THE FRY GROUP
ESTD 1898

Your guide to planning for retirement

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01
An introduction

During a busy career, retirement can seem a long way off. Many people don't think it's a priority to consider retirement planning until later in life, before discovering there are limited funds set aside to support a desired lifestyle.

Planning so that you can enjoy today, whilst making sure there is plenty saved for the future, can be a tricky balance to get right.

The pensions landscape has evolved enormously in recent years. Until a few years ago you had to make a decision about what to do with your pension pot at the time of retirement. As a result there was little or no flexibility, but today more options are available and you can even choose to phase in your retirement over a number of years. It has also always been possible to factor in a range of different sources of income, including rental income, different pensions and investments.

Funding your retirement is of greater importance now that life expectancy rates are much higher. Enjoying an active retirement, for a number of years, is now a reality for many people, and something to look forward to. The most important element when planning is to ensure that your income sources enable you to enjoy your chosen lifestyle during retirement. It's vital to plan ahead to create a secure income, with some flexibility.

Retiring is a significant life change, especially following a successful career. It can be exciting and worrying in equal measure but planning ahead will help you to consider all the aspects so that you can make the most of this stage of your life, and enjoy the financial freedom it can offer.

CONTACT US

We can help you review your existing pension arrangements or establish a good retirement plan.

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02
Living longer

With many people now living longer, your retirement years need to be properly financed.

If you plan to retire at or around the traditionally ‘expected’ retirement age, the impact on your pensions and savings could be significant. Although a shift in attitudes may come as State Pension ages extend, it’s a fact that longer life expectancy will certainly need to be considered when it comes to any planning. And it’s no surprise that for many, the State Pension will barely be adequate.

Added to this is the fact that you may have tapering expectations in that you are likely to want to do a great deal in the early years of your retirement, with perhaps less as the years progress.

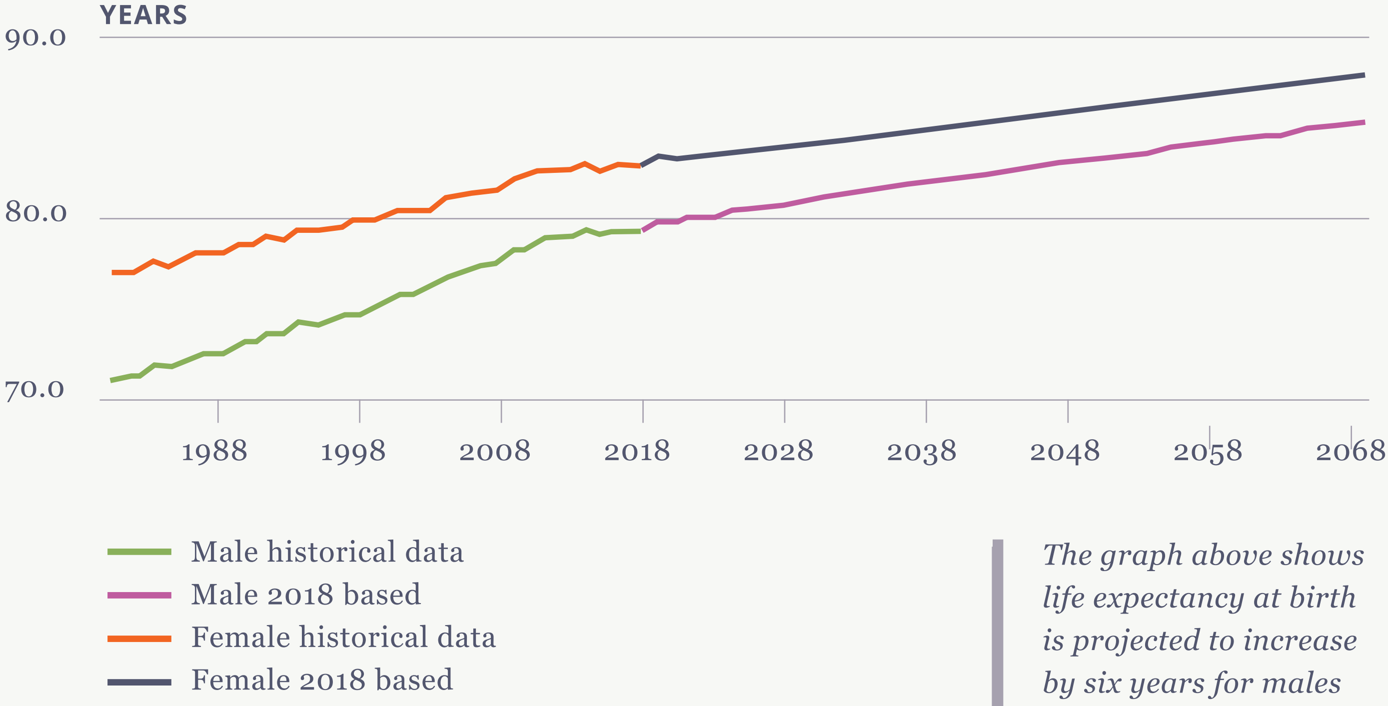
Finally, the inevitable consequence of longer life is the increased possibility of the need for long-term care, which can bring with it significant funding costs.

