AFL FINANCIAL PLANNING SERVICES

GUIDE TO RETIREMENT PLANNING

Welcome

Everyone's retirement is different. We all have a vision of the future and dream of how we will spend our time after we've finished work. However, even though our goals and hopes are different, one factor unites all these aspirations.

MONEY

Principally, how to have enough of it to ensure a decent standard of living after your wage earning years are over.
Longer life spans mean that retirement can be a third (or more) of your overall life, rather than the few years of tranquility it amounted to when the welfare state was implemented.

There are now a number of options for funding retirement instead of, or as well as, the traditional pension. Your pension will be an integral part of your retirement planning. There are many reasons for this, not the least of which being tax relief and the possibility of employer contributions.

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Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Understanding Pensions

Understanding Pensions

While the actual mechanics of and rules around pensions are subject to change, the basic principles behind them essentially stay the same. During your working life, you make contributions into a ring-fenced account. These contributions may be supplemented by your employer contributions and/or tax relief. When you retire, the funds in this account are used to provide an income for the rest of your life. At the current time there are three ways this can be achieved.

Withdraw The Whole Pot

Accessing the entire pension in one go was, until recently, a rarity.
It was only possible in restricted circumstances until the 2014 budget, when Chancellor George Osborne abolished compulsory annuities (for more on annuities see below). Now it is possible to access the entire fund, but there are potentially significant tax implications to this approach. Your pension pot needs to last for decades so this is can be a high-risk strategy.

Buy An Annuity

This is the most traditional approach to generating income in retirement. An annuity is essentially a financial product in which an up-front investment can be used to purchase an income for the rest of your life regardless of how long that may be. It offers the most safety in the sense that the income is guaranteed. Unfortunately this safety comes at the price of reduced flexibility.

As a concession to the changing needs of retirees, there is the option to withdraw up to 25% of the pension pot as a tax-free lump sum before using the rest to purchase the annuity.

Use Income Drawdown

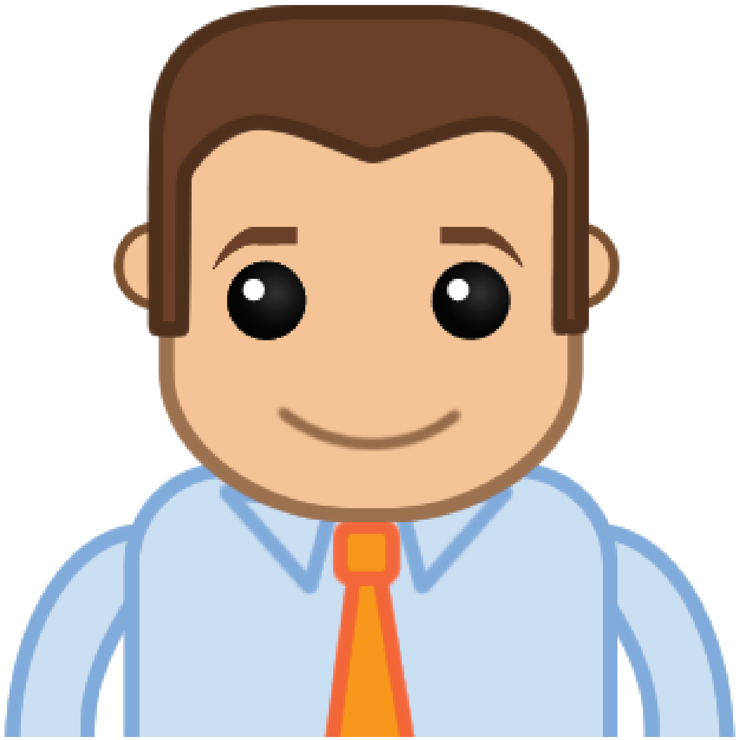
This is essentially a compromise position, which allows you a far greater degree of control over your retirement savings than is possible with the annuity method, while ensuring that your retirement fund is used for its intended purpose. In short, income drawdown means that instead of buying an annuity, you withdraw a certain income from the fund, while the remainder stays invested. The income available depends on the performance of the underlying fund, rather than being guaranteed as it is with annuities, and is also subject to certain government guidelines set by the Government Actuarial Department (GAD).

