CORDINER WEALTH

10 key things to consider as you approach retirement

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If you are within five to ten years of your planned retirement date, it's essential that you start making plans if you haven't already. If you do already have retirement plans in place, it's important to review them to make sure they are still on track.

Whether you've been employed or you've built your own business, you have worked hard to achieve your success. Targeted, timely planning increases the chances of you being able to enjoy the rewarding retirement you deserve.

We like to see retirement as the start of an exciting new era; you have completed your working life and can now enjoy doing the things you want to do. Having this perception means that you'll give your retirement planning the attention it deserves.

It's likely that up to now a lot of your financial arrangements have been transactional rather than part of a wider holistic plan. You've needed life insurance linked to your mortgage, and maybe you've had different pension arrangements in place through your working life.

Now is the time to start pulling the different threads together to make a coherent plan that will take you successfully into, and through, your retirement.

In this guide you will find 10 things you should do now to give you the best chance of achieving the retirement you deserve.

Cordiner Wealth have been advising clients and helping them with their retirement planning for more than 25 years.

We'd love to chat through your goals, hear about what matters most to you and see where we could help.

Email us at **hello@cordinerwealth.co.uk** or call **0113 262 1242**.

Alternatively, use our online **book a call** facility to schedule an initial consultation.

1. Draw up a retirement plan

If you don't already have a retirement plan in place, then putting one together should be a key priority. To get started, it's helpful to start thinking about your answers to three key questions:

- When do I want to retire?
- What do I plan to do once I've stopped working?
- What money will I need to achieve the retirement I want?

The answers to those questions will form the outline of your retirement plan.

Another important part of your planning process is mapping out your current cashflow. You should make sure you include details of all your regular all income and outgoings. Additionally, make a note of any large items of expenditure that you have planned in the next five years. This could include things like university fees, or care costs for an elderly relative.

Your plan should include details of all your outstanding debts, credit cards, loans etc, with a realistic plan of how you'll pay these off before you retire.

Next steps – Put together a retirement plan or update your existing plan and review it as your circumstances change.

Financial Advice Tip: A financial adviser can help you put your plan together and run cashflow forecasts to work out how much money you'll need in retirement.

2. Review your existing pension arrangements and consider consolidation

It's likely that your pension funds will form a key part of your income in retirement. You should therefore put together a schedule of all your different pension holdings so you can see exactly what you have.

You could easily have a series of different arrangements from different jobs, such as stakeholder pensions and workplace schemes, as well as any personal pensions you may have set up yourself. The schedule should include full details of all the arrangements you have, including:

- Current value
- Projected value at the date you're planning to retire
- How your current funds are invested
- Whether there are any guaranteed benefits.

If you're unsure of any details, there's a **government website** to help you find details of schemes you might have lost track of.

Pension consolidation

Once you have a clear idea of all your pension arrangements, you might want to consider consolidating them all into a single plan.

Having a single pension plan can make it much easier to review and manage what you have – making your retirement planning process easier. Consolidation could also potentially save you money by reducing the charges you pay.

Consolidation can also give you the opportunity to adjust how your pension is invested – which could also mean reduced investment charges, as well as investment in funds more appropriate to your circumstances.