02
Living longer *(Cont)*

As a result, it's more important than ever to ensure you have the right pension provision to cover your (hopefully lengthy) retirement.

The number of centenarians in the UK has grown by 85% over the last 15 years, and life expectancy rates are increasing around the world, as reported in research from the ONS.

LIFE EXPECTANCY RATES ARE RISING



The graph above shows life expectancy at birth is projected to increase by six years for males and five years for females by 2068.

Source: Office of National Statistics.

03
How much?

A common question when planning for retirement is how much you need to save.

The answer is dependent on many things – including your age, desired retirement age, earnings, health, lifestyle and more. In the end, retirement looks different for everyone – you may want to travel, spend time with family and friends or focus on hobbies or pursuits which your working life may not have given you time for.

The most important consideration is to think about how you want your retirement to look, and put in place sensible steps to help ensure your dreams can become reality.

General guidance can be a useful starting point. One of the most commonly cited approaches to accumulate enough is to set aside half of your age: so if you start saving at age 30 it could be 15% of your income, whereas if you start saving at 40 it is 20%. At the point of retirement your pension pot should ideally total 25 times your desired annual income. It is often quoted that annual withdrawals of 4% of your starting capital (increasing with inflation) are achievable without running out of capital over a typical 25-year retirement. Specific advice can of course tailor these basic rules to your situation and the investment markets that you face over your retirement.

Your current income, financial position and arrangement must of course be a consideration, and common sense is needed.

Ultimately you will need to work with your financial planner to determine your own 'magic number' when it comes to providing for your retirement; one which reflects your unique circumstances, plans and lifestyle. An expert can offer an impartial opinion to help you determine your retirement goals and the steps needed to achieve them. With this in mind the key point is not to ignore this critical area of financial planning.

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Client experiences

Planning for your retirement will be highly individual, and best undertaken by discussing your own circumstances and goals with an expert.