Drawdown comes in two variations. "Capped drawdown" allows retirees to withdraw up to 150% of the value of an equivalent annuity each year. "Flexible drawdown" allows uncapped withdrawals, but savers must be able to demonstrate a Minimum Income Requirement (MIR) of at least £12,000 before this is allowed. The MIR won't exist at all after April 2015. If you do remove all your pot, you will be subject to the tax issues already mentioned.

Why The Change From Annuity To Income Drawdown?

Income drawdown is a relatively new concept. For decades governments focused on annuities out of the fear that allowing other options to savers would result in funds being misused and savers winding up adding to the welfare bill. In short, the price of the tax relief on contributions to pensions was that the recipient accepted that they would have to spend the resulting pension pot on buying a government-approved product to guarantee them an income.

Over time, the disadvantages of annuities have become increasingly evident. The fundamental problem is that they are purchased at the start of a period of retirement but the length of a modern retirement means that you may go through several sets of circumstances during its course. This means that the inflexibility of annuities can quickly become frustrating. Realising that there was a growing risk of people moving away from pensions as a form of saving, the Government moved to implement the income drawdown system to give people greater control over their pension funds, while still retaining safeguards to prevent people squandering the funds set aside to pay for their senior years.



Pension Saving and Auto Enrolment

Financing The Future

The Basic State Pension for 2015/16 will be £7,865 per year. To put this into perspective, an adult worker on the minimum wage, working a 40-hour week would receive a gross income of £13,520. Of course these headline figures are only a part of the overall picture and the financial health of any individual will depend on a number of factors. They do, however, starkly highlight the dangers of going into retirement unprepared for the financial reality of giving up work.

Building Up A Pension Fund

Presently, anyone who makes National Insurance Contributions is building up a State Pension fund. However, the resulting pension income is very small. Furthermore it is an open question as to what form, if any, the State Pension will take in the future. Politicians of all persuasions are being quite open regarding their concerns over financing pensions for future generations. Although abolishing the State Pension completely would be a huge political change, it is very far from being out of the question.

Auto Enrolment

The government has compelled all employers, starting with large companies in October 2012, to provide their staff with workplace pensions. Employees will be automatically enrolled into the new schemes and employers must make pension contributions to their employees pension funds. The scheme is being gradually phased in to workplaces across the UK and will cover all employers by 2018. The schemes will be subject to tax relief and savers can choose to opt out if they wish.

Defined Benefits Schemes

Defined Benefits schemes are now practically unheard of in the private sector. They are still moderately common in the public sector. In these schemes the employer guarantees a certain income to the pension holder.

This is usually stated as a percentage or expressed as in fractions (i.e. number of years of service x 1/60th for each year) of their final salary at time of retirement (or when leaving the job). The reason why these schemes have fallen out of favour in the private sector is that the risk of financing them lies entirely with the employer. Private-sector employers are increasingly unwilling to underwrite such potentially draining financial obligations. It's also worth noting that these obligations are only meaningful if an employer is able to fulfil them.

Defined Contributions Schemes

These are by far the most common form of pension schemes in the private sector. Essentially the employer makes a contribution to the employee's pension fund. Typically this is a percentage of the employee's salary. Upon retirement the employee then uses this pension pot as they see fit in line with applicable laws.

The reason why workplace pensions have come to prominence over recent years is because it is becoming compulsory for all employers to offer them. Since October 2012 there has been a phased roll-out of an auto-enrolment program starting with the UK's largest employers. What this means in practice is that by 2018 all eligible employees in the UK will have been enrolled in a workplace pension scheme unless they actively choose to opt out. In this case all really does mean all, with the result that even the smallest employers will have to provide their staff with the opportunity to enrol in a workplace pension and to receive employer contributions to the scheme. Even employees who do not qualify for automatic enrolment may request to join an occupational pension scheme and must be permitted to do so. They may also qualify for employer contributions.

