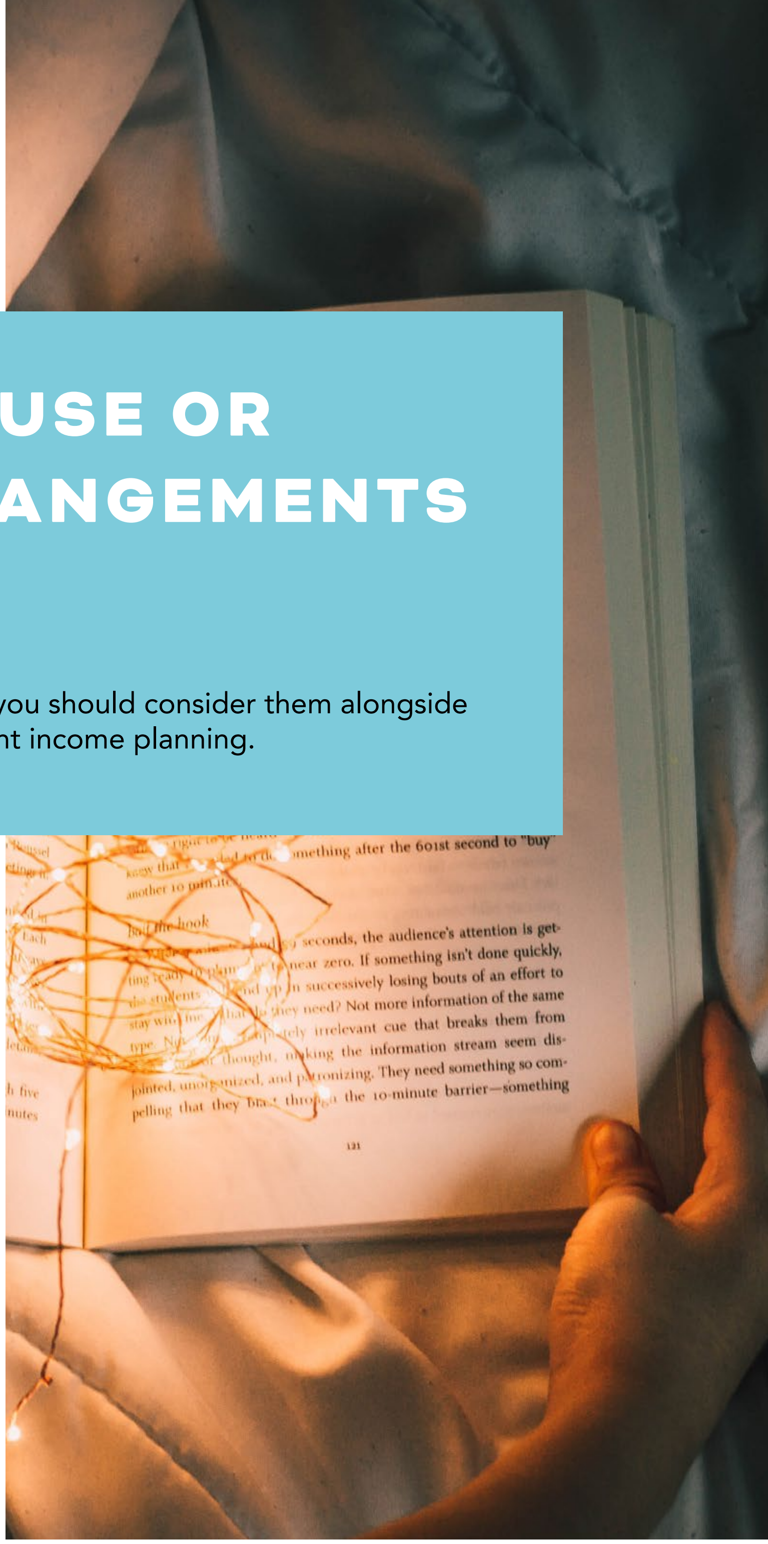
The interest you'll pay on credit cards will typically be in excess of the average growth you can expect on any pension or ISA investment. So, your priority before concentrating on saving for retirement should be to clear any outstanding debts.

