



EQUILIBRIUM

# How to plan for the retirement you want





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Our retirement planning service is designed to provide you with the knowledge, peace of mind and support to live the life you want now and in the future. We believe with effective planning, there really is no better time to start thinking about your retirement plan than right now.

Is your retirement date fast approaching? Are you unsure when you would like to retire? Or is it something you haven't even contemplated yet? Whatever life stage you're currently at, our aim is to get the conversation started now.

Retirement looks different for everyone. You may want to be done with work altogether and start a completely fresh chapter of your life. On the other hand, you may love your role and want to continue working but at a slower pace. For some people, they are ready to slow down, but still want a project to keep themselves stimulated – and provide some time away from their spouse!

At Equilibrium, our experienced financial planners know exactly what questions to ask to find out the ultimate purpose for your money. With your input, we can gain a unique picture of what a great retirement looks like to you and your family and then help you get there.

# What do we mean by retirement planning?

The definition of retirement planning in the financial context, refers to the allocation of savings or income for retirement. However, this doesn't capture the person behind the plan – by this, we mean you. We particularly enjoy finding out what makes you tick and what you will most look forward to in retirement. Only when we have this information, can we devise a plan to achieve it.

We believe retirement planning is one part of the bigger picture, but it is a crucial one. You may be working in a job you no longer enjoy and feel you have no choice but to stay in. Alternatively, you may have already retired but are worried you don't have enough to sustain your standard of living or to pass on to your family.

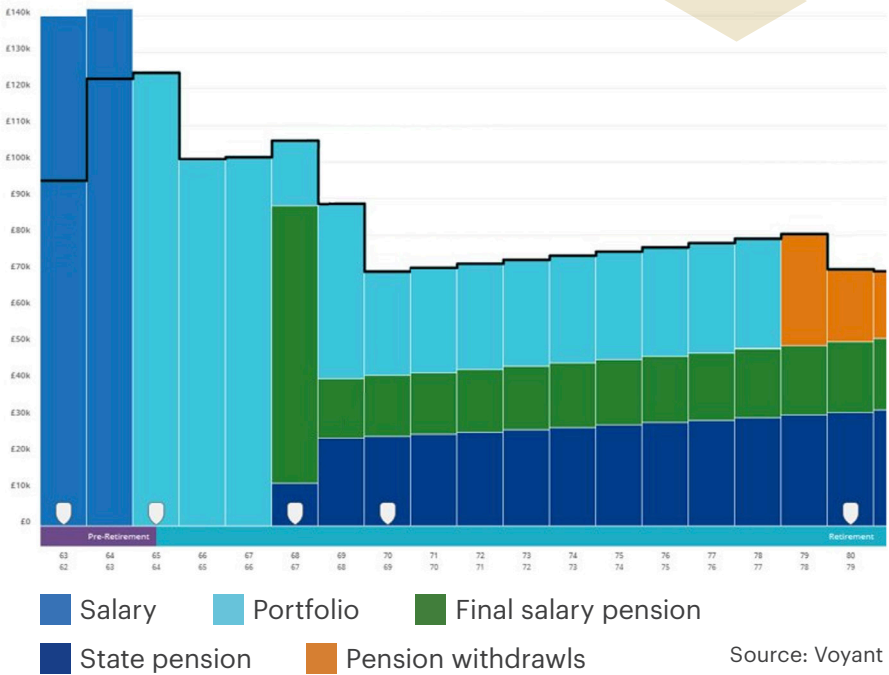
We can give you all the support and advice you need to make well-informed financial decisions every step of the way. Your plan will be based on what you want, not what you have to settle for. However, we will let you know if your goals are unrealistic, if for example you want to retire earlier than you can actually afford to.

The two most common questions we get asked are:

- 🌀 When can I retire?
- 🌀 Will I run out of money?

As part of our financial planning service, we use cashflow modelling to build a picture of your circumstances by incorporating three main factors - your assets, income and expenditure. We then project forward the assumptions we've made together. This is not intended to precisely predict the future, as plans and circumstances are always changing. However, through regular reviews it will show if we are on the right track towards achieving the aims you have set such as, when you would like to retire, whether early retirement is an option for you or what income will you need in retirement.

Below is an example of the visual projections our cashflow modelling software, Voyant, can provide.



We believe it's vital to re-examine your cash flow each year and review how your position has changed. Even small changes in spending or saving can have a major impact when projecting over the long-term. As with any projection, the outputs are only as good as the inputs and therefore it's essential that the information we use accurately reflects your financial position and goals.

