

RETIREMENT

5 MINUTE GUIDE

PLANNING YOUR RETIREMENT INCOME



Interface 

Independent Financial Advisers - Financial Life Planners

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Retirement isn't what it used to be

You can read that quite literally, because people retiring today face a completely different retirement picture to previous generations.

First off, the length of time in retirement is likely to be very much longer than in the past. Longevity statistics show quite clearly that men and women are both living longer than ever. The number of Centurions has escalated rapidly, so "outliers" – those who live for decades after they retire, longer than the average – are becoming more prevalent. You have to plan to be an outlier, to make sure you don't run out of money.

The number of people in the UK over 100 has increased fourfold in the last 20 years according to the office of National Statistics. And there are now half a million people age 90 or over.

Second, health in retirement is a major factor. As people live longer the healthy years extend and this makes the early years in particular much more likely to be active and this suggests greater expenditure in those early years.

Sadly though the flip-side to this is that some of the years could be ones which require care, which is an even greater expense.

Thirdly, the big brother company pension boom, where previous generations were often given secure final-salary pensions, has all but disappeared in the private sector. More and more people need to self-fund, as the replacement schemes (for example Auto-Enrolment) will not have the same generous level of benefit available from the employer.

There are now only 500,000 people in the UK left in active membership of open private sector defined benefit schemes according to the Office for National Statistics (2016).

There are many other modern retirement factors, but the broad position is this – retirement is now a potentially long period of time for retirees to provide for. In many cases retirement will be for 30+ years. Retirees, by and large, will need to take control of and be responsible for their own retirement income provision.

500,000 PEOPLE
IN THE UK ARE
AGED 90 OR OVER

How to plan for this

The key to the position is to map out the future, assessing your income and expenditure position against different scenarios. Wherever you are starting today, we can help you plot your future pattern, making changes based on different assumptions. This will help inform you how much money you need, how you need to invest and other key financial planning action points.

There are many ways of doing this forecasting – we can support you with this, using the best methods for your circumstances.

Once you see your future financial forecast in this way, you will start to see if you need to save more, cut back on some costs, invest for higher growth, de-risk your investments, deferring taking a pension, the tax angles and everything else that will allow you to construct a robust financial plan.

Pensions

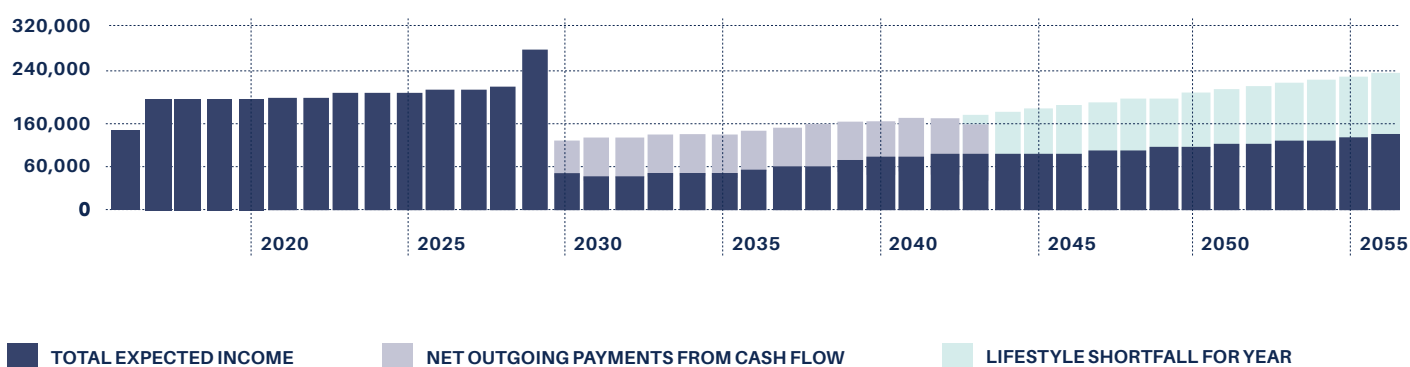
When it comes to pensions, you will face a number of options:

- Should I buy an annuity or run a drawdown scheme?
- When should I take my pension?
- What about the death benefits position?
- The tax position?
- How do I balance out protecting my family and my beneficiaries for the long-term against my needs in my lifetime?
- How do I make sure I am protected against inflation?
- How can I defend against the threat of care costs?

The answers to each of these questions can directly contradict each other. No-one has a crystal ball, so you have to make judgement calls around your financial planning.

