BOOLERS

10 THINGS YOU MUST THINK ABOUT IN THE YEARS BEFORE YOU RETIRE

Planning for retirement should be a lifetime's work, but it really gets serious in the years before you want to retire.

We are Chartered Financial Planners and retirement planning advisers who have helped many people retire successfully over the years. We want to put that experience and knowledge to good use, we've therefore written this guide of the 10 things you should think about before you retire.

1 WHAT DO YOU WANT TO DO IN RETIREMENT?

Everyone's answer will be different; the important thing is that when you retire, you know what's right for you.

We all have different retirement ambitions. From simple pleasures, such as spending more time pursuing hobbies or with the grandchildren, to more ambitious projects, such as trips to far-flung places and achieving new things.

Retirement is changing too. An increasing number of us are retiring gradually; working part-time, before completely finishing work.

It's as much about the emotion as the money and can be a surprisingly stressful time. Many people spend too much time worrying about accumulating wealth, but too little thinking about how to spend it. That's why it's important to understand what you want from the next stage of your life and then plan your retirement carefully.

2 WHAT INCOME WILL YOU NEED IN RETIREMENT?

Whatever your retirement goals, in simple terms you need to know two numbers:

- Your anticipated income
- Your expenditure, including any large one-off costs.

This information will form the base of your financial retirement plan.

Start by looking at your current expenditure. Remove any expenses which will cease when you retire, such as the cost of travelling to work and amend others as necessary. Then add in any new expenditure you will incur because of your retirement; increased leisure time, new hobbies, or more frequent holidays, for example.

Next, factor in inflation. Prices are currently rising at between 2–3% each year, your income needs to keep pace if your standard of living isn't to suffer in the long term.

Finally, think about your life expectancy and how your health could affect your income needs in retirement. We expect to spend less money in retirement, and whilst that is often true, if you need care due to illness, your expenses will rise significantly.

3 WHERE WILL YOU LIVE?

For some people, retirement abroad is a long-held dream. For others, it's the time to downsize to a smaller, more manageable property. Of course, you may prefer to stay in the house you have made a home.

Think carefully about what you truly want. Retirement should be a period in your life when you achieve new things, not one to look back on with regret in years to come.

Once you have made your decision, factor the associated costs into your financial plan.

4 WHAT LUMP SUMS WILL YOU NEED IN RETIREMENT?

Income will meet your day to day expenses, but there will also be times when you need access to a lump sum of capital.

Changing the car, renovations to your home and once in a lifetime holidays will all eat into your capital. That's not to say you shouldn't do them, you absolutely should, just make sure they are in your financial plan.

5 WHAT STATE PENSION WILL YOU GET?

To say the State Pension is complicated is putting it lightly. It's no surprise that relatively few people understand it. Can you honestly say you know exactly how much you will get and when?

For most people the State Pension provides the foundation of their retirement income. You therefore need to understand how much you are entitled to and when you will start to receive it.

You can get this by applying online for a State Pension forecast online. Click here to do that now.

Once you have the information, you can then include it in your financial retirement plan.

6 REVIEW YOUR EXISTING PENSIONS

You've calculated your expenditure, the lump sums you will need and you know what State Pension you are entitled to. The missing piece of the jigsaw is the income available from your pensions.

In years gone by this was relatively straightforward. If you weren't due an income from a pension linked to your previous employment, it could have been as simple as valuing your pension pot and purchasing an Annuity. These days though, with the introduction of Pension Freedoms and the increased flexibility we all now have, the answer is more complex.

That flexibility, of course, brings with it opportunity.

You may have one pension, or several. Either way you need to understand the income they could potentially give you and, more importantly, how it can be shaped to give you the retirement you want.

Until you investigate the options available for your pensions, you will never know what is, and isn't, realistic. You may well be surprised by the possibilities.

7 CONSIDER MAKING EXTRA PENSION CONTRIBUTIONS

If you have already accumulated enough money to retire on, you can move on to point number 8.

However, if you have a shortfall, making additional pension contributions might make sense. Depending on your earnings, and the amount you decide to contribute, these will qualify for tax-relief, helping you get closer to your retirement goal.

A basic rate taxpayer, contributing, for example, £8,000 into their pension should get tax-relief of £2,000; taking their total contribution to £10,000. A higher rate taxpayer can claim an additional £2,000; making the cost of a £10,000 contribution just £6,000.

8 REVIEW YOUR DEBT

It is generally considered sensible to have all debt repaid, including your mortgage, before you retire.

If you are already on track to do that, then all's well. If not, it's time to put a plan in place to help tackle the problem before you retire. Indeed, paying your mortgage off early might be the key that unlocks the early retirement door.

Repaying debt needs careful thought:

- Do you have the capital required, or does it need to be repaid gradually out of income?
- If you have the capital, should you use money from savings, ISAs or even your pension to repay it?
- How will using the capital, to repay debt, reduce your retirement income?

If you have debt outstanding it needs it be factored in to your retirement financial plan.

9 TIDY UP YOUR AFFAIRS IN CASE THE UNEXPECTED STRIKES

We all hope to live a long and healthy retirement. For some of us though, the reality is different.

Ill health, and death, are unfortunate facts of life and can occur at the most unexpected of times. Now is the perfect time to make sure your personal and financial affairs are in order if the unexpected happens.

An up to date Will ensures your estate is divided as you wish upon your death, and can also be a useful tool in helping to reduce Inheritance Tax. At the same time, it makes sense to consider appointing someone, through Powers of Attorney, to make decisions on your behalf about your health, care and financial needs, if you are unable to do so yourself.

Whilst you are doing this, extending the conversation to Inheritance Tax and how the potential liability on your death, or that of your spouse, can be minimised is also sensible.

10 TAKE ADVICE AND MAKE A PLAN

We've talked a lot about the importance of making a financial plan.

However, research shows 61% of over 55s intend to retire without taking financial advice. (Source: LV=). That's despite data from Unbiased, showing that "UK savers who take advice save on average £98 more every month and receive an additional income of £3,654 every year of their retirement, based upon a pension pot of £100,000." (Source: Unbiased)

A WORD ABOUT BOOLERS

If your thoughts are turning towards retirement and you would like to build a financial plan to put the next stage of your life onto a sound financial footing, our retirement advisers are here to help.

As Chartered Financial Planners, we are perfectly placed to advise the people of Leicestershire and the surrounding counties on their retirement.

If you would like to discuss your retirement we would be delighted to hear from you.
Please call us on 0116 2407070 and one of our financial planners will be happy to assist you.