

Grayside Financial Services

1st Floor, 55 High Street,
Epsom, Surrey KT19 8DH

Tel: 01372 726 162 Fax: 01372 724 988

Email: enquiries@grayside.co.uk



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A long life needs a smart retirement plan

Reaching the big 50 can be a financial wake-up call

Your 50s are a crunch time when saving for your retirement. If you've already set a retirement savings target but have been neglecting it, the reality is that now you can't afford to delay your planning any further – and it's time for a careful review.

Are you on track to retire when you want to? Do you have enough in your pension pot to retire comfortably? A comfortable lifestyle means different things to different people. If you're in your 50s, it's important to make retirement planning a priority if you haven't done so already. At this age, retirement is no longer a distant concept, and time is short if your plans aren't on track.

WILL YOU HAVE ENOUGH MONEY FOR RETIREMENT?

One of the advantages you have in your 50s is that you are no longer relying on very long-term projections to determine if you have enough for retirement. The decision to retire will also depend on how financially independent you are, how healthy you are and even perhaps whether you have hobbies or goals you'll want to pursue.

Now is the time to think about your retirement income goals and the steps that you need to take to achieve your goals. One of the most important things to do in your 50s is to work out how much money you'll need to retire comfortably.

There are many variables to consider, including

the age that you plan to retire, your life expectancy, your income requirements in retirement, your expected investment returns, inflation, tax rates and whether you qualify for the State Pension.

Given the number of variables, this part of the retirement planning process is not always straightforward.

DO YOU KNOW THE ANSWER TO THESE QUESTIONS?

Q: *When do I want to retire?*

Q: *How much income do I want in retirement?*

Q: *Do I have previous personal or company pension plans that need reviewing?*

Q: *Can I work part-time and take some of my pension?*

Q: *How much will my State Pension be?*

Q: *Where is my pension money invested, and is it growing?*

Q: *Can I retire early?*

PROVIDING YOU WITH MORE CLARITY

Nowadays, it's common for many people to have accumulated an array of different pension agreements throughout their working life. By the

time you have been working for a decade or two, you may have accumulated multiple pension plans on your career journey.

If appropriate, it may be worth considering a pension consolidation at this stage of your retirement planning process. This could provide you with more clarity in relation to your overall pension savings and make it easier to plan for your retirement. You may also benefit from lower costs.

But not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the different pension agreements you are thinking of transferring. It is a complex decision to work out whether you would be better or worse off combining your pensions.

ALTERNATIVE WAY TO GROW YOUR PENSION SAVINGS

In your 50s, one alternative way to grow your pension savings is to save money regularly into a Self-Invested Personal Pension (SIPP) account. This is a government-approved retirement account that enables you to hold a wide range of investments and shelters capital gains and income from HM Revenue & Customs (HMRC).



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SIPP contributions receive tax relief. Basic-rate taxpayers benefit from 20% tax relief, meaning an £800 contribution is topped up to £1,000 by the Government, while higher-rate taxpayers and additional-rate taxpayers can claim an extra 20% and 25% tax relief respectively through their tax returns. Please note that the tax relief claimed from your tax return won't be automatically added to your SIPP.

There is a limit to how much tax relief you are entitled to. It is currently applicable to contributions up to £40,000 or 100% of your earnings – whichever is lower. Another special feature is the three-year carry-forward rule. This rule allows you to carry the last three tax years' annual allowance into the current tax year.

This is a useful feature for people who were unable to use up their annual allowances in the past but have the ability to do so for the current tax year. You must use this year's allowance before using the carry forward rule.

There is also the option to invest within a Stocks & Shares ISA. Like the SIPP, this type of account allows you to hold a wide range of investments, and all capital gains and income are sheltered from HMRC. Each individual can contribute £20,000 per year into a Stocks & Shares ISA.

GOOD TIME TO REVIEW YOUR ASSET ALLOCATION

Your 50s is also a good time to review your asset allocation. You'll want to ensure that your asset allocation matches your risk profile now that you are getting closer to retirement. As you move closer to retirement, and if appropriate to your situation, it may be sensible to begin reducing your exposure to higher-risk assets such as equities.

You need to pay close attention to your asset

allocation and consider de-risking your portfolio. With retirement just around the corner, you don't want to be overexposed to the stock market, as there is less time to recover from a major stock market correction.

If retirement beckons in the short to medium term, you may look to build a sustainable portfolio with perhaps an emphasis on greater income and reduced volatility and risk. However, moving away from an exposure to growth assets entirely or too early can be very expensive, so it's essential you obtain professional financial advice before taking any action.

Unless your situation is unusual, some retention of these growth assets is going to be required during a retirement that could last more than 30 years. It's important to balance the need for liquidity and an exposure to growth assets.

REVIEW YOUR RETIREMENT PLANNING ON A REGULAR BASIS

Finally, in your 50s, it's important to review your retirement planning on a regular basis. As with any other aspect of your personal finances, it's essential to conduct regular reviews of your pension arrangements to ensure that they fit best with your current situation.

A regular review will ensure healthy progression towards retirement by checking that you are firmly on track with your retirement goals. This is the time to adjust your plan to fit any evolving needs and desires for your post-retirement years. We all change as people over time, and our pension pot needs to reflect our most current reality.

Retirement planning is a continual process, and the more often you review your progress, the more prepared you'll be for retirement and the more in control you'll feel. At a minimum, aim to review your retirement planning at least

once annually to ensure that you're on track to achieving your retirement goals. ■

WE'RE WITH YOU EVERY STEP OF THE WAY

Are you already saving into your pension or just getting started? Whatever stage you're at, we'll give you a clear idea of how much you'll need to afford the lifestyle you want after you retire. To find out more or to discuss your requirements, please contact us.

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