Personal Pensions (Private Pensions)

While occupational pensions are suitable for many people, by definition they only cover those in employment. If you are self-employed or choose to be out of the labour market (for example stay-at-home parents) you will need to make alternative arrangements. Even those in employment may find that a personal pension scheme is more suited to their immediate needs.

The main reason for this is that under current rules, employees in occupational pension schemes must make a minimum contribution to this scheme, whereas non-employees can fund their pensions as they wish, subject to certain contribution limits. This is currently set at 1% but it is intended to rise to 3% in October 2017 and then to 5% from October 2018 onwards.

While this is a reasonable approach in terms of ensuring a well-funded retirement, people still need to pay their bills in the here- and-now and may feel reluctant or be unable to make that sort of financial commitment. While private pension schemes do not benefit from employer contributions the way occupational schemes do, they can be much more flexible in terms of the level and frequency of contributions and therefore can be more suitable for those whose circumstances mean that you would prefer to contribute “as and when” for the time being. While this is far from being an ideal solution for retirement planning, it is still better than doing nothing at all.

Another advantage to personal pensions is that they may offer more investment choices. With occupational pensions, they employer chooses the plan and you may or may not have some degree of control over how their contributions are invested. When an individual chooses their own plan, however, you can choose it to suit yourself. This can mean anything from using managed funds to taking advantage of the Self Invested Pension Plan (SIPP) scheme to create what is effectively a tax-efficient wrapper for pension savings which individuals can then invest largely as they see fit.

Preparing For Retirement

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While leaving a job just requires a pre-agreed notice period, moving into retirement requires advanced planning. This can be divided into long-term, medium-term and short-term planning.

Long-term Planning

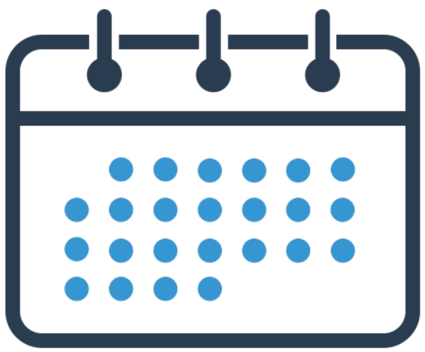
Although saving for a pension may not be the most exciting part of your 20s or 30s, this is an ideal time of life to start building up a pension fund. In short even the smallest contributions over this period have, literally, decades to do their work. This means that pennies invested during this period of your working life can do the work of pounds invested later. Starting early can also vastly increase the flexibility of your investment options. For example younger people may choose to make some riskier investments knowing that they have time on their side to undo the damage if the result is unwelcome. In years gone by people who did not have some sort of pension plan in place by their late twenties or early thirties could find themselves at a significant disadvantage later in life. These days with people working longer and retiring later, those who only start making inroads into pension savings in their later years can still build up a respectable pension pot, but they will still be playing catch-up to the early birds.

Medium-term Planning

As a rough rule of thumb, this is the time between your early 40s and your retirement and is a critical stage in retirement planning.

Put quite simply, this is the time when you may need to be putting away as much as possible for your future years and quite possibly increasing your contributions as the years go by. As previously mentioned the contributions which are made earliest in life have the longest investment horizon. Assuming a retirement age of 70, contributions made in a person's early 40s have 25 to 30 years to do their work. Contributions made in a person's 60s have a maximum of 10. This is also a time to keep a sharp eye on the nature of your investments and make sure that they are in tune with your retirement time-scale and overall aims.

If there was ever a time to get advice on retirement planning then your 40s, or, at worst, 50s are it. Getting advice at a younger age never hurts and getting advice at a later age is better than not at all, but these years are the ones in which most people start to take their key retirement decisions. They should have a clearer idea about the answers to some key questions.