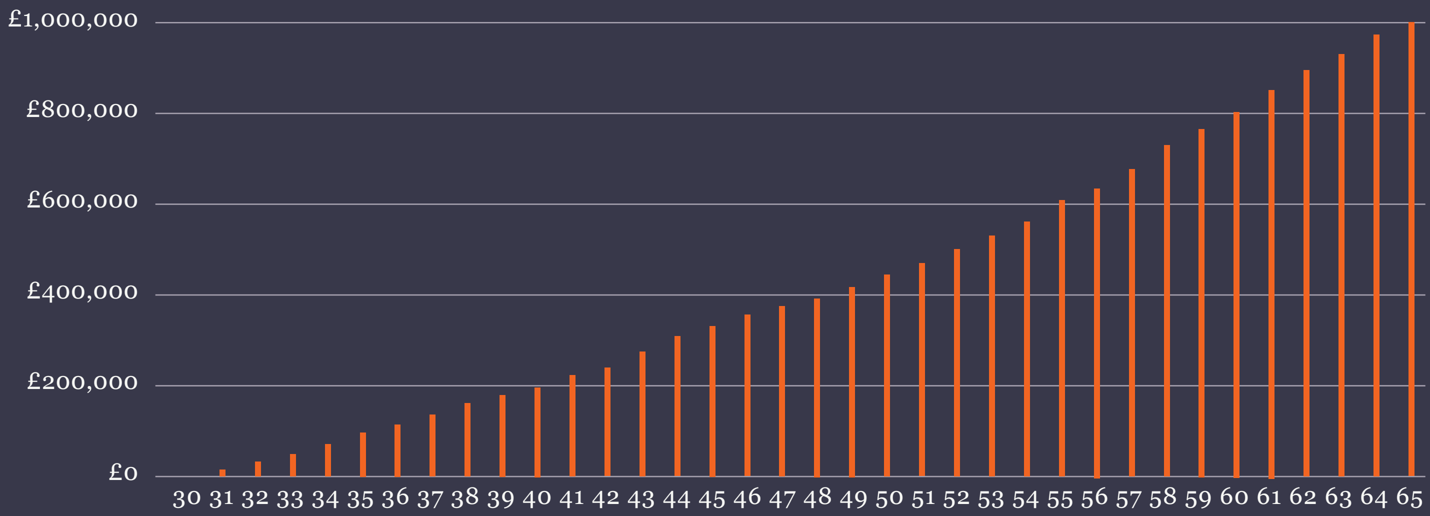
However it can be useful to understand how others are approaching their retirement plans, as you begin to consider your own.

04
Client experiences *(Cont)*

The career expat

Miss Hughes, aged 30, lives and works in Hong Kong as a corporate lawyer, earning an annual salary of £90,000. She is renting an apartment in Hong Kong, as part of a five-year overseas contract. Her studio apartment in Wokingham, which she bought with a mortgage five years ago is being rented to a tenant, but she intends to live in it again on her return to the UK. Given her lifestyle, and the high cost of living in Hong Kong, she is currently saving £1,350 per month into an investment vehicle for her retirement. Her goal is to retire at 65 with a £1 million pension pot.

The graph shows her projected returns over a 35-year period, based on a balanced investment portfolio. It is important to remember that these pension contributions are unlikely to remain static throughout life; events such as moving back to the UK, getting married, a possible career break for children, promotions, salary increases, bonuses and upgrading property could mean fluctuations in the ability to invest.

