OMNIUM
Wealth Management

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Planning for retirement

Guiding you through life's financial journey

Introduction

Even if retirement seems a long way off and you are more concerned with the financial pressures of the 'here and now', it is never too early to start thinking about what you are going to do when you finally give up work.

Depending on your age, chances are some the goals and plans you have now are going to change with time, your outlook on life, and your circumstances.

However, what isn't going to change is the need to take a realistic view of what money you are likely to have and whether that is going to be sufficient to finance the sort of lifestyle you want to have in your retirement. If it isn't, then you need to start making plans as soon as possible to make up any shortfall.

In this guide we will discuss:

1. **What you need to consider**
2. **What you can do now**
3. **Pensions explained**

1. What you need to consider

There are two main considerations:

1. **When you wish to retire**

   Since there is no longer a set retirement age in the UK, you can carry on working for as long as you want or need to. If you are planning on a long retirement, it stands to reason you are going to need a bigger pension pot than if you remain in employment and carry on drawing a regular salary.

   Couples should share all financial information at this stage – this applies to debts as well as assets in the form of savings and investments. Make plans for a long retirement, but also give some thought to what would happen if one or other of you falls ill or dies; for example, be certain to make a will that leaves your affairs in order **(for more information, see our Guide to providing for the next generation)**.

2. **Your expected pension pot**

   The second consideration is to establish as accurately as possible what you can expect to receive in terms of a pension, from both the State Pension and any private pensions you hold.

   State pension
   You will only receive a State Pension when you reach State Pension age; this could be between 65 and 68 for both men and women, depending on the year you were born. You can find out your State Pension age and the amount you can expect to receive by visiting the **government's website here**

Private pensions

As well as your State Pension, you may have accumulated other pension pots through participation in one or more workplace pension schemes, or through personal pensions that you set up. You can access these at any time from the age of 55 onwards. All these pots of money need to be traced and added together to calculate an overall level of expected retirement income that can be set against expected outgoings.

Only then does the picture really start to become clear.

For some, even the results of this simple exercise can come as a shock. Most people will experience a drop in disposable income in retirement and those who are expecting to manage solely on the State Pension can discover that life after work is a struggle.

A further surprise to many is that income from pensions is subject to tax, resulting in your disposable income being even lower than you thought.

But there are steps you can take to alleviate the problem – the trick is to know what you're up against and to act early.

The following may act as a guide as to what you can do.

2. What you can do now

There are two key actions you can take:

1. **Minimise debts**

Most people nowadays have taken on some form of debt during their lifetime, even if it is just the mortgage raised to buy a house or a loan for a car.

Other debts, like credit cards and unsecured loans, can be expensive and should really be paid off before you go into retirement. Credit that was once readily available and serviceable may not be so easy to carry once you have given up work.

Paying off the mortgage before you retire and eliminating, or at least minimising other debt, should be definite objectives.

2. **Make your savings work**

People often have very different attitudes towards risk. Savings, by definition, are not funds that should be put at risk, but, equally, every effort should be made to maintain or increase their value.

Banks and building societies all offer a secure haven in the sense that the money deposited with them is unlikely to go missing. But in this era of low interest rates, where the modest returns available on standard deposit accounts are more than eaten up by inflation, the value of cash deposits will be slowly eroded.

However, there are ways to mitigate loss of value without sacrificing all your security:

National Savings and Investments

National Savings and Investments, and most of the banks and building societies, will offer higher rates to savers who are prepared to commit their money for longer periods. The downside is that you may not be able to access your cash quickly, even in the case of an emergency – or, if you can, there will be a financial penalty which will wipe out most, or all, of the potential gain. Committing funds for a higher return calls for careful planning to ensure that you are in a position to lock away your money for a set term.

Individual Savings Account (ISA)

Another popular medium for accumulating a nest egg is the **Individual Savings Account (ISA)**, which is not just a secure home for your money, but also keeps any interest earned out of reach of the taxman – subject to remaining within annual limits (currently up to £20,000 in any tax year). But again, because there are now so many different types of ISA – for example, cash and shares and innovative finance ISAs – you need to understand exactly what you are getting into, particularly in terms of risk.

Talk to us about savings and investments.
Give us a call on 01483 2505890.

3. Pensions explained

Auto-enrolment

Legally minimising the amount of tax you pay is a perfectly reasonable objective. Paying into a pension is widely recognised as a tax-efficient way of saving for retirement and, if you are still working, most likely you will be a member of a workplace pension scheme.

As a result of the Pensions Act 2008, all employers are now legally obliged to enrol any eligible employee into a workplace pension, into which both employer and employee are required to make a contribution. Employers must enrol you if you:

- are not already in one,
- are aged between 22 and State Pension age,
- earn more than £10,000 a year,
- usually work in the UK.

You are allowed to opt out, but this means that you will lose out on employer and government contributions. You and your employer can also pay in more than the minimum by way of contributions.

Auto-enrolment pensions Current minimum contributions			
Date	**Employer Minimum**	**Employee Minimum**	**Total**
Apr 06 2018 – Apr 05 2019	**2%**	**3%**	**5%**
Apr 06 2019 – onwards	**3%**	**5%**	**8%**

The government contributes in the form of tax relief on employee contributions.

Personal pensions

These are schemes that you select and pay into and where the provider you have chosen invests the money on your behalf and according to your instructions.

Personal pensions are an option for those who have not been auto-enrolled or who have surplus funds that they would like to place elsewhere. Either way, the end goal is to accumulate a sum of money that you can access to fund your retirement.

At this stage, you will have three main options:

1. **Use the lump sum to buy an annuity** that will provide a guaranteed level of income for the remainder of your life.
2. **Go into income drawdown** where your money remains invested until you wish to take it out (your lump sum will continue to rise or fall).
3. Under new laws you may **withdraw** as much **from your pot** as you wish to once you reach the age of 55 (changing to 57 in 2028); the first 25% is tax free and the remainder is taxed as income at your marginal rate.

If you have multiple pensions from different pension schemes, you may wish to consolidate them into one place, or transfer one of your pensions into different investments. This is something you should seek financial advice on to ensure the decisions you make are right for the long term **(for more information on whether or not to consolidate multiple pensions, read our article here).**

Get in touch:

We can help you plan for retirement.

Give and speak to one of our advisors today on **01483 205890** or email us on tellmemore@omniumwealth.com

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The choices you make today can make all the difference to the life you will lead tomorrow. Omnium Wealth Management is a wholly independent firm of financial advisers based in Surrey.

We can help you put the appropriate planning in place to safeguard your future.

We know that everyone's circumstances are different and appreciate that each client will have a different level of understanding about investing and financial planning. We will get to know you and work with you, so your retirement planning and investments benefit from our tailored expertise and advice.

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Important information

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. The FCA does not regulate advice and services in respect of estate planning, establishing trusts and writing wills.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.

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