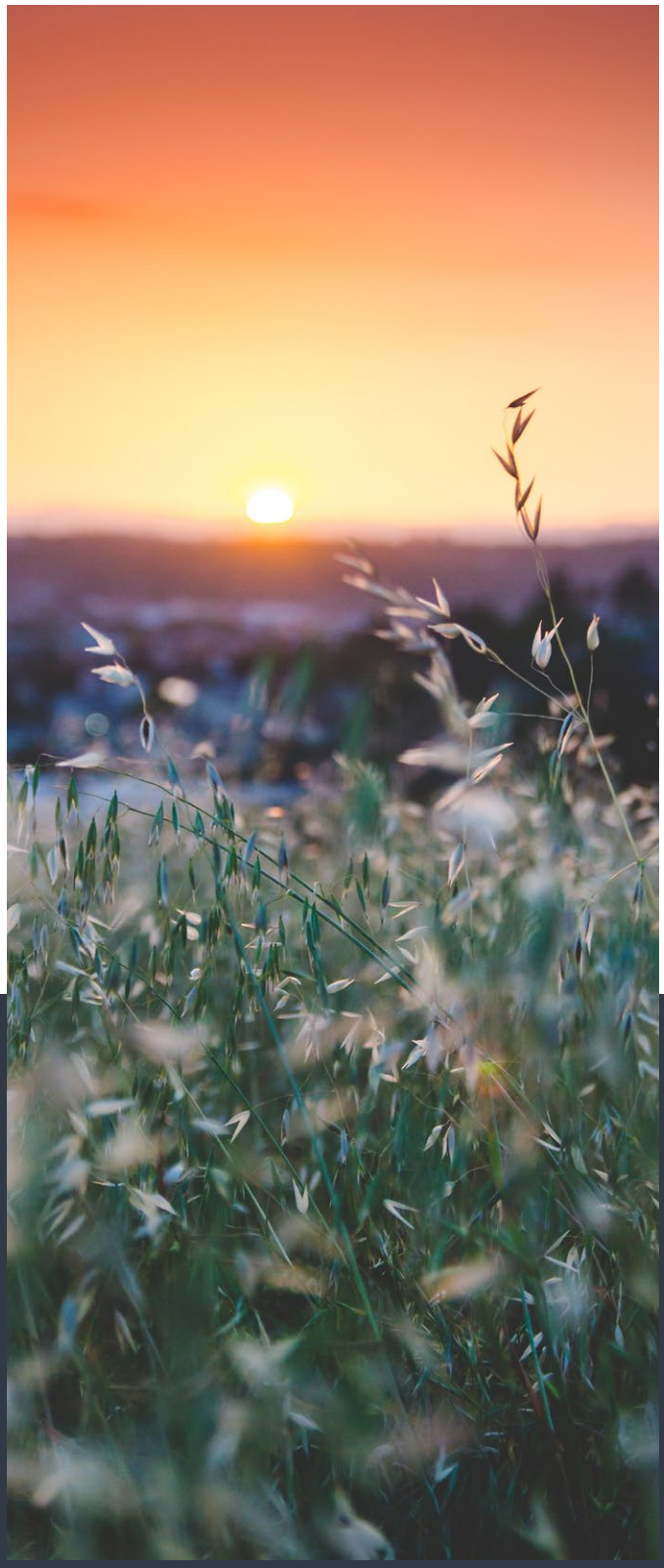
However, consolidation is not always the best option. For example, the Financial Conduct Authority (FCA) state that it is rarely in your interest to transfer out of a defined benefit (final salary) scheme. You should also be careful about existing pension arrangements that have any guaranteed benefits, or reduced charges. In these circumstances, consolidation may not be the right choice.