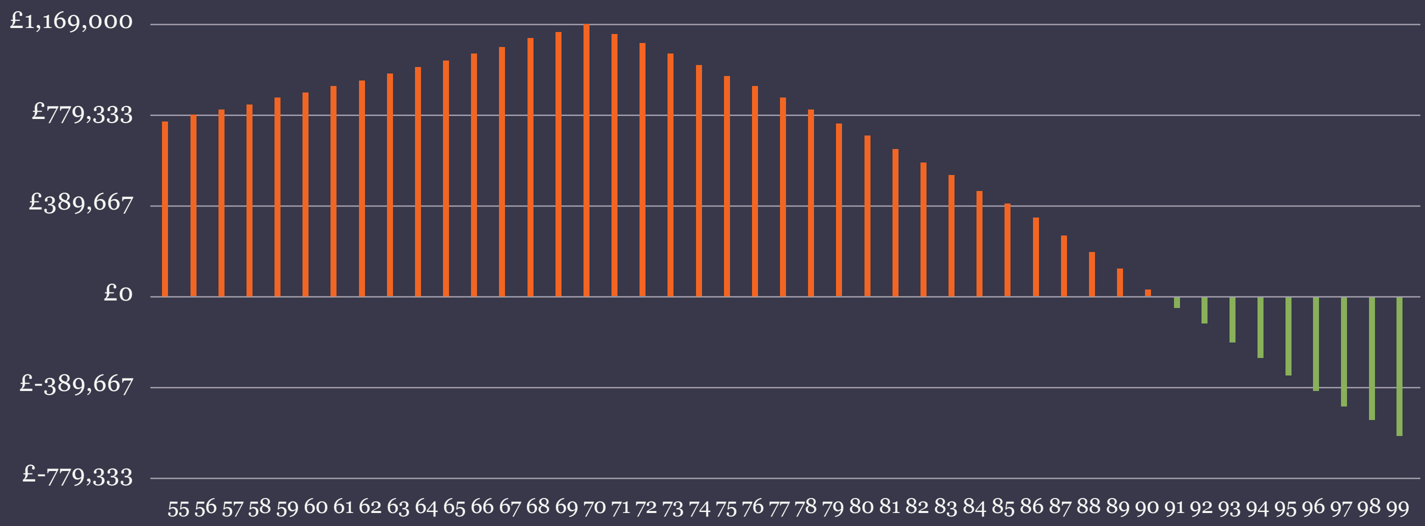


04
Client experiences *(Cont)*

The retired couple

Mr and Mrs Garfield, both aged 55, have recently returned to the UK following more than 20 years overseas. They have two children and one grandchild, who they are looking to spend more time with now they are back. The couple own a property in Kent, worth £535,000, with no mortgage. They also have a cash lump sum of £750,000 from the sale of an overseas property. Mr and Mrs Garfield currently have no investment portfolio or pension provision but are keen to achieve a retirement income of around £75,000, with a goal of staying in the UK and retiring in 15 years. They are also keen to consider Inheritance Tax planning, with the aim that their desired income would allow them to make some cash gifts to their children and grandchildren during retirement years.

The following shows Mr and Mrs Garfield's £750,000 lump sum invested in a balanced approach for 15 years until retirement. This pension pot could grow to £1,168,382 without any additional payments. If the couple then drew £75,000 a year from their pot the fund would last until they reach age 91.