# Are you ready to retire?

Planning for retirement can start at any time, however, it may only be a point for consideration as soon as you leave full-time education, join the job market, and start contributing to a workplace and/or personal pension. During these early years, many people make minimal pension contributions as thoughts of retirement often seem a long way off.

Royal London, one of the UK's largest pension providers, carried out research among 1,500 millennials (aged 25-34) to understand the key influences on millennials' future long-term pension savings. They found that almost a third (28%) of those with a pension didn't know what pension contributions were being made into their pension. There was also a common theme that millennials had no idea how much they needed to save and some were completely unaware they even had a pension.

The Business Development Manager (of Intermediary Pensions) at Royal London went on to say, "It doesn't have to be this complicated, there are a few simple tips that would make sense for most people."

- S** – Start saving as soon as you can.
- U** – Up your contributions when you get a pay rise.
- M** – Max out on what your employer will give you.
- S** – Speak to a financial adviser to help you with financial planning.

Automatic enrolment in a workplace pension scheme has helped people engage with pension planning (unless of course they opted out) however there's still a long way to go in terms of saving enough for a healthy pension in retirement. This is especially crucial for anyone who is not automatically enrolled in a workplace pension as in the case of self-employment.

With this in mind, retirement planning can't start soon enough. The further away from retirement you are, the greater the potential of growing your retirement pot. If you delay retirement planning and ultimately saving for the long-term, this may result in you having to play catch up in order to meet your desired level of income when you come to retire.

That being said, it is not always possible to stash money away for a future date as life can sometimes throw curveballs. Not only that, it's also harder to save during certain stages of your life. For example, when you're starting out in your career, saving for your first house or starting a family. The government-led workplace pension provider, Nest, believes it doesn't always need to be a question of either/or, as it's possible to balance your pension with a mortgage or even if you have debt. By putting aside a regular amount each year, however small or large over your working life, you can make a dramatic difference when you retire, thanks to the effect of compound interest over the long term.



# The power of compound interest

Albert Einstein once stated, **“Compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn’t...pays it.”**

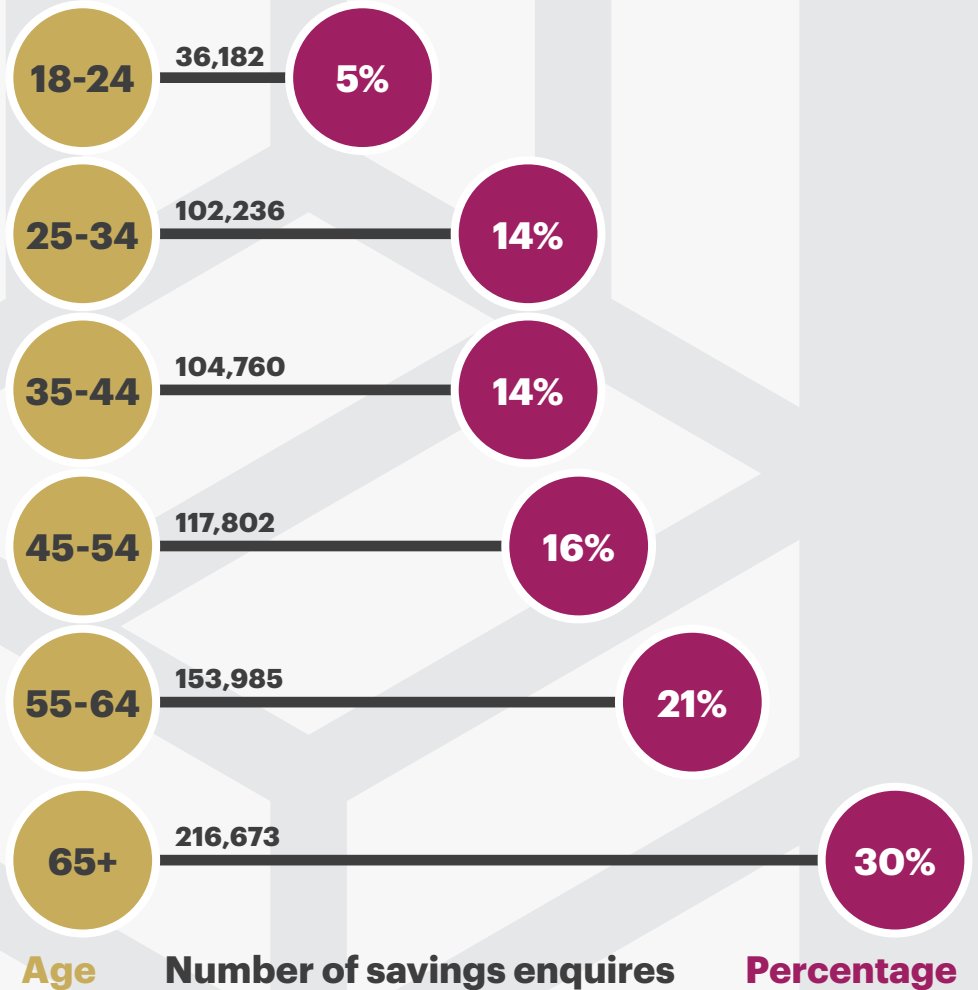
If you were able to save and invest £1,000 at the age of 18 and continue to do this every year until the age of 65, you could see a return as high as c.£569,300 (see illustration below). Whereas, if you didn’t start saving £1,000 until 8 years later, you may only see a return of c. £486,800. As this investment gap widens so do the potential growth benefits.