Medium-Term Planning

1. At What Age Do You Want To Retire?

The Government decides at what age you can draw a State Pension (if there continues to be one) but your own financial circumstances will determine when you can afford to retire and your own inclinations will determine when you want to. If you want to and are able to carry on, you may be perfectly happy to go on working into your 70s (and even beyond). This means that your need for retirement income will be postponed and should you wish, can leave your pension fund invested for longer. Alternatively, you may wish to retire as soon as possible, as your time is more valuable than your employment income.

2. How Do You Want To Retire?

If your dream for your silver years is to travel around the world in your own yacht then you're going to need a whole lot more money than if it is to spend every day on the local golf course. It is crucial to be honest, thorough and realistic when assessing your future needs and wants. For example, even if you have paid off your mortgage, you will need to have sufficient funds to keep your house in good repair and may want (or need) to have adaptations made to it so that you can carry on living in it as you get older. You will also need to have sufficient funds to pay for everyday necessities and when calculating your budget, you will have to take inflation into account. While wants are, by definition, optional, they can make the difference between enjoying retirement and existing in it.

3. How Else Can You Make Money?

There's a difference between giving up employment and giving up earning completely. Retirement can be an excellent opportunity to develop alternative income streams. In short, you may wish to set up your own business, but be supported by your retirement income, so the business can grow gradually without the pressure of it having to provide an income immediately.

As before, honesty is not just the best policy here, it is the only policy that can help achieve financial security. You need to think as hard about the realities of starting a business in retirement as you do in any other time of life. You also need to be prepared for the realities of ageing. Starting a second business as a landscape gardener may be all very well in your 60s or even your 70s but may be less appealing in your 80s and 90s. It's also worth remembering that retirees can provide a very flexible labour force and the numbers of businesses employing older people is rapidly growing. There are lots of other ways for people, particularly retirees, to bring in extra money, everything from paid surveys to letting out a spare room or even parking space in a driveway. Everyone needs to look at the options available to and suitable for them.

4. How Can You Reduce Your Need For Income?

One of the most straightforward ways of limiting your need for income is to reduce your liabilities and debts. Earning money to simply hand it over to a creditor makes little sense if the debt can be eliminated.

Some debts are more costly than others. Student loans for example can largely be ignored when planning for retirement, at least under current rules, since any outstanding balance is wiped clean 30 years after graduation (and they require a minimum level of income to be payable anyway).

Other debts such as mortgages and unsecured loans will need to be paid off at some point before or at the time of retirement. Other than paying down debt, reducing day to day expense in retirement is also essential. Giving up employment can mean that related expenses can be reduced. For example it may no longer be necessary to run two cars.

5. How Many People Will You Need To Finance?

In an ideal world, each adult individual would be responsible for their own finances and for those of their minor children. In the real world incomes can be unequally divided between families, with different generations helping each other at different times of their lives. As an absolute minimum you will need to have sufficient retirement income to support yourself and anyone who is financially-dependent on you, whether or not that is in a legal sense or simply in a practical one. These days people often have children in their late 30s or early 40s, which means it is entirely possible that they will still have a degree of financial dependence on their parents even after their parents retire.

6. How Well Could You Adjust To The Unexpected?

In terms of financial planning, the unexpected sadly means the unwelcome events in life, accidents, sickness, the early death of a loved one. It can, however, mean surprises which are pleasant but disruptive, the birth of a new baby for example. All financial planning needs to include thoughts about managing contingencies and retirement planning is no exception. In particular as we age, many people experience medical issues from the minor to the major. While the NHS is available to all, assuming retirees choose to continue to live in the UK, it is not necessarily the quickest or most effective means of receiving treatment. When you are planning your retirement, look very carefully at the potential cost of healthcare and of long-term care in case you become less able to live independently.

Short-Term Planning

Short-Term Planning

In retirement terms short-term planning happens during the five to ten years before retirement. In its early stages it may consist largely of keeping tabs on your investments to ensure that they are still appropriate and tidying up existing arrangements. In particular the following points should be covered.