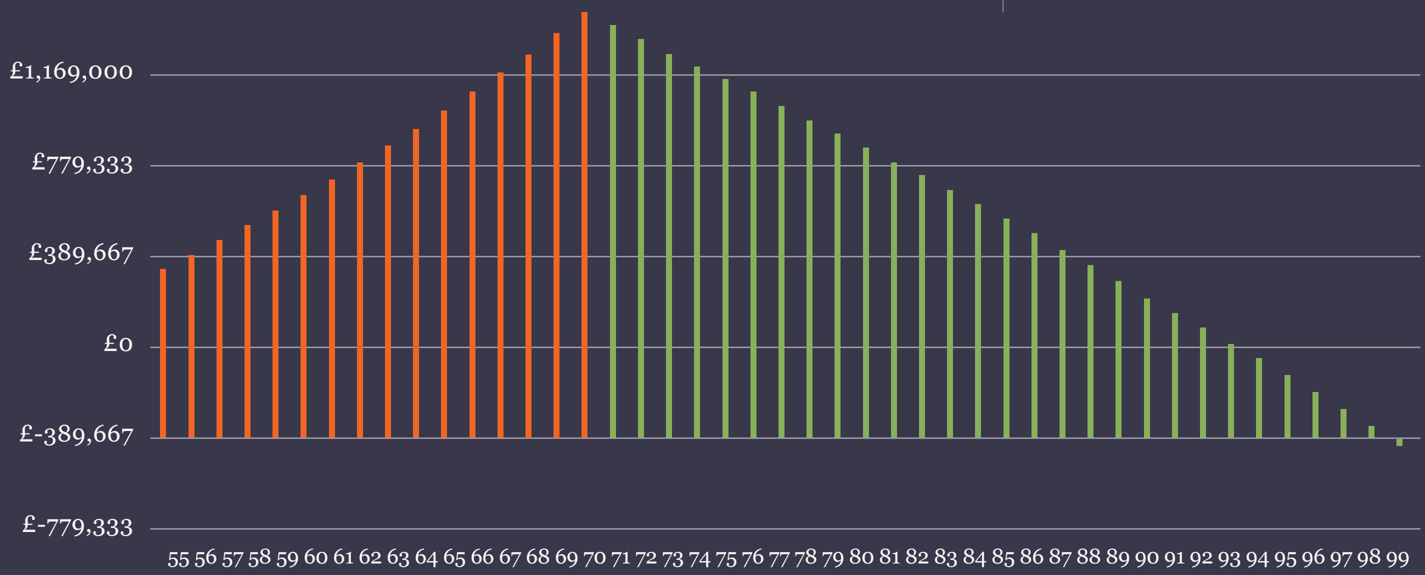


04
Client experiences *(Cont)*

The retired couple *(Cont)*

Alternatively, they could grow their pension pot to around £1,875,000 to maintain any withdrawals, based on the 4% rule (see the How much section above). Given their ages, to achieve this they would need to save £3,108 a month for 15 years using a balanced risk investment approach.

Assuming that they change to a cautious investment approach upon retirement and take £75,000 a year from their investments the following cash flow represents their position; their investment fund would last until they reach age 99.



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How much do I need to save?

The following table shows the amount you will need to save to achieve a £1million retirement fund according to how long it is until you want to retire:

£1M RETIREMENT POT

YEARS TO RETIREMENT	SAVING PER MONTH	COST OF 5-YEAR DELAY
10	£7,208.00	£2,783.00
15	£4,425.00	£1,370.00
20	£3,055.00	£808.00
25	£2,247.00	£528.00
30	£1,719.00	£369.00
35	£1,350.00	£296.00
40	£1,081.00	£203.00
45	£878.00	£158.00
50	£720.00	£124.00
55	£596.00	£99.00
60	£497.00	

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Where to retire

Traditionally there have been popular destinations for British retirees - a return home to the UK after time overseas or a move to a sunnier, warmer climate such as one of the Mediterranean hotspots.

With global travel more accessible and technology providing a reliable link home, other more contemporary destinations are now also an option.

Climate, language and a low cost of living are often some of the first factors considered, but it is important to also think carefully about the tax and financial planning implications of any retirement destination. There may be barriers to entry for your ideal location and a range of residency and citizenship schemes to take account of, as well as the tax and financial considerations of each jurisdiction. Citizenship-by-Investment or golden visa programs can be an option, and by holding a second passport or residence permit you can enjoy greater travel mobility and settlement freedom.

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Where to retire *(Cont)*

The tax you pay in your retirement destination may differ greatly. It's worth noting that you may also have an ongoing liability to UK tax, particularly if you keep hold of a UK property or make frequent visits back home which impact on your non-resident status. It's also useful to check whether your retirement destination has a favourable tax agreement with the UK. Domicile is one area which matters if you choose to retire abroad.

Your domicile is assigned to you at your time of birth, and stays with you throughout your life, regardless of whether you are resident or not in a particular country. Those with a British domicile will be liable to UK Inheritance Tax, no matter where they live, and pass away. It is possible to change your domicile, but it is a significant undertaking. As a result, considering your estate planning if you retire away from the UK will be important.

No matter where you choose to retire it is important to take advice from international experts to ensure that your tax and financial affairs are properly structured. This will then leave you free to enjoy the exciting lifestyle on offer.

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Pension options and financial stability

When undertaking any form of financial planning, including retirement planning, it is important to ensure that your investments offer the right level of protection, in line with your own attitude to risk.

There are two main pension options – a company scheme or personal pension. Company schemes are where you and your employer typically make a contribution, whilst personal pensions offer the ability for you to save on a sole basis.