Focus on paying off the highest interest cards first. As you clear your debts, consider diverting the monthly repayments into your pension fund to help boost its value.

Advice tip – Unsecured debt is expensive so put a plan in place to clear it as quickly as you can.

8. TAKE YOUR SPOUSE OR PARTNER'S ARRANGEMENTS INTO ACCOUNT

If your spouse or partner has their own pension plans, you should consider them alongside your own arrangements when looking at your retirement income planning.



By looking at all your collective plans together, you can maximise your contributions tactically to help grow your overall retirement fund. For example:

- If one of you is in a higher tax bracket than the other, it may be more advantageous to make additional contributions into the pension of the higher earner, thereby maximising tax relief at a higher rate.
- If one or other of you has reached your Annual Allowance – the maximum amount you're able to contribute to a pension each tax year – it's still possible to make further contributions for the other person.
- If either of you are close to the Lifetime Allowance, you can still maximise contributions into the other person's pension.

Remember you can contribute £2,880 a year into a pension for someone even if they are not earning. Contributions on their behalf also get tax relief at 20%, which makes them an ideal savings vehicle.

You should also consider both State Pension entitlements as part of your planning process. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Advice tip – Your financial adviser can help you and your partner maximise your pension contributions in such a way as to make them as tax-efficient as possible.

9. THINK ABOUT OTHER RETIREMENT PROVISIONS

Be sure to make full use of the ISA allowance if you can afford to. The individual ISA allowance is £20,000 in the 2021/22 tax year. Note that you cannot carry this over into the following tax year.

ISAs are free from both Income Tax and Capital Gains Tax so, if you have ISA holdings, be sure to maximise your tax-efficient savings by using up your full allowance each year in the run-up to retirement, if you can.

Also consider other assets you may have that you could utilise to help provide you with an income in retirement. These could include:

- **Property –** You might be thinking about downsizing once you've retired, maybe moving to a smaller, easier to manage property. This could free up capital that you could utilise in retirement.
- **Other investments –** If you have other stocks and shares, these could form part of your retirement income planning process.
- **Inheritance –** It's obviously distressing to think about the death of a loved one, but if you know you're likely to receive a lump sum inheritance at some stage, you should take this into account.

Please note

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. Past performance is not a reliable indicator of future performances.

Advice tip – The tax advantages of ISAs mean they should form a key part of any financial planning process. You should look to maximise your ISA contributions for both yourself and your partner or spouse.

10. SPEAK TO A FINANCIAL ADVISER

Retirement planning can be a complicated process and financial advice can be crucial to make sure you're getting the best value out of your pension arrangements.

Getting advice can also add actual value to your fund. Research from the **International Longevity Centre** has suggested that the value of financial advice could equate to £47,000 over the course of a decade.

An adviser can also help you with all the aspects of investing we've covered in this guide, including:

- **How much to invest**
- **Working out your tolerance for risk**
- **What provision you have already made**
- **How to achieve your financial and life goals.**

They will also be able to help you with the different taxation implications associated with pensions, so you benefit from the tax advantages and avoid any unnecessary tax charges.

Additionally, they'll regularly review your pension arrangements to ensure you're on track, suggesting adjustments to your plan and investments as necessary.

HOW HITCHELL FINANCIAL PLANNING CAN HELP YOU

We are a family-owned business that have been helping clients with their retirement planning for over 40 years.

We offer a comprehensive retirement planning service to help senior executives, professionals and their families move towards retirement with confidence.

Our aim is to give you the financial security you need to live the retirement lifestyle you aspire to.

You can read more about how we look to help our clients with their planning for retirement. We've also produced **a handy FAQ** that gives more information about how we work.

If you would like to find out more, and discuss your own circumstances and arrangements, please email **hello@hitchell.com** or call us on **01892 532700**.

Please note

This guide is for information only. Please do not act based on anything you might read in this article. All contents are based on our understanding of HMRC legislation which is subject to change.

The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.