Agile
your financial life

10 valuable ways we can help you enjoy the lifestyle you want in retirement

0113 873 0202

advice@agileifa.co.uk

Retirement is traditionally seen by many people as a time to sit back and enjoy the rewards of your lifetime of hard work. That's why, when you come to retire, it's important to ensure that everything goes smoothly.

According to a study by **Aviva**, more than half of Brits aged between 45 and 60 are concerned about not having enough income in retirement to sustain their desired lifestyle. This is an understandable concern, as money worries are the last thing you need at such an important time of your life.

If you want to retire with financial peace of mind, it can be useful to work with a financial planner. This guide offers 10 valuable ways we can help you enjoy the lifestyle you want when that time comes.

If you want to take control of your financial situation and build your long-term financial plan, you've come to the right place. We'll work with you to create financial certainty, helping to give you the comfort and peace of mind that your retirement goals are achievable.

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Top 5 things over-55s have on their post-pandemic bucket list

1. See the Northern Lights
2. Travel on the Orient Express
3. Visit one of the Seven Wonders of the World
4. Live/buy a house abroad
5. Go on safari.

Source: **Royal London**

1. Make a plan for what you want from retirement

Before anything else, when planning your retirement there are two important questions that you must answer.

What does retirement mean for you?

When you retire, you have a wide array of options and so it's important to know what you want from it. How would you like to spend your time? Do you want to go on long holidays, focus on your hobbies, or just spend more quality time with your loved ones?

There are no wrong answers to this question, but it's important to have a reasonable idea, as this plan is the bedrock on which you'll start to build your lifestyle in retirement.

What kind of retirement do you want?

One option is the traditional "cliff-edge" style of retirement, in which you leave work on Friday and wake up the following Monday as a "retired" person. This can have its advantages but in recent years, many people have opted for a more phased approach.

This could involve slowly reducing the hours that you work, or even working in a consultancy role. One of the main benefits of this approach is that it allows you to regularly see old friends and colleagues and maintains all-important social contact with colleagues.

A further benefit would be that it gives you more time to build up your pension wealth, helping to reduce any financial anxieties that you may have.

2. Make sure that you have "enough"

Now that you have an idea of what you want from retirement, it's time to start thinking about the financial implications of stopping work.

One issue with thinking about the long term can be that we often can't predict what the future will bring. For example, in January 2020, nobody could have predicted the impact that the coronavirus pandemic would have.

Although most financial planners don't have a crystal ball to gaze into and predict the future – and you should be wary of those that do – we can help in other ways.

One of the methods we can employ to help you think about the long term is "cashflow planning".

Cashflow modelling can give you a clear picture of what your financial future could look like.

Imagine if you could retire right now, safe in the knowledge that you can live the lifestyle that you want without running out of money.

Essentially, this involves a full analysis of your current and future finances. This will include your income, as well as your regular expenditure. We'll also discuss how these could change in the future, and when those changes are likely to happen.

We'll also ask for details of your assets, such as investments or pension savings, along with any outstanding debts, such as a mortgage. This can help us to build an accurate picture of your financial situation.

We can then create a report that will outline some likely financial outcomes. This will take into account some variables that will impact you in the long term, such as:

- Your life expectancy
- Salary growth
- Likely annual inflation

We can also change these variables so you can see how they would affect your financial forecast, such as a rise in inflation or a higher salary from changing your job.

This analysis can be a good way of gaining more peace of mind as it gives you an accurate picture of what your finances may look like in 10- or 20-years' time. Furthermore, if your forecast shows that your desired lifestyle isn't sustainable, it can be a wake-up call to increase your pension savings.

If you don't define your objectives and the lifestyle you want in retirement, it can be hard to understand how much money you'll need. This lack of clarity could lead you to believe you are on track to reaching your aspirations when you may not be. We help you to define these objectives and then put a plan in place to achieve them.