You can retain flexibility (with a good financial plan) and keep things regularly reviewed to have scope to make changes as you go along the retirement pathway. Although there is no crystal ball, you can use cash flow forecasts and scenario planning to map out the future and see how different factors could impact your plans. Expert help is available to work out how these balancing aspects can be managed for best effect.

EXAMPLE: SUMMARY OF CASH FLOW PROCESS





AT A 2% RISE IN COST OF LIVING YEAR ON YEAR
£20,000 PA AT DAY 1 OF
RETIREMENT BECOMES
£36,227 PA 30 YRS ON

Three retirement facts that may surprise and help you:

- 1 Your life expectancy is not the same thing as your most likely date of death. The latter is later! This is to do with 'means' and 'medians' – so don't pay too much attention to your life expectancy because you may well live much longer than that.
- 2 At a 2% per year increase in the cost of living, £20,000 per year of expenditure on day one of retirement becomes £36,227 per year 30 years later. Even a low rate of inflation significantly escalates the cost of living throughout a typical retirement period.
- 3 If you decide to utilise pension income drawdown, the Safe Withdrawal Rate of income (the level based on historic returns) is assessed to be no more than 4% per year – and as low as 2.8% per year according to some research – to ensure your pension does not run out of money.

Important steps

There are some very important steps anyone close to or at retirement should take without delay:

Income/expenditure forecast

If you have not had an income/expenditure forecast undertaken, you should get one done now. It is an informative and highly enjoyable exercise.

Consider where your money is invested

Ironically for many people they can often be invested in areas which are higher risk than they need be. They are taking risks of potential and unnecessary losses. Review the risk position of your investments, as the risk profile can change around the retirement point.

Check your various pensions

Include any old company schemes, to work out what is available, what options there are for drawing benefits and when.

Asset Assessment

Assess whether you assets are adequately protected. In later years assets can be at risk from care fees, Inheritance Tax and rapid depreciation against inflation.

The key considerations about how to take a pension can then be informed by these factors; the possibility of keeping a pension intact for longer than may have originally been conceived (to make the most of the beneficial position on death offered by a drawdown scheme, for example) may start to make sense. The decision about how to draw on the pension, whether to use an annuity or mix and match with a drawdown plan can all become clearer.

Planning your retirement income is arguably one of the most important financial decisions you will ever face, getting it 'right' or 'wrong' can create major differences in your outcomes. We are here to help you with this decision making and provide you with everything you need to make the best decisions possible.

GETTING IT RIGHT OR
WRONG CAN BE A
DAUNTING DECISION
WE'RE HERE TO HELP

History, structure, and expertise

Interface Financial Planning started providing independent financial advice in 1992. From the beginning it had the aim of providing professional advice and quality service to people with modest income and wealth.

Its key value was putting people before profit, and contribution before reward. This mission statement has been our torch to light the path ahead and has been the reason that we have endured for over 24 years.

Alan has lead the company with his personal values of: Integrity, Compassion, Respect, & Loyalty, and he is proud that over the years he has worked with clients who share similar values. Like him they want to help others and make the world a little better.

Client care and service is important and he is proud that his first two clients from January 1990 remain his clients today.

We believe that every client should have access to highly qualified advice and expertise.

Technology is used to the full to maximise efficiency and engage expertise from throughout the UK. The business has been paperless for 10 years and for over 5 years has been 'cloud' based. This structure reduces costs and allows support staff to operate anywhere - from Colchester to Honiton to Leicester and elsewhere.

Clients are encouraged to access their online account where they can exchange messages and documents securely. They can view their investments and reports, and they have immediate access to their paper file. Clients love the transparency and openness of being able to view and print paperwork going back for years and many clients use it as a source of reference.



**Owner, Director
Interface Financial Planning**

Alan Moran is one of the most highly qualified advisers in the UK. He became a Certified Financial Planner in 1995 and he was one of the first Chartered Financial Planners in 2005.

He is a Chartered FCSI, a holder of the IMC certificate and member of CFA UK. His expertise has been called upon by The CII, The IFP, The Kinder Institute, and others, where he has trained and examined other financial advisers.

**Alan Moran B.Sc. M.Soc.Sc. Cert.Ed. FPFS FSWW IMC
CFP^{CM} RLP[®]**

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Compliance

Readers should not rely on, or take any action or steps, based on anything written in this guide without first taking appropriate advice. Interface Financial Planning Ltd cannot be held responsible for any decisions based on the wording in this guide where such advice has not been sought or taken.

The information contained in this guide is based on legislation as of the date of preparation and this may be subject to change.

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