

RETIREMENT PLANNING: YOUR STEP-BY-STEP GUIDE



Many people do not have sufficient financial provisions to provide for their retirement adequately. The planned changes to the pensions sector in forthcoming years will only add to the pressure on individuals to take responsibility for planning their needs in retirement.

The following steps should help guide you through what could be done when approaching your selected retirement age:

10 YEARS TO RETIREMENT

YOUR STATE BENEFITS

Find out how much money will be paid to you by the Government at the state pension age. This is currently 65, but will be increasing over the coming years. You can use the official State Pension Age calculator to check. A State Pension Forecast can also be done online. Both of these can be accessed via the 'Pensions and retirement planning' section at www.direct.gov.uk. If you are not currently in line to receive the full state pension, you may wish to increase your National Insurance contributions in order to receive it in full.

YOUR EXISTING POTS

All pensions held through previous employers or schemes should be utilised. Take time to review your arrangements, and ascertain where each 'pot' is held. When you have established this, each provider should be contacted for an up-to-date value and an illustration of projected retirement benefits. Be aware of any plans held which have a different Normal Retirement Date written into them to that which you have selected.



YOUR NEEDS

Work out what your desired income would be. When calculating this, take into account living/transport costs and outstanding debts, as well as everything you would like to be able to do (e.g. holidays). Many years could be spent in retirement, so the effects of inflation and financial legislation will almost certainly need to be factored in.

YOUR SHORTFALL

There will probably be a difference between your desired outcome and the projected figures. If so, you will need to carefully consider your options in order to increase your retirement income so it is closer to your target. As you have up to 10 years until retirement at this stage, effective planning with regard to your pension contributions, savings, assets (e.g. property) and your working life will prove invaluable in achieving your goals.

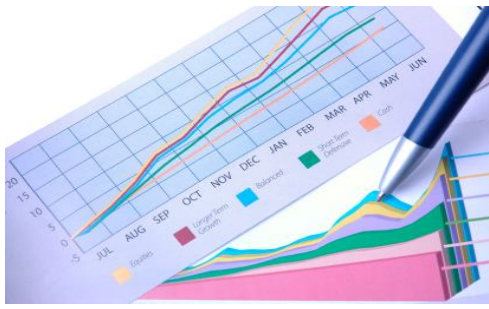
YOUR INVESTMENTS

Investments can be instrumental when planning for retirement. There are many different forms and these should be reviewed to find those that suit your openness to risk and needs.

5 YEARS TO RETIREMENT

YOUR OUTSTANDING COMMITMENTS

If you still have a mortgage to consider, or any other debts (e.g. credit card), you should be carefully prioritising the reduction of their balance as much as possible.



YOUR UP-TO-DATE FIGURES

Illustrations of projected benefits at retirement should again be requested for all of your pension arrangements. These will almost certainly have changed from any previous figures attained, and will assist you in seeing your position more accurately with regard to the desired retirement outcomes. You can utilise the Pension Tracing Service to help track down any pension pots that you believe you may have, but are unsure of their whereabouts.

YOUR INVESTMENTS

Any investments held need to be looked at regularly to see if you are optimising the performance provided. The potential for loss is a real possibility with many forms of investment. Decreasing the risk you are exposed to is a very important part of your planning, particularly at this stage. This is also important for your pension pots and the funds they are invested in.

YOUR OPTIONS

There are several ways of accessing your retirement benefits, and you should start to consider these to find the best way for your personal circumstances. Funds can be used to purchase an annuity (income for life and potential for tax-free lump sum at retirement). There are other means that should be looked into also though, such as the drawdown option and enhanced annuities.

6 MONTHS TO RETIREMENT

YOUR RETIREMENT AGE

If you plan to continue working beyond your normal retirement age, you will need to defer your pension pots by contacting the relevant providers. Remember, there are schemes which have a retirement date written into them which gives preferential terms. For example, final salary schemes or those with guarantees which are lost if the benefits are not taken at the Normal Retirement Date for the plan. You must inform the Pensions Service if you want to defer your state pension. If you wish to continue working beyond the state pension age, you should inform your employer as you will no longer need to pay National Insurance Contributions.

YOUR UP-TO-DATE FIGURES

Again, you will need to contact all providers so you have an accurate depiction of your pension figures. You should also begin considering the Open Market option, which entails 'shopping around' for the best options and annuity figures, as well as if purchasing an annuity is the best route for you.



REALISING THE POTENTIAL

The income your retirement funds could achieve can dramatically vary depending on the research performed prior to retirement. Factors such as meeting your needs, utilisation of your funds, and possibly enhancements available could all make the difference. The relevant industry knowledge can prove pivotal in realising your pension goals.

Want to take the 'tire' out of retirement? Need help with any of the above steps?

Contact one of our experienced, knowledgeable and friendly advisers for a chat:

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