KEITH ROSEBURGH

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FINANCIAL

15 things to do in the year before you retire

07742 107 851

www.keithroseburgh.co.uk

The way we work, and retire, is changing.

Gone are the days when we would work in the same place for 40 years, reach the State Pension Age and collect a leaving present, never to return.

More of us are now retiring early. While 60 to 65 is no longer seen as old, if you are to have a financially secure retirement it takes careful planning. That means thinking about things months, or even years before you plan to finish working.

Using our knowledge and experience, we've pulled together a list of 15 things you should think about before you retire.

1. What type of retirement do you want?

Things are changing, more of us are easing our way in to retirement, perhaps working part-time or on a consultancy basis before we completely give up work. Others want to close the door on a Friday and start retirement the following Monday.

There's no right or wrong answer; only yours.

You also need to think about what you want to do in retirement. Some people might have big plans to see the world, learn new skills and experience new things. Others might want to stay a little closer to the home, perhaps to help out more with the grandchildren.

Transferring out of a Final Salary scheme is unlikely to be in the best interests of most people.

The value of pensions can fall as well as rise. You may get back less than you invested.

As we said, there's no wrong answer, but you do need to know. Why? Let's move on to question two.

2. How much income do you need now, and in the future?

The things you want to do in retirement dictate your level of expenditure and, consequently, the income you will need to retire. Of course, you may prefer to 'cut your cloth' and retire sooner, with more modest ambitions. Alternatively, working longer to build up a larger income in retirement, might be the right thing for you to do.

Expenses fall into two categories:

- Essential: council tax, food, utility bills, etc.
- Discretionary: holidays, Christmas, birthdays

Many of us need more money in the early years of retirement, when we are fit and active, with more free time, as well as towards the end of our life, especially if we need care.

Make a list of both your essential and discretionary expenditure, taking into account changes to your lifestyle resulting from your retirement.

FIND OUT MORE

The Money Advice Service has an excellent retirement budget planner. It's free to use and you can find it by clicking **here**.

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3. How will inflation affect the income you need?

Prices generally rise, often at a quicker rate for older generations than for younger people.

The amount you spend will inevitably rise over your retirement years. You must factor these price rises in. The income you retire on might be enough to support you now, but it might not be in the future if you don't plan carefully.

4. What lump sums of money will you need?

It isn't just income you will need in retirement. You may well need lump sums of money too, for example to:

- Change the car
- Repay the mortgage
- Pay for large holidays

Or, simply to cover those emergencies life occasionally throws at us.

These lump sums need to be built into your plan.

5. Do you have debt you need to repay before you retire?

Research from Prudential shows that one in four people retiring this year will still have a mortgage, or other debts to repay. The average balance is £24,000.

Outstanding debt when you retire means you will have to use up valuable capital to repay it, or stretch your income to meet the monthly payments.

For many people, taking debt into retirement is unthinkable, so they continue to work. However with careful planning, managing the debt while still retiring as you planned, can be achievable.

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6. When do you want to retire?

Now? Next year? In five years?

Everyone is different: some people will plan carefully to retire on a specific date, while others will stop work as soon as they can afford to do so.

The key is to do what's right for you.

7. Is early retirement a possibility?

There's nothing wrong with a little ambition here either. If you would like to retire early, but you don't think that's possible, why not do a little research? Speak to an Independent Financial Adviser. Retiring early, especially after the introduction of the new Pension Freedom rules, might not be such a distant dream after all.

8. How much State Pension will you get? And when?

For most people, the State Pension is the bedrock of their retirement income.

In our experience, most people underestimate how much they will receive and often don't know when they will receive it.

The flat-rate State Pension, for those who will receive it, is worth over £8,000 per year. For a household where both receive it, that's £16,000 per year; tax-free.

There's only one way to know for sure how much you will get, and when: apply for a State Pension forecast. It's easy to do, and free.

FIND OUT MORE

To get your State Pension forecast, click **here**.

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9. What's the shortfall?

Once you know how much income you will need (factoring in inflation) and the amount of State Pension you will get, it's easy to work out if there's a shortfall.

For most people, the State Pension won't pay for their preferred lifestyle in retirement. That means they will have to create an income from their pension, which, after all, is what it's there for.

Any questions?

If you have any questions so far, don't hesitate to get in touch:

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Email us at
enquiries@keithroseburgh.co.uk

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10. How long will you live for?

Before we get to that though, there's one missing piece of information: how long do you expect to live for?

As morbid as it may sound, your remaining life expectancy is a vital piece of information. If your shortfall is £5,000 per year and you have only five years to live, you will need less money to provide it than if you have 20, 30 or even 40 years to look forward to.

Your life expectancy depends on a variety of different things, including:

- Your health
- Your lifestyle
- Genetic factors
- The jobs you have done during your life
- Your postcode

It's not an exact science, but a life expectancy calculator will give you a rough idea of how long you will be retired.

FIND OUT MORE

Aviva has an excellent life expectancy calculator; you can use it by clicking **here**.

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11. Do you have enough money in pensions, investments and savings to bridge the shortfall?

You now need to understand whether you have enough money in pensions, savings and investments to bridge any shortfall, and, of course, how long the money needs to last.

Frankly, this is one of the toughest questions to answer and one independent financial advisers spend many hours working on for their clients. The number and range of variables which need to be considered are immense, with many assumptions being only that.

12. What's the best way of turning your pension pot into an income?

This is a more practical consideration.

There are several ways to turn your pension pot into an income; although Annuities and Income Drawdown (now called Flexi-Access Drawdown, or FAD, for short) are still the most popular.

Each option has its own unique set of advantages and disadvantages and, as some decisions are irreversible, it pays to think carefully.

The new Pension Freedoms have resulted in more options and more creative thinking. This allows pensioners an even greater flexibility to ensure their income needs match their lifestyle. Rather than their income and retirement choices dictating their lifestyle.

13. Should you make any changes to Final Salary or Defined Benefit pensions?

Over the past few years the introduction of Pension Freedoms, as well as higher transfer values, mean a greater number of people are transferring away from their Final Salary or Defined Benefit pension.

This type of scheme usually provides a guaranteed, inflation linked income. Both valuable benefits which should only be given up after careful consideration. In fact, for most people, transferring away is the wrong thing to do. Nevertheless, all options should be considered, and then discounted, until the right answer is reached.

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14. Should you make any other changes to your savings and investments?

Whilst planning your retirement, it makes sense to review your existing savings and investments.

You may need to change their structure if your State Pension, plus other pension income, won't meet your expenditure requirements.

15. Have you made a will and does it reflect your wishes?

The figures vary, but somewhere between 50 and 60% of the population hasn't made a will.

If you are one of those people, making a will not only means you can decide who gets your assets when you die (because if you don't, the government will) but it can also play a part in reducing the amount of Inheritance Tax (IHT) paid when you die.

FIND OUT MORE

Will Aid is run every year and enables you to make a will, via a solicitor, in return for a donation to charity. You can find out more by clicking **here**.

Finally, a bonus question: Can you answer all these questions yourself or do you need advice?

Yes, we could be accused of being biased, but we believe that those people who experience the most financially secure and successful retirement, are those who take financial advice.

Using our skills, knowledge and cutting-edge software, we can help you to accurately answer these questions, and more.

We'll also make sure your retirement planning stays on track, leaving you to live your life, without the burden of worrying about money.

However, it is up to you to take the first step. So, if you are thinking about retirement, we would love to hear from you.

A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future.

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