3. Track down your old pensions

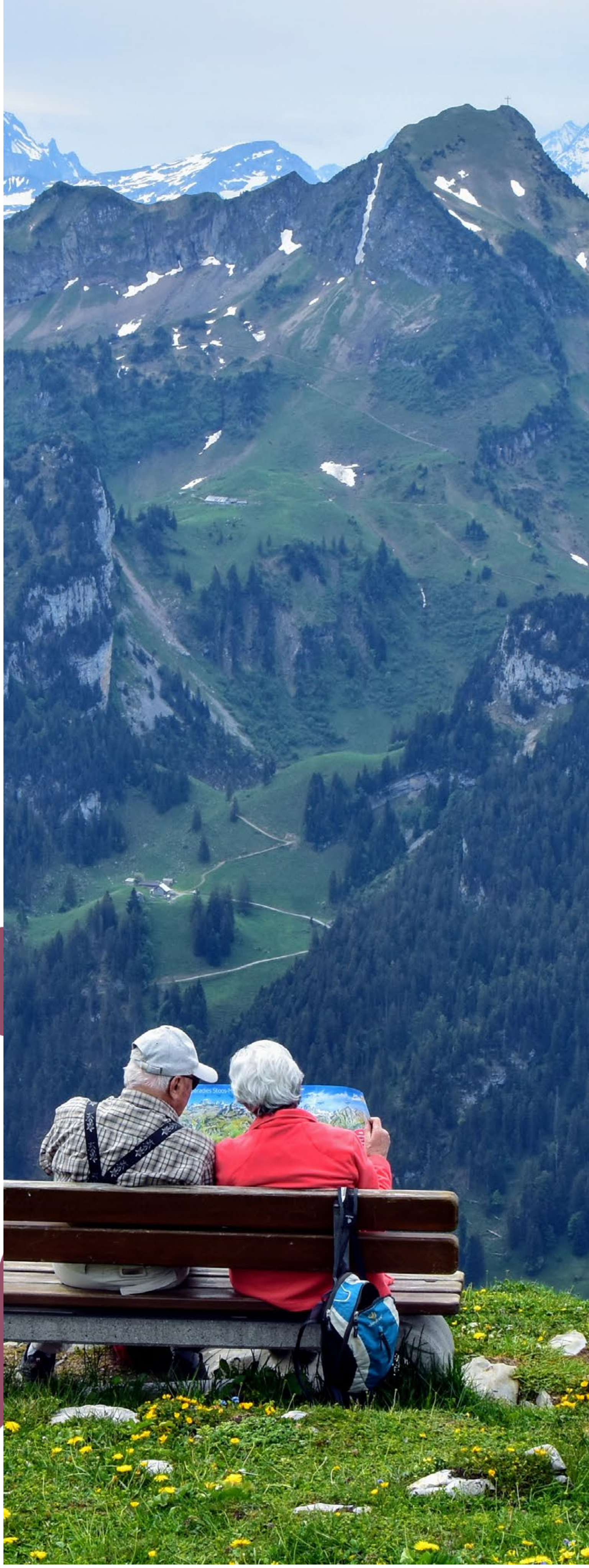
While in our parents and grandparents' day it was common to have one job for life, these days it's much more usual to have several employers over the course of your working life. While this offers more flexibility, it does pose one problem – the risk of losing track of old pensions.

The reason this is an issue is that you are losing potential wealth, which could be used to fund your lifestyle in retirement. If you have several workplace pensions, it can be easy to lose track of them, especially if they are small.

If you're concerned that you may have lost any of your workplace pensions, you can use the free **government website** to find them. Even if the amount in them isn't large, it's still worth having.

There are an estimated 1.6 million unclaimed pension pots in the UK. Between them, they have a total worth of £19.4 billion, meaning the average one is worth around £13,000.

Source: **Association of British Insurers**



4. Ensure that your pensions are working hard for you

If you want to ensure that you have enough income when you retire, it's important to ensure that your wealth is working for you.