1. Make Sure You Know What All Your Pension Arrangements Are

This may seem a ridiculous statement, but people stay in jobs for varying lengths of time and there are few 'jobs for life' any more. Younger people are particularly likely to change jobs more frequently as they progress up the ladder and develop themselves. It is very easy to lose touch with a previous employer, especially after a house move or two. As you move towards retirement make a point of going over your CV and seeing if there are any pension pots you may have forgotten. Even if they are small they are still yours. The government runs a pension tracing service which can be reached online at https://www.gov. uk/find-lost-pension or by telephone on 0845 6002 537 (current hours 8am to 6pm Monday to Friday). This service aims to provide people with details of any pension arrangements they may have forgotten. It is then up to the user to contact the providers and make enquiries.

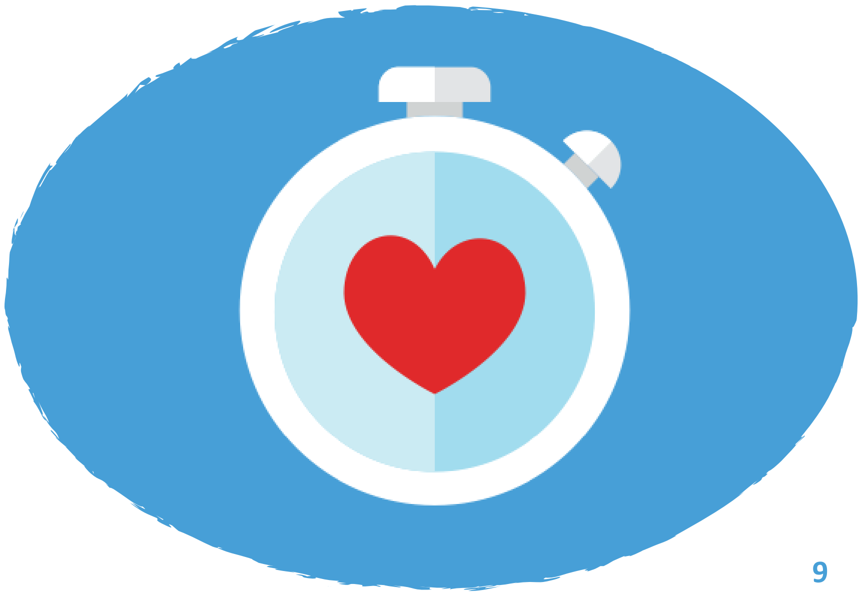
2. Decide Whether Or Not To Consolidate Your Pension Pots

Going through a pension tidy-up and putting everything in one place can often make life much easier in terms of managing retirement planning.

If, however, there is a compelling reason to leave a pot where it is (for example it has special benefits or carries penalties for moving it) then at least make a note of where it is.

3. Check What Other Steps You Can Take To Make Your Retirement Financially Comfortable

While pensions are often a central component of retirement planning they do not need to be the only one. You can create a more rounded retirement portfolio with diverse asset classes such as ISAs and bonds to provide alternative income sources. The key point in that sentence is income. While people can accumulate valuable assets as they go through life (a house being an obvious example) an asset will only pay the daily bills if it is monetized in some way. In the case of a house, for example, this could mean selling it, using equity release or letting out a room.



Final Steps To Retiring

As retirement draws closer it will often become easier to start to put figures to overall budget plans as the post-retirement future begins to come into focus. It is also your final opportunity to tackle any outstanding financial issues before retirement. These could include:

1. Paying Off A Mortgage

If you are on an interest-only mortgage then this is likely to be your last chance to make absolutely sure that you are on track to pay it off. Repayment mortgages are guaranteed to be fulfilled at the end of their allocated term, but if you are having any thoughts about retiring earlier than you had originally planned, then now is the time to take action to ensure that you have funds to accommodate this.