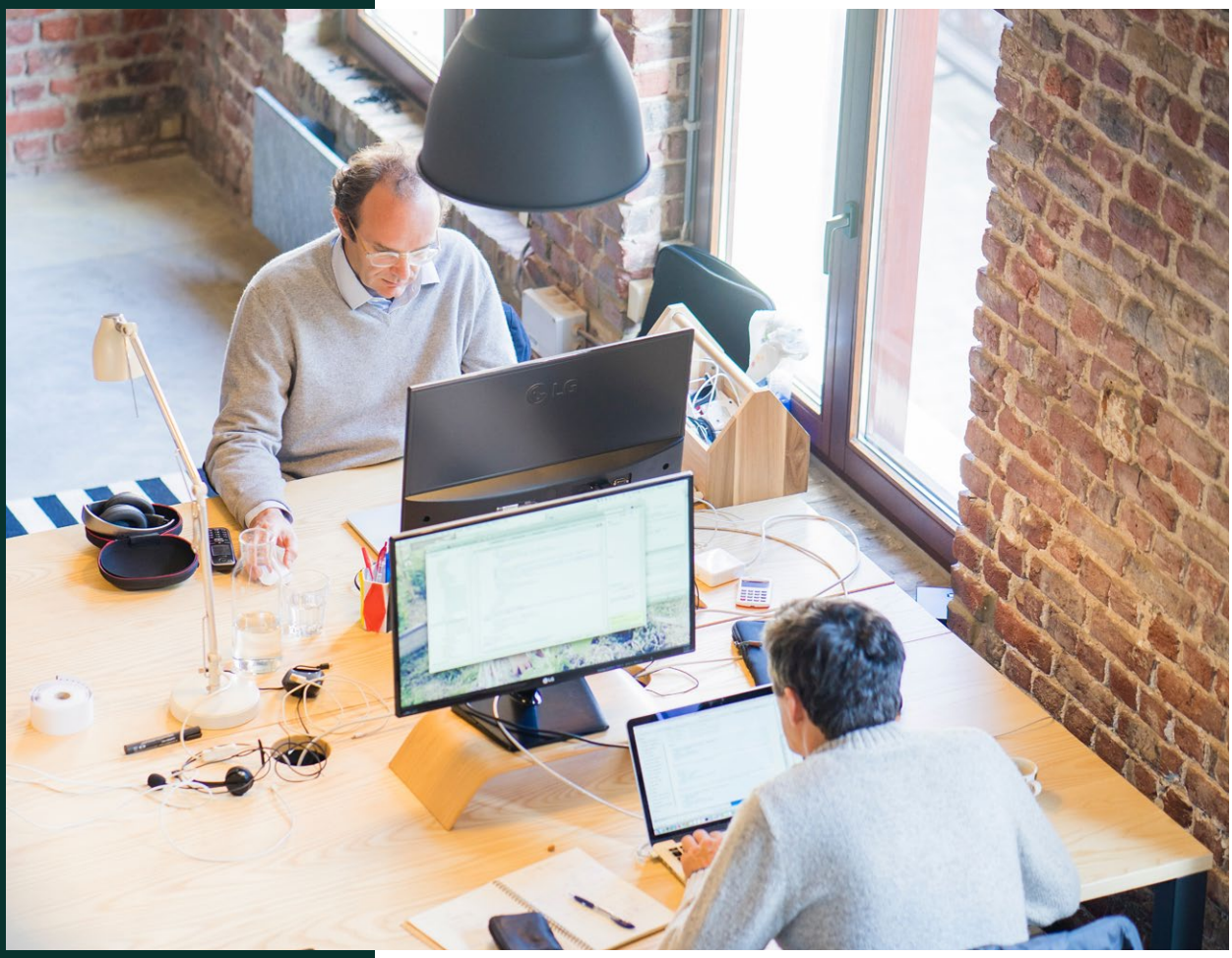
Your State Pension

Although the current level of State Pension of around £9,000 a year is probably not enough to live on comfortably, it's a guaranteed monthly income for life, which will increase each year in line with inflation. You can **request a forecast** to find out exactly how much your State Pension will be when you retire.

Next steps – Put together a schedule of all your pension arrangements. Request details of all plans – current values, guaranteed benefits etc. Get a statement of your State Pension entitlement.

Financial Advice Tip: You should get advice before consolidating your pensions, and if you're thinking of transferring out of your defined benefit scheme





3. Maximise your pension contributions

Once you have put your retirement plan together, and reviewed your existing pension arrangements, you should start to get an idea of how much you'll need to contribute to fund the retirement you're hoping for.

Even if you think there's a big shortfall between what you have and what you think you'll need, it's never too late to start saving for your retirement. The tax advantages mean it's an incredibly effective and efficient way to save money.

Basic-rate tax relief

If you're a basic-rate taxpayer, the government will add 20% tax relief to whatever you contribute. So, for every £80 you pay into your pension, they will add an extra £20 on top. You don't need to do anything to claim this. Your pension provider will claim this from the government and add it to the value of your arrangement.

Higher- or additional-rate relief

If you're a higher or additional rate taxpayer, you can claim extra tax relief through your tax return each year. Remember to claim for the total amount paid in – your contribution plus the basic-rate tax relief received at source.

For example, if you pay £200 a month, you'll receive £50 tax relief on top of that, so you can claim higher or additional rate relief on £250.

If you are already contributing to a pension plan, you should consider increasing your contributions. The table below demonstrates how an annual increase of just 5% a year can have a real impact on your final fund value based on initial contributions of £200 each month.

Starting Age	Value at age 65	Value at age 65
	No increase to contributions	Increasing contributions by 5% each year
50	£48,931	£67,932
55	£29,339	£36,325
60	£13,235	£14,571

Source: **thecalculatorsite.com**

We have assumed an annual investment growth rate of 4%. All figures quoted are gross, before any deductions are made for charges.

Next steps – Review your finances and see how much you could contribute to your pension. If you are already paying into a pension, consider increasing your contributions.

Financial Advice Tip: Look to maximise your pension contributions as much as possible. As well as monthly payments, you can also pay in one-off lump sums.

4. Decide if you want to continue working

More and more people are choosing to continue working in some capacity after retirement. Many find that working becomes less of a chore if you're doing it because you want to, rather than because you have to.

The Covid-19 pandemic has prompted many people to see homeworking as the way forward, rather than struggling with a daily commute to the office.

You might have considered working closer to home or reducing your hours and enjoying more leisure time. Phasing your retirement in this way allows you to remain active, and start to wind down into retirement gradually, rather than it being a single event.

Next steps – If you do want to carry on working, make sure this is reflected in your retirement planning. Ensure your income is structured tax-efficiently if you're working part-time or on a consultancy basis.

Financial Advice Tip: You can take money from your pension to supplement your earnings, but this will impact on the amount you can continue to contribute. An adviser will be able to guide you on this.