One of the problems caused by having multiple workplace pensions is that you may be leaving a portion of your pension wealth to languish in a poorly performing fund. This means that your money may not be growing as effectively as you'd like.

This can pose a problem when the time comes to withdraw it, as you may have lost out on potential growth.

If you want to avoid this possibility, one option you may want to consider is consolidating your pension pots. The benefit of this is that it's easier to keep track of them, so you can help them to grow more effectively.

However, there can be some drawbacks to this strategy. Some pension schemes have added benefits, which you can only access if you remain a member until retirement. For example, you may get a guaranteed annuity based on favourable rates, but only if you don't transfer the fund to another scheme.

If you have such pensions, you need to think carefully and decide whether the benefits of consolidation outweigh the drawbacks. If you have trouble properly assessing what is the right decision for you, get in touch.

We can help you understand what you have, track down what you might have lost during your working life and create a financial plan to give you peace of mind that you'll retire with the income you need.

5. Maximise your tax efficiencies

One way to ensure that you have enough income in retirement is to maximise your tax efficiencies while you're still saving.

In any given tax year (6 April to 5 April), the government will give you tax relief when you contribute to your pension. This limit is known as your "Annual Allowance" and in the 2021/22 tax year it stands at £40,000 or 100% of your pensionable earnings. It's important to note that this limit is for all of your pension schemes.

The amount of tax relief that you receive is determined by how much tax you pay. For example, if you're a basic-rate taxpayer then every £100 that you contribute to your pension pot only costs you £80.

If you're a higher- or additional-rate taxpayer, you may also be able to claim back extra relief through self-assessment.

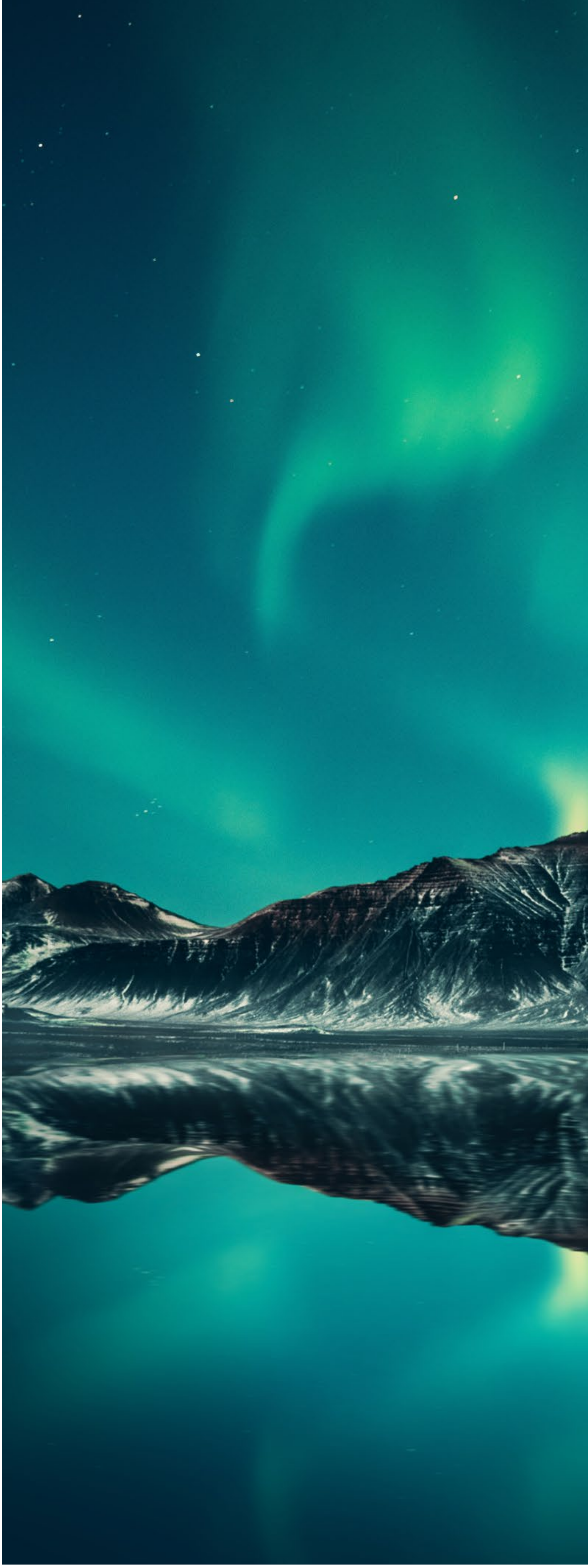
You can also typically carry over any unused allowance from the previous three tax years. For this reason, you may want to check your contribution history to see if you have any more allowance that you could use.