2. Home Improvements

If you are planning on living in the same home for the foreseeable future then you will need to budget for regular maintenance, including the periodic large items such as new heating, doors or windows. You can, however, get a head start on these by ensuring that your home is in tip-top shape before you retire. It could be a wise step to call in a professional and have them give your property a roof-to-basement health-check so you can budget for anything that needs to be done before you retire. Remember that your home includes your garden – walls and fences can be costly to repair so get them checked and, if necessary replaced.

3. Home Updates

While home improvements tend to involve obvious, big-ticket items, home updates can often involve lots of small items which add up. Go through your home and see if there is anything essential which is likely to need replaced around the time you retire (washing machines, computers, TVs, beds, armchairs…). Look honestly at the bits and pieces you've been planning to do for however long. If they're niggling you before retirement, the chances are they'll niggle you afterwards, so either deal with them now or make sure you have budget to deal with them later. In particular pay attention to any areas where you may have difficulties if your mobility is reduced. These include stairs, baths, seating and in some cases beds. While you may consider it too early to start thinking about installing stair-lifts; you may benefit
later from at least thinking about how you would pay for them if the need arose. In the shorter-term, changing baths for showers, or sit- in baths and standard armchairs and beds for powered ones, which can help with standing up can help to make life more comfortable.
If you still think it is too early even for these, again, think about how you will pay for them later if you need to.

4. Transport

Cars are expensive at the best of times and if your main reason for having one (or two) is to get to work, then approaching retirement is a good opportunity to look at your other options. If you decide you want to keep one or more cars, then it's worth thinking about the most economical means of running them. If you're only going to need a car every now and again, hiring a car or joining a car club might be better options.

5. Deferring Expenses

While it’s often good planning to pay as much as possible up- front before you retire, it can also be worth looking at deferring expenses. Quite a number of companies offer discounts to pensioners so if you’re in line to save money by waiting to make a non-essential purchase, budget now and buy later.

6. Inheritance Tax

Although inheritance tax is, strictly speaking, a separate issue from retirement planning; the two issues are often looked at in tandem. In short, the more assets and income streams you develop in preparation for your retirement, the more you may have to leave behind at the time of your death. Hopefully this will be many years hence, but unexpected deaths can and do happen. This means that taking steps to minimize the impact of inheritance tax can help to make life financially less challenging for those who are left behind.

7. The Final Countdown

In the year before your planned retirement date your pension pot will be reaching its maximum size. Your aim is now to ensure that you glide into retirement smoothly, ready to begin a new life, rather than landing with an unpleasant bump that leaves you winded and bruised. Having built your pension pot, you need to determine how to deploy it most effectively. Given that for most people withdrawing the whole pension pot is simply not a feasible option, there are usually three questions which need to be answered. 1. Do I want to take a lump sum? 2. Do I want to buy an annuity? 3. Do I want to use income drawdown? Let’s look at these one at a time.

All About Annuities

Do I Want To Take A Lump Sum?

Taking a lump sum means that a quarter of the one off draw down is guaranteed to be tax free (under current rules). This can make it an attractive option; however, it is important to remember that money which is withdrawn as a lump sum will reduce the overall value of the pension pot, which may have a noticeable long-term impact.

With this in mind, whether or not to withdraw a lump sum needs to be examined closely in the light of an individual's personal circumstances. For example, if an individual has debts which still need to be repaid (particularly high-interest debts); then it may be advantageous to take a lump sum. On the other hand if an individual is debt-free and simply wants a guaranteed income for the rest of their life, it may be best just to put the money towards the purchase of the best possible annuity.

Do I Want To Buy An Annuity?

There is one simple reason why governments are so hugely in favour of people buying annuities. They are guaranteed income. As an added bonus they are simple for pensioners to understand and for the Inland Revenue to manage in terms of ensuring the right amount of tax is charged.

The Basics Of Annuities

An annuity is, literally, a once-in-a-lifetime purchase. Get it right and you will have a guaranteed income to keep you comfortably to the end of your days. Get it wrong and you will have to live with the consequences of your mistake, literally, for the rest of your life.

Who Is Most Likely To Benefit From An Annuity?