5. If you have a business, make sure you have plans in place

If you're a business owner, you'll obviously want to take your business into account when it comes to putting your plans together as you approach retirement.

Planning is essential, as there are likely to be steps you'll want to take to ensure your business ends up being run by the people you want.

If you're intending to sell your business you should arrange to have it valued, including the value of all business assets.

If your intention is to pass the business on within your family, you should start thinking about how that process will play out, and ensure all interested parties are involved in the decision-making process.

Next steps – Make sure you have a detailed business exit plan in place and that your family and business colleagues are keep informed of your intentions.

Financial Advice Tip: If you own your own business, how you deal with it as you get close to retirement will be crucial. An adviser will be able to recommend the best way to manage this.

6. Consider your investment strategy

How you invest your pension and other savings can be crucial to the success of the fund.

Different investments carry different levels of risk. Higher risk investments have the potential for higher investment returns, but equally have a higher chance of sudden short-term temporary declines.

As you get closer to retirement, a sudden drop in value could impact on your retirement plan, as it may take time for your fund value to recover. You may want to consider starting to move some or even all your pension funds to lower risk investments.

Investing can be complicated, so if you are not sure about different investment strategies, we would strongly recommend you get financial advice.

Next steps – Check the investment details of your current pension arrangements, plus any other invested assets you currently hold.

Financial Advice Tip: An adviser can help you review your investments and put together a plan for future investment management as you get closer to retirement.

5 key investment principles

Here are five important factors to consider when it comes to investing for your retirement.

1. Think long term

No one can predict the future, but making sure you're investing for the long term, and avoiding chasing short-term gain, should give you the best chance of success.

2. Understand that risk and return go hand in hand

Don't take more risk with your money than you are comfortable with but try to remember that you may need to accept a certain level of risk to achieve the investment growth you seek.

3. Have confidence in the markets

Capitalism is a robust and resilient economic system, and the markets are an efficient mechanism for rewarding patient investors.

4. Try to ignore the noise

Even when the media is full of negative stories about financial markets, remember points 1, 2 and 3 and try to hold your nerve.

5. Don't compare

The only thing that matters is that you're on course to achieve what you want, so avoid worrying that your investment performance might lag behind someone else's.

7. Check your spouse/partner's savings and pensions

As well as looking at your own financial arrangements, you should also consider those held by your spouse or partner and incorporate them into your planning considerations.

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.

If one of you is a higher- or additional-rate taxpayer, you could consider maximising contributions for the person paying tax at the higher rate to take full advantage of higher- or additional-rate tax relief.

Next steps – Check the pension arrangements and other savings and investments held by your spouse or partner, and ensure you include these in your planning process.

8. Think about your other retirement provisions

As we've already discussed, your pension arrangements will probably provide the bulk of your retirement income. However, you should also consider other assets you may have that could form part of your retirement income planning.

For example, both you and your spouse or partner can save £20,000 each year in a tax-efficient Individual Savings Accounts (ISA), so it's worth trying to maximise your ISA contributions as far as possible.

You should also consider:

- The value of your property, especially if you are planning to downsize after you retire
- Other savings and investments, such as shares or Premium Bonds
- Any possible inheritance you may receive.

Next steps – Include all your assets, including savings and investments, in your retirement plan. Make sure you maximise tax-efficient ISA contributions as far as possible, and remember that both you and your spouse or partner can contribute £20,000 each annually into an ISA.

Financial Advice Tip: Different sources of retirement income can add flexibility to your income planning. An adviser will help you find the best way to structure how you take your income.

9. Protect your family in the event of your incapacity or death

As well as planning for retirement, it's also important to consider what will happen to your family and your financial wealth if you die before retirement, or if you're incapacitated and unable to make decisions about your finances yourself.

It's crucial that you ensure your family are able to manage financially in the event of you dying or being unable to work, and there are two very simple steps you can take towards this:

Make a will

This is one of the most straightforward financial plans. It helps reduce stress for your family at an emotional time, and ensures your wealth is passed down to the people you want it to go to. If you already have a will, you should make sure it's up to date.

Set up a Lasting Power of Attorney (LPA)

An LPA gives someone you trust the legal authority to make decisions on your behalf if you lose the mental capacity to do so in the future. So, both you, and your family, can have the reassurance that someone you trust, and who you have chosen, will be managing your financial affairs.

Next steps – Ensure you have both a will and LPA in place and review both regularly.

Financial Advice Tip: A financial adviser can help you with both a will and an LPA. They will guide you and ensure that both reflect your wishes and current circumstances.