There are a variety of types of these pension schemes, which can offer a range of different benefits.

Other pension options exist which may be relevant depending on your own circumstances. These include:

SIPPS (SELF-INVESTED PERSONAL PENSION)
A pension wrapper which offers you greater flexibility to manage your investments.

QROPS (QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES)
A pension plan based outside of the UK that you can transfer your UK pension funds into. It is useful for British expatriates or those who are planning to retire outside UK.

Since April 2015, more options are available when it comes to choosing how to use your pension pot. For most pensions you can usually take the first 25% as a lump-sum tax-free option, which might offer you the opportunity to travel or invest your retirement savings elsewhere. Generally pensions can be accessed once you reach the age of 55, unless a specific age has been built in.

KEY INFORMATION

Do consider continuing to pay your UK National Insurance contributions if you want to be able to receive your State Pension in future years.

It is important to consider any risks to your retirement income such as tax and inheritance. For example, Income Tax still applies to pension payments, but you should still be entitled to your annual personal allowance.

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Tax reliefs and allowances

There are a number of tax benefits when it comes to pension planning. A range of tax reliefs are available, and your pension will continue to grow tax-free whilst you save.

Your pension is generally free from Inheritance Tax and can be passed through the generations as part of your estate. It is therefore important to ensure you have noted, with all of your pension providers, as to who should receive any benefits.

If you are living or working overseas you may also be able to continue to pay into your pension for up to five tax years following your departure from the UK, although certain restrictions exist.

It is also sensible to consider investing for an additional pot in retirement, alongside your pension, to ensure you hold a diversified portfolio. This may include bonds or other investment planning. Working with an adviser to determine your own goals and attitude to risk will enable you to make the right decisions for your circumstances. It's worth noting that the earlier you start investing the better, not least given the compound interest your pension could enjoy over an extended period.

Simply put, the longer your money has the opportunity to multiply the better position you will be in. Starting early may even allow you the opportunity to retire earlier than you had originally planned.

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Key questions

As part of your planning you'll need to consider some key questions:

WHEN TO RETIRE

- Do you have a particular age at which you wish to retire?
- Do you plan to take a more gradual step away from your career by perhaps working part-time, freelance or in a consultative capacity?

  Factoring in these considerations will enable you to 'work back' when saving for retirement.

WHERE TO RETIRE

- Have you plans to retire in the UK or overseas?
- Are you keen to explore the opportunity to be more globally mobile with perhaps one or more properties alongside your 'main' residence?
- Does your overseas destination have a double tax treaty with the UK to help protect your retirement income?

OTHER ASSETS

- Do you need to consider any other assets such as property or cash reserves?
- Do you plan to retain your home or other property or perhaps let or sell it to generate additional income in your retirement years?

ESTATE PLANNING

- How much would you like to leave to your family?
- Are you planning to bequeath your estate in cash or via property or personal items?

09
Key questions *(Cont)*

HEALTHCARE CONSIDERATIONS

- Have you made adequate provision for long-term care?
- If you are planning on spending time overseas will you need to make allowances for medical expenses?

TAX PLANNING

- Have you taken all steps to ensure that your retirement income uses all available tax allowances or reliefs?

OTHER FINANCIAL COMMITMENTS

- Have you considered any other commitments you have such as a mortgage, loan or other debt?
- Do you need to factor these into your planning to enjoy greater financial freedom when you come to retire?
- It is always advised to ensure you clear debt, particularly ahead of retirement.

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What next?

Planning your retirement well in advance will allow you to properly consider your future plans, and ensure you have the financial freedom to enjoy them.

With teams across the UK and overseas we can help support you at any stage of your planning process.

We can offer you a complimentary review of your retirement plans with a dedicated Adviser in a face-to-face meeting. To speak to our team of experts, visit; www.thefrygroup.co.uk/contact

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