People who place a higher value on security and simplicity than on the possibility of the best returns are likely to prefer annuities over income drawdown. Those who simply want to get on with enjoying their retirement without having to give a great deal of thought to managing their finances will appreciate the zero-maintenance simplicity of annuities.

People with smaller pension pots will generally be better served by annuities than by income drawdown. Ultimately income drawdown is inherently riskier than buying an annuity and those whose pension pots are small to start with are less likely to be able to afford the risk of putting funds into investments which end up under-performing.

People with shorter life expectancy are strong candidates for annuities. Put quite bluntly, those whose family background, health or lifestyle suggests that they are likely to die relatively young are likely to be given substantially more generous offers by annuity providers.

Buying The Right Annuity At The Right Time

It is absolutely impossible to overstate the importance of buying the right annuity at the right point in your life and that means thinking carefully about some key questions.

1. Do you need an income to support a dependent either during your lifetime or in the event of your death?

2. How long are you likely to live? The longer-lived will need to ensure that their income stay on top of inflation.

3. Do you have long-term income from other sources? How long can you reasonably expect to receive this? Can you afford to delay buying an annuity?

4. How much flexibility do you need or want? Could you start with a lower pension and increase it later?

5. Do you want to continue to make pensions contributions after your retirement, for example if you have a part-time job or a small business?

Although all financial decisions are ultimately the responsibility of the individual concerned, buying the right annuity at the right time is so critically important that there is a very compelling argument for taking professional financial advice before doing so.

As a minimum, buyers absolutely should compare a wide range of options from different providers. Don't simply accept the option offered by the company that manages your pension fund before getting alternative quotes.

Understanding Income Drawdown

Understanding Income Drawdown

When state old age pensions were established a century ago, life expectancy was far lower than today. The government expected most working adults to live until their late 60's. Annuities were devised at roughly the same time and worked on the assumption that retirement was the last 10-15 years of life. Times, and lifespans have changed and new models of funding have been devised. Income drawdown is a strategy for today's active pensioners who are looking at potentially decades of retirement and understand that keeping control of their finances is a key part of enjoying it.

What Exactly Is Income Drawdown?

Income drawdown is essentially receiving an income directly from a pension fund rather than using the fund to buy an annuity which guarantees an income. To draw a comparison the difference between buying an annuity and using income drawdown is much the same as the difference between the old defined benefits
pension schemes and the modern defined contributions ones. With annuities, once the purchase has been made, the risk is assumed the by the provider. With income drawdown, the risk is assumed by the pensioner.

Key Points To Understand About Income Drawdown

Income Drawdown Keeps A Pension Pot Exposed To The Market

The argument for keeping pension pots invested is that it allows pensioners to benefit from gains in the market. Of course, the flip side of this is that markets can also contract and can see extended periods of decline. Pensioners need to be able to ride out these financial storms.

Income Drawdown Means That The Underlying Fund Requires Regular Supervision.

An annuity is a buy-once-and-forget product. Regardless of whether you've made the right purchase or the wrong one, once it's bought that's it. The point of income drawdown is to continue to generate value from a pension pot, which means that pensioners have to be active investors, understanding and monitoring their assets.

Income Drawdown Can Be Much More Expensive To Administer

Annuities quote for an income which is net of all charges so you know exactly what you will receive (although you may still need to pay tax on the income). As income drawdown requires more active management, savers can expect to pay more in the way of fees.

It Can Be Easier To Withdraw Income Than To Replace It

Those who have given up work need income and the more income that is withdrawn from a pension fund; the more income needs to be replaced. Unfortunately the less of a fund there is to invest, the lower the level of returns that the fund can generate and the more vulnerable the fund is to market forces or individual under- performing investments.

Notwithstanding all of this, income drawdown is becoming an increasingly popular option for several reasons:

You Can Continue To Build Your Pension Pot

At current time, you can carry on making contributions to your pension pot up until the age of 75 and benefit from tax relief. This may very well be extended in the future in line with increasing lifespans. While it may seem contradictory to take with one hand while giving back with the other it can be very useful for those who maintain some form of employment. For example a person could top-up income from a part-time job with pension income, but still benefit from tax relief and employer contributions on pension contributions made out of their employed salary.