It's also important to bear in mind that there is a limit for how much you can contribute to your pension in your lifetime and still claim tax relief. This is called your Lifetime Allowance and in the 2021/22 tax year it stands at £1,073,100.

Tax relief is a useful way of topping up your pension contributions, so it's important that you make the most of your Annual Allowance.

Another option to save for retirement is an Individual Savings Account (ISA). One of the benefits of ISAs is that the returns are free of Capital Gains Tax and Income Tax, making them a tax-efficient way to save.

Each year, you have a limit on how much you can contribute into your ISAs. In the 2021/22 tax year this stands at £20,000 and applies across all your ISAs. Unlike with tax relief, it's important to bear in mind that this Annual Allowance does not roll over at the end of a financial year.



6. Ensure that you're getting the full State Pension you deserve

While you may have considerable wealth in private pensions, the State Pension can still play a significant part in retirement planning.

The State Pension is guaranteed to rise with inflation. This is because of the "triple-lock" system, which increases the pension every year based on the highest of:

- The rate of inflation
- Average growth in earnings
- 2.5%

Knowing that this portion of your income in retirement will not have its buying power eroded by time can give you significant peace of mind.

In the 2021/22 tax year, the State Pension will give you £179.60 per week. While this may not be as lucrative as some private pensions that you may have, it can be considered as the bedrock of your retirement income.

To be eligible for your full State Pension, you need to have 35 years' worth of National Insurance contributions.

If you have any gaps in your record, such as time spent out of work while you were unemployed or raising children, you can fill these in with National Insurance Credits. While some are usually added to your record automatically, you need to apply for others.

To find out if you're eligible for these credits, you can check the **government website** to find out more.

7. Protect your loved ones, so they can enjoy the retirement they want

One of the lessons that the coronavirus pandemic has taught us is that the unexpected can happen at any time, which is why it's important to protect yourself and your loved ones.

If you fall ill and are unable to work, have you ever thought about the knock-on effect this could have on your financial future?

Not only could you have to halt your pension contributions, but you may also have to dip into your savings to make ends meet. This obviously isn't ideal, which is why you should consider ways you could protect your income.

Important things to think about

What happens if you die?

Nobody likes to think about the possibility of death. However, your death could leave your loved ones with financial problems both now and in the future.

They may not have sufficient resources without you to maintain their lifestyle. And, without all your future pension contributions, they may not be able to enjoy their retirement to the full.

What happens if you become critically ill?

If you are diagnosed with a serious illness, it can have a massive impact on your life. You may have to take an extended period off work to recover or leave work entirely. This could affect both your lifestyle now and, if you can't keep up your pension contributions, in the future.

You may also face additional expenses at this time, such as the cost of treatment or adaptations to your home.

What happens if you can no longer work?

As recent months have shown us, we never know when ill health might strike. Having to take time off work due to illness, or if you've been in an accident, can have a serious affect on your income or lifestyle.

You may find it hard to keep up your mortgage commitments and other bills, and you may deplete savings you had earmarked for other important purposes.

