YOUR RETIREMENT OPTIONS

Freedom & Choice

LONSDALE

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We offer financial planning to help you achieve your financial goals in retirement, whatever your age. Let our independent financial advisers explain how your retirement options are affected by the new 'Freedom & Choice in Pensions', so you achieve the retirement you want.

Simon Hawker
Managing Director
Lonsdale Services

Your Retirement Options
Freedom & Choice

Before Retirement

Some way off

You may not be thinking much about retiring, as you're probably only 45–55 years of age, and have at least 10–15 years to work until your selected retirement date (SRD).

Almost there

You are starting to consider your retirement options, as your selected retirement date is about 5 years away.

Reaching Retirement

Your choices

You are now in the process of retiring, but may want to keep working full time and leave your pension pot, stop work completely and take an income from your pensions, or work part-time and supplement your earnings with your pension income.

In Retirement

More freedom

You are now likely to be fully retired and receiving an income from your pensions and other investments.

Taking it easier

As you get older you may want to spend more time at home and require less pension income.

Later life

Your financial priorities may change now – you may have health issues, care costs and require financial advice about legacy and estate planning.

Before Retirement – Some way off

What to consider when you are some way off from retirement?

1. Set up your financial plan early to achieve your financial goals and objectives in retirement.
2. Use the Lonsdale Lifetime Financial Planner to calculate your retirement income.
3. Keep your plan on track by annually reviewing it with your Financial Adviser.

When we set up your Lifetime Financial Plan, your Financial Adviser will discuss the following with you :

- ☐ When do you want to retire?
- ☐ When you reach your selected retirement date, do you intend to give up work completely or work part-time?
- ☐ How much income do you need to fund your lifestyle in retirement?
- ☐ How much savings do you require to generate your required income?
- ☐ Will your existing savings and investments achieve your financial goals at retirement?
- ☐ Are you utilising all available tax allowances?

Case Study

Jack – 54 years old – sales manager earning **£60,000** p.a.
Member of his company's defined contribution scheme – value **£150,000.**
Defined benefit pension scheme – value – **£25,000** from a previous employer.

Anne – 53 years old – teacher earning **£35,000** p.a.
Contributes to Teaching Final Salary Pension Scheme – value **£15,000** p.a.

Dependents – two children aged 25 and 26. No mortgage on their home.
Cash savings valued at **£50,000**.

Key Considerations

1. Jack and Anne want to travel when they retire. They want to know how long they will have to work and what level of pension income they will have in retirement?
2. Their two children are currently renting. They would like to gift money to them so they can buy their first homes.

Aaron Abraham, Financial Adviser, Harpenden, said:

'I would review Jack and Anne's current expenditure and consider how much retirement income the couple require as they plan to travel extensively when they retire. I would then review their current savings, investments and pensions and prepare a Lonsdale Lifetime Financial Plan for them. By modelling various scenarios I could show them how saving more into their pensions now and taking advantage of tax-efficient products such as ISAs could have a big impact on their final retirement income. Their Lifetime Financial Plan would also show them when they could afford to retire. I would explain the recent changes to pension regulation so they understood how the new 'Freedom & Choice in Pensions' would affect them. Finally I would factor into their plan gifting money to their children to purchase their own homes.'

Conclusion

By taking financial advice, Jack and Anne have their own Lifetime Financial Plan that could be reviewed annually and adapted for any change in circumstances, so they can remain confident that they will achieve their financial goals in retirement.

Before Retirement - Almost there

What to consider when you are almost at retirement?

1. Use your Lonsdale Lifetime Financial Plan to project the level of income you require by factoring in any special purchases.
2. Create a plan that ensures you save enough to produce the income you require.
3. Plan now to ensure you generate income in a tax-efficient way.
4. Keep your plan on track by annually reviewing it with your Financial Adviser.

When we set up your Lifetime Financial Plan, your Financial Adviser will discuss the following with you :

- ☐ When do you want to retire?
- ☐ When you reach your selected retirement date do you intend to give up work completely or work part time?
- ☐ How much income do you need to fund your retirement lifestyle?
- ☐ Are you maximising your pension contributions without exceeding your annual or lifetime allowances?
- ☐ Are you maximising death benefits for your family?
- ☐ Are you making full use of your tax allowances?

Case Study

Alan – 56 years old – accountant earning **£80,000** p.a.
No mortgage on his home.
Defined benefit pension scheme **£45,000** p.a. from **aged 60**. Savings and investments valued at **£350,000**.
Dependents – three daughters aged 28, 25 and 23.

