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FACTSHEET

10 steps to a brighter retirement

Concerned about the financial aspects of retirement planning?

With all the talk and concern about dwindling retirement funds and our shaky economy, many retirees and soon-to-be-retired boomers are concerned about the financial aspects of retirement planning. These are 10 steps to give you a brighter retirement.

1. From 6 April 2015, on reaching the age of 55 you can now use your pension savings in any way you like. The first 25% can be taken as tax-free cash and the remainder used as you wish (all income or capital withdrawals subject to your marginal rate of tax at the time).

2. If you are thinking about retiring soon, then it is imperative you move your assets into cash, or near cash, before your retirement date. In the present climate, with annuity rates low and equities having fallen in value, it makes sense to be in cash to protect the fund from further possible falls in value while you consider an annuity purchase.

3. If you have an appropriately sized fund and are considering an unsecured pension, otherwise known as 'income drawdown', then having a portion of the fund in cash to fund the first couple of years' income payments is sensible.

4. Consider when you want or need to take your benefits – from both state and any private pensions. You don't have to use them at 'traditional' retirement ages or when you stop working.

5. If an income is important to you, consider all the different options available to you, such as an annuity, an investment-linked annuity and income drawdown. Each of these comes with different risks – income from drawdown or an investment-linked annuity could fall in future.

6. Consider the 'cost of delay' – if you are looking for a guaranteed lifetime income, then an annuity could be your safest option. By delaying any decision until next year, you are losing out on income this year, which could take many years to make up.

7. Think about how much flexibility you need over your income, bearing in mind you may be in retirement for 20 plus years, and if you want to protect your spouse or partner when you die.

8. With annuities, the income is guaranteed but may come with the risk of inflation, which means the income you receive may not buy as much in the future. You can protect your income from inflation but this comes at a cost.

9. If you buy an annuity, don't automatically purchase it from the company you saved with. Make sure you shop around other providers, giving full information about your health and lifestyle – this can help you get a substantially bigger income.

10. Improved longevity needs to be considered. Even though our activities and expenditure decrease with age, income will still need to cover the cost of living longer. If you do need to replan, then it's important to take action sooner rather than later and to avoid leaving things to chance.

IS IT TIME TO REASSESS YOUR RETIREMENT PLANS?

In the light of the pension freedoms announcements, it makes sense to review your pension provision and assess how these changes could affect your plans. To discuss your particular requirements or for further information, please contact us.