10. Get financial advice

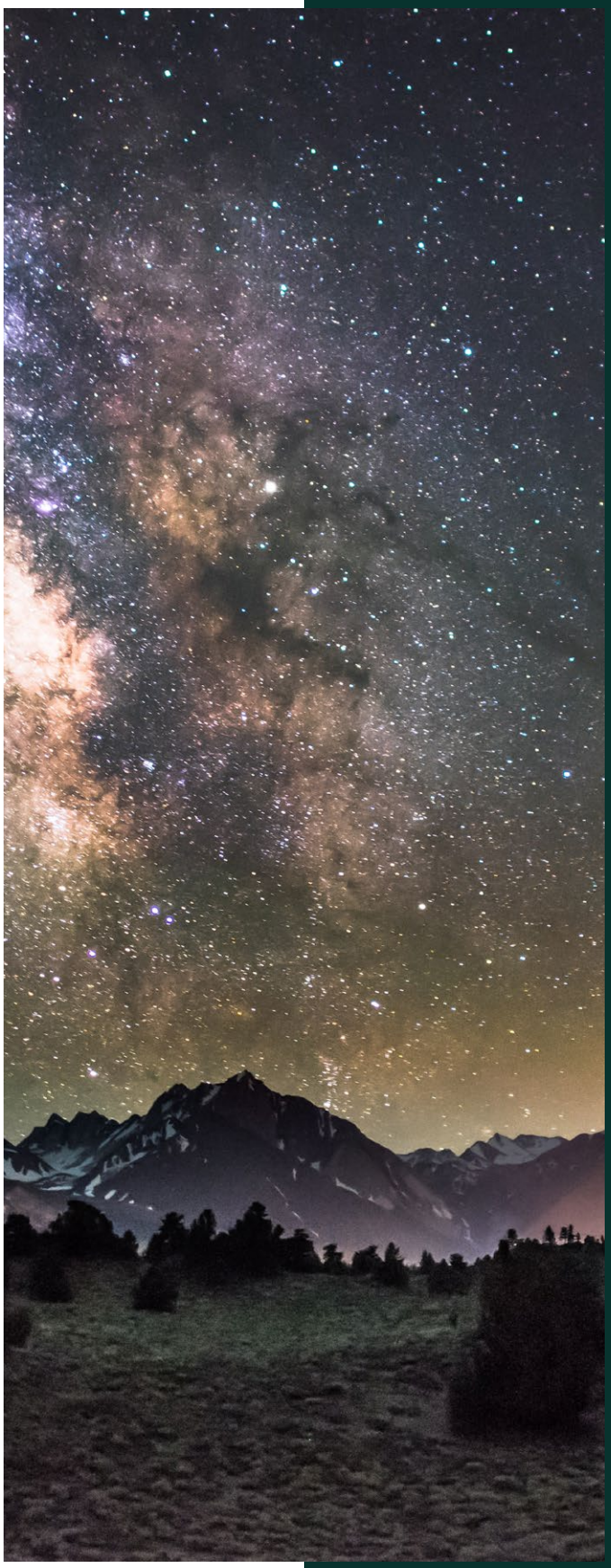
Studies have shown that financial planning adds value:

- A 2019 **International Longevity Centre** study found that receiving professional financial advice between 2001 and 2006 boosted wealth (in pensions and financial assets) by an average of £47,706 a decade later.
- A 2020 **Royal London** study revealed that working with a financial planner makes you feel more in control of your money, gives greater peace of mind, and makes you more confident when it comes to financial decision-making.

As well as adding real value, a financial adviser can help you make sense of retirement planning – which can be a complicated process. We will ensure you're getting best value out of your pension and retirement income arrangements, and help you avoid unnecessary, and potentially costly, mistakes.

We will help you put together your initial retirement income plan and suggest any arrangements you may need to set up to help meet your goals. We will then review your plan regularly to ensure you're on track, while taking into account any changes to your circumstances.

We will also ensure all your other financial arrangements such as life insurance and taxation are up to date and in order.



Cordiner Wealth

We've been advising clients and helping them with their retirement planning for more than 25 years.

We recognise that no two clients are the same, but over the years we've come to recognise some familiar values.

We work with people who work hard and have clear goals for the future. They are no strangers to a challenge and are not unfamiliar with perseverance and determination. They are serious about what they do for a living, but they also want fulfilment – they work to live, not the other way around.

We are an independent firm, dedicated to getting the best possible outcome for all our clients, with the key driver being that we see financial advice as a long-term relationship, rather than a one-off event.

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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 subsequent Finance Acts.

The value of your investments can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Taxation details in this guide are based on our understanding of current law and rates as of March 2021 and are subject to change.