Key Considerations

1. Is Alan currently utilising all his tax allowances?
2. Can Alan afford to maintain his lifestyle in retirement?
3. How can Alan pass his wealth to his daughters tax-efficiently?

Deb Nolan, Financial Adviser, Leeds, said:

'On meeting Alan I would explain how the new 'Freedom & Choice in Pensions' legislation would affect him, and his pension options in retirement. I would review his current income and expenditure, and understand what his potential retirement expenses are likely to be. All this information would be used to prepare a Lifetime Financial Plan. The model would show him how he could benefit in retirement if he currently took advantage of his full tax allowances. By reviewing his current savings, investments and his pension I could provide advice about other products that offer a higher return for a similar amount of risk. I would review Alan's options for estate planning, and discuss gifting income to his children now to potentially avoid inheritance tax costs.'

Conclusion

By fully utilising his tax allowances and switching his investment portfolio into better performing assets, Alan could potentially increase his retirement income. Now Alan has set up his Lifetime Financial Plan he is confident he can maintain his lifestyle in retirement, even if he starts gifting income to his daughters earlier than he expected.

Reaching Retirement - Your choices

What to consider at retirement?

1. Review your Lonsdale Lifetime Financial Plan to ensure your retirement income will achieve your financial goals.
2. You may want to continue working and want to factor this into your long-term plans.

When we review your Lifetime Financial Plan, your Financial Adviser will discuss the following with you:

- ☐ Should you take some tax-free cash from your pension or not?
- ☐ How can you take income from your pension in the most tax-efficient way?
- ☐ How can you be flexible in the amount of future pension income you take?
- ☐ How to minimise the risk of your investment portfolio?
- ☐ How can you pass wealth to any dependents tax efficiently?
- ☐ How should you provide now for later life?

Case Study

Sam – 65 years old – supermarket manager earning **£40,000** p.a.
Defined contribution pension scheme – value **£260,000**.

Joyce – 60 years old – care worker earning **£15,000** p.a.
No private pension but entitled to a full state pension.

No dependents.
£30,000 mortgage on main residence.
Savings and investments valued at **£75,000**.

Key Considerations

1. The couple want to know more about their options at retirement, and whether they can afford a 6-month round-the-world holiday.
2. Sam wants to continue working part-time but is uncertain of the tax implications.
3. The couple want to know if they can afford to pay off their mortgage.

Richard Porter, Financial Adviser, St Albans, said:
'It is important that Sam and Joyce understand how the recent 'Freedom & Choice in Pensions' changes will affect their pension options. Before producing a Lifetime Financial Plan for the couple, I would want to understand their key priorities for retirement. I would review their current expenditure and analyse their investment portfolio to ensure they weren't taking on too much investment risk now they were retired. This would enable me to present different scenarios to the couple. For example, I could demonstrate how they could afford their round-the-world holiday in retirement if they invested their savings more tax-efficiently, and took some of Sam's tax-free cash from his pension.'

Conclusion

The couple were delighted to see that by making a few changes to their current investment portfolio they could fund their round-the-world holiday. Their Lifetime Financial Plan also showed Sam that if he worked part-time for another 5 years he would be able to pay off the couple's mortgage while living off his pension income.

In Retirement – More freedom

What to consider when you fully retire?

1. Review your Lonsdale Lifetime Financial Plan to ensure it can provide the retirement income you require.
2. Ensure you have enough money to live on for the rest of your life.

When we review your Lifetime Financial Plan, your Financial Adviser will discuss the following with you:

- ☐ Are you entitled to any state pension?
- ☐ Are you drawing pension income in the most tax-efficient way?
- ☐ Review any future potential expenditure.
- ☐ Should you delegate control of your finances?
- ☐ How to pass wealth to any dependents tax efficiently?
- ☐ How to provide for later life and plan for funeral expenses?

Case Study

Jenny – 68 years old – retired marketing manager
Defined benefit pension scheme – **£23,000** p.a.
Recently widowed and no dependents.
£300,000 life assurance lump sum from husband.
No mortgage on her home.
Cash savings valued at **£38,000**.

Key Considerations

1. To understand how the new pension changes affect her.
2. To plan for potential care costs in later life.

Neil Homer, Financial Adviser, Stafford, said:

'Before I prepared a Lifetime Financial Plan for Jenny I would want to understand her financial goals and aspirations now she is fully retired, and the type of care she would potentially require in old age. I would review her current income and expenditure, and explain how she could benefit from the flexibility introduced by the new pension changes. After inputting all the information into her Lifetime Financial Plan I would model how the £300,000 life assurance lump sum could be invested to fund her retirement costs, and fund any care costs she may require. I would also consider the value of her current property and model how much income she could generate to further supplement care costs if necessary.'