Your employer may provide you with some valuable protection should the worst happen, or you may have taken steps to protect yourself by taking out cover such as life insurance.

Whatever your situation, we'll take all this into account and make sure you understand how well protected you are should the worst happen.

8. Make sure you have trusted people in place to manage your affairs if you can't

If you want to be able to retire with confidence, it's important to plan for every eventuality. Something you may want to consider is the possibility that one day you won't be able to manage your own affairs.

A Lasting Power of Attorney (LPA) allows a trusted person to make important decisions on your behalf in the event that you are ever unable to. Any adult can organise an LPA, but you need to arrange it while you have adequate mental capacity, so it's better to do it sooner rather than later.

There are two main types of LPA which could help you.

A Health and Welfare LPA

A person that you appoint to this role would look after your best interests such as your daily routine, any medical care you might need, and potentially the decision to move you into care if you need it.

A Property and Financial Affairs LPA

The person you appoint to this role would act on your behalf for financial issues. This may include managing your estate, paying bills, and collecting benefits for you.

Having an LPA in place can give you peace of mind that your best interests will be looked after if the worst should happen. This can be especially useful if you have dependants who might struggle financially if you were unable to make decisions.

9. Pass wealth to future generations tax-efficiently

If you're approaching retirement, you have probably already thought about what you'd like to leave to your loved ones when you pass away. This may be treasured heirlooms or fond memories, but a hefty tax bill is rarely one of them.

If you haven't already done so, write your will. This can give you peace of mind that your estate will be divided how you want following your death. If you already have a will, it's important to revisit it regularly to ensure it still reflects your wishes.

It's also important to consider the Inheritance Tax (IHT) implications of your wishes, as your loved ones may have to pay up to 40% tax on the value of any assets that you leave to them over the "nil-rate band" threshold.

However, you may be able to avoid this through gifting your assets before you pass away. In theory, you can give gifts of unlimited value, as long as you do so seven years before you die.

If you choose to make a financial gift but then pass away before those seven years are up, your beneficiary may have to pay IHT on the value of them. However, a sliding scale of tax means that the longer you survive after making the gift, the less tax will be owed.

Everyone has an IHT exemption of £325,000. If you're passing your home to your children or grandchildren, you may be able to increase that figure by an additional £175,000.

Inheritance Tax laws can be complicated and making a mistake can be very costly. If you want to maximise your tax allowances and minimise the tax bill that your loved ones would have to pay once you pass away, get in touch and we'll explain all your options and help make sure your wealth is passed to your loved ones.

10. Work with you to get the outcome you want

When it comes to managing your finances, many people are tempted to try to do it themselves. But if you've ever tried DIY and had it go wrong, you'll know how expensive it can be to make a mistake.

When you work with a financial planner, they can help you to manage your wealth in the most effective way, and help you to understand the more complicated aspects, such as tax rules. Knowing that you have enough money to enjoy the retirement lifestyle you want brings with it invaluable peace of mind.

According to a study by **Royal London**, working with the International Longevity Centre, seeking financial advice has a myriad of benefits. This includes greater feelings of confidence, better understanding of financial concepts, and less anxiety over your financial future.

Retirement should be a time to relax and enjoy the rewards of your lifetime of hard work, which is why concerns over money are the last thing you need.

Clients who received financial advice felt more able to take risks with their wealth, due to greater confidence. This change in their tolerance to risk translated to an increase in their wealth of £47,000 over the course of a decade.

Source: **Royal London**

Get in touch

Understanding the lifestyle you want is central to our advice.

I'm a Chartered Financial Planner, specialising in wealth management, retirement planning, and estate planning for individuals, families and businesses.

If you want to retire with confidence and enjoy your retirement to the fullest, get in touch. Email **advice@agileifa.co.uk** or call us on **0113 873 0202**.

Please note:

This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future results.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

The Financial Conduct Authority does not regulate estate planning, tax planning or will writing.