It could also help those who earn extra income sporadically. For example some pensioners may choose to let out a room in their home for part of the year. They may use pension income for day-to-day living but channel the income from the room into their pension pot.

Cutting Out An Annuity Provider Lets Investors Benefit More From Gains

Annuity providers are in business to make money. While they don't have crystal balls they can make very educated guesses about long-term market trends. Like all businesses they avoid risk wherever possible and will tend to err on the side of caution. They will also calculate a profit margin for themselves when deciding what rates to offer. In short, although an annuity is a highly safe option, this safety carries a hefty premium. Many people find their jaws dropping in horror when they discover just how poor rates on annuities can be.

Income Drawdown Offers Greater Flexibility

In life income drawdown may allow you much greater scope to adjust your income to suit your needs. In death the options open to your loved ones are often far greater than with annuities. Income drawdown may be an excellent option for those who move into some form of self-employment during their retirement. The nature of self employment is often one of feast and famine. Income drawdown can be used, if need be, in times of famine, but only to the extent required. That way your income tax liability will be minimized. With an annuity by contrast, the income may be more than you need and this will result in a higher tax bill.

In short, income drawdown is not necessarily an easy option but it can be a hugely effective option. Given the need to manage its challenges, those interested in this approach are likely to be well served to speak to a professional financial adviser for advice. This can go a long way towards making this strategy work effectively with minimal effort.

Next Steps

By this point the bulk of the work regarding your pension provision will have been done. There are still a few loose ends left to tie up.

Sort Out Your Paperwork

After you've planned, prepared and organised, remember to do the paperwork. Most pension providers whether occupational or private will contact you in the months prior to your planned retirement date. Generally this will be around four to six months ahead.

Communications (both paper and electronic) do go missing so if you do not hear from them, it's wise to be proactive and contact them. Similar comments apply to the Pension Service, which will be in touch about four months before you reach State Pension age. Even if you are retiring, you can choose to defer taking your State Pension, which may entitle you to improved benefits later on. This may be useful if you foresee that you will need more money in future years. If you are currently employed, the Inland Revenue will also contact you about a month before you reach State Pension age as you will need to inform them of your change in circumstances to avoid being overcharged tax. If you are continuing to work, then you will also need to inform them of this. The self-employed or those who have been out of the labour market will need to contact HMRC themselves, although the relevant form is available from their website.

If you have not done so already, it is advisable to make arrangements so that your property can be disposed according to your wishes in the event of your death. This is particularly important for those who are in co-habiting relationships which are not legally recognised and for those who still have financial dependents.

Prepare For A New Life

Even though retirement is often one of the most fulfilling periods of a person's life, it is often still a major change. For some people their work is an integral part of their lives and moving on from it is a huge emotional challenge, even if they thoroughly enjoy their new lifestyle as a whole. Work can often be the key to forming new relationships and developing new skills. Maintaining that social circle takes effort on both sides and you may go through a period of readjustment as you discover which of your former colleagues are going to be long-term friends and which are going to drop by the wayside. You may also find that your relationship with your partner goes through a period of readjustment as you find yourselves spending much more time together.

Many of the challenges people encounter in retirement, particularly the early stages, relate to their need to redefine their identity around something other than work. Some people like to continue to build on their existing areas of professional expertise and personal interests, for example by teaching or by turning a hobby into a business. Others see retirement as an opportunity to start something completely new. This may be something they've always wanted to do without ever having had the chance.

Contact us

To find out more about our services or to arrange a free initial consultation, get in touch today!

No matter what your situation or objectives, our team will take the time to understand your needs and objectives and recommend an appropriate solution.

Call us on **01387 254 780** or send us an email to **afl@aflfp.com**

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Managing Partner P Malin
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Your home may be repossessed if you do not keep up repayments on your mortgage.