Conclusion

Jenny now appreciates that it is never too late to start financial planning. She is reassured that she could sell her home and invest the life assurance lump sum to cover any potential care costs. This has given her the confidence to maintain her current spending and enjoy her retirement while she is in good health.

In Retirement – Taking it easier

What to consider when you want to slow down?

1. Continue to review your Lonsdale Lifetime Financial Plan to ensure it is fit for purpose and can provide you with enough money to live on for the rest of your life.

When we review your Lifetime Financial Plan, your Financial Adviser will discuss the following with you:

- ☐ Are you drawing your pension income tax-efficiently?
- ☐ Do your estate planning instructions take advantage of tax changes?
- ☐ Can you fund potential care costs?
- ☐ Who could you nominate to assist you with financial decision-making as you get older?
- ☐ Is your will and power of attorney up-to-date?

Case Study

Henry – 78 years old – retired bank manager
Defined benefit pension scheme – **£60,000** p.a.

Judy – 76 years old – retired nurse
Defined benefit pension scheme – **£15,000** p.a.

No mortgage on their home. Savings and investments valued at **£500,000**.
Dependants – two sons aged **46** and **50** (5 grandchildren).

Key Considerations

1. Henry and Judy want to enjoy their retirement and are finding it difficult to find the time to manage their savings and investments, so want to appoint a Financial Adviser.
2. The couple want to check that their will is still relevant and review their power of attorney.

Simon Prestcote, Chartered Wealth Manager, Barnet, North London, said:
'I recommend that one of their children always attend our meetings to help their parents. As their will has not been updated since their grandchildren were born, the couple should review it. I would also discuss how the couple could start to tax-efficiently pass wealth to their children, and recommend they set up lasting power of attorney. After reviewing their savings and investments and preparing a Lifetime Financial Plan, I would recommend there is an opportunity to take steps to mitigate inheritance tax and simplify the management of their assets. To meet their income requirements and maximise tax allowances, I would recommend moving some assets into a managed portfolio, and set up a trust arrangement to help mitigate potential inheritance tax.'

Conclusion

By simplifying their finances the couple have reduced their paperwork and reduced their annual charges and transaction costs. Producing a Lifetime Financial Plan enabled them to see they had enough income to live off in retirement, and enough capital to cover any potential long-term care costs. This has given them the confidence to start gifting money to their children. Appointing a Financial Adviser and nominating their children to help with their finances and power of attorney has given them peace of mind for the future.

In Retirement – Later Life

What to consider in later life?

1. Review your Lonsdale Lifetime Financial Plan to ensure it is fit for purpose and can meet any increased income needs for potential care costs or hospital expenses.

When we review your Lifetime Financial Plan your Financial Adviser will discuss the following with you:

- ☐ Does your pension allow you to continue to draw your pension income tax-efficiently?
- ☐ Does your legacy and estate planning instructions enable you to pass wealth to your dependents where appropriate?
- ☐ How can you release further income to pay for potential care costs?
- ☐ Is your will and power of attorney up-to-date?

Case Study

Peter – 80 years old – retired surveyor
Defined benefit pension scheme – **£20,000** p.a.

Anne – 83 years old
Full state pension.

Savings and investments valued at **£50,000**.
Dependants – one daughter aged **60** (3 grandchildren).
No mortgage on their home.

Key Considerations

1. Do Peter and Anne have enough money to cover potential care costs?
2. Can the couple afford to gift income to their grandchildren to pay for university fees?

Allan Ross, Financial Adviser, Ware, said:
'As a priority I would prepare a Lifetime Financial Plan for Peter and Anne and review their current and future income and expenditure. As we know the current value of their home, I can model various different assumptions for them to show how certain decisions would affect their cash flow, tax situation and care provision. I would consider how much income they require if they both needed care provision and/or if one of them went into a care home and the other sold the family home and purchased a smaller home. I would also model how much income they could afford to gift to grandchildren.'

Conclusion

By reviewing their finances the couple have reduced their income tax liabilities and potential inheritance tax liability. Although it was difficult for them to discuss the possibility of long-term care, reviewing all the options and costs was positive as they now feel confident that they could both afford to go into care if necessary, and gift a small amount to each grandchild when they reach 18 years of age.

Because you deserve independent advice and support

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T 01727 845500 **E** enquiries@lonsdaleservices.co.uk **W** **www.lonsdaleservices.co.uk**

Lonsdale Services Limited 3 Curo Park Frogmore St Albans Hertfordshire AL2 2DD