Age	Early investment (£)		Later investment (£)	
	Amount Invested	Value	Amount Invested	Value
18	1,000.00	1,100.00		
19	1,000.00	2,310.00		
20	1,000.00	3,641.00		
21	1,000.00	5,105.10		
22	1,000.00	6,715.61		
23	1,000.00	8,487.17		
24	1,000.00	10,435.89		
25	1,000.00	12,579.48		
26		13,837.42	1,000.00	1,100.00
27		15,221.17	1,000.00	2,310.00
28		16,743.28	1,000.00	3,641.00
29		18,417.61	1,000.00	5,105.10
30		20,259.37	1,000.00	6,715.61
31		22,285.31	1,000.00	8,487.17
32		24,513.84	1,000.00	10,435.89
33		26,965.23	1,000.00	12,579.48
34		29,661.75	1,000.00	14,937.42
35		32,627.92	1,000.00	17,531.17
36		35,890.72	1,000.00	20,384.28
37		39,479.79	1,000.00	23,522.71
38		43,427.77	1,000.00	26,974.98
39		47,770.54	1,000.00	30,772.48
40		52,547.60	1,000.00	34,949.73
41		57,802.36	1,000.00	39,544.70
42		63,582.59	1,000.00	44,599.17
43		69,940.85	1,000.00	50,159.09
44		76,934.94	1,000.00	56,275.00
45		84,628.43	1,000.00	63,002.50
46		93,091.27	1,000.00	70,402.75
47		102,400.40	1,000.00	78,543.02
48		112,640.44	1,000.00	87,497.33
49		123,904.48	1,000.00	97,247.06
50		136,294.93	1,000.00	108,181.77
51		149,924.43	1,000.00	120,099.94
52		164,916.97	1,000.00	133,209.94
53		181,408.56	1,000.00	147,630.93
54		199,549.41	1,000.00	163,494.02
55		219,504.35	1,000.00	180,943.42
56		241,454.79	1,000.00	200,137.77
57		265,600.27	1,000.00	221,251.54
58		292,160.29	1,000.00	244,476.70
59		321,376.32	1,000.00	270,024.37
60		353,513.96	1,000.00	298,126.81
61		388,865.35	1,000.00	329,039.49
62		427,751.89	1,000.00	363,043.43
63		470,527.07	1,000.00	400,447.78
64		517,579.78	1,000.00	441,592.56
65		569,337.76	1,000.00	486,851.81

Notes: The above illustration is based on an average 10% per annum return on the S&P 500 from 1926 to 2018. Past performance is not a guide to future performance. You should be aware that the value of an investment can go up as well as down. This does not constitute a solicitation of investment or financial advice.

# What age do people apply for savings accounts?

Interestingly, the below data from Money Supermarket shows the ages of those making savings accounts enquiries during July 2018.



Source: moneysupermarket

Furthermore, there's no fixed age at which you have to retire, unless of course your employer operates a compulsory retirement age (e.g. in the police or fire service), so the ball is completely in your court. You may wish to continue working for as long as you are fit and healthy or you may want to travel the world whilst you're still relatively young.

# Starting your retirement plan

Whatever your preference, it's well worth making a retirement plan to help you achieve your future objectives. It doesn't have to be set in stone as you are bound to feel differently from one decade to the next.

As a starting exercise, see if you can answer the following questions:

- Are you planning to have all large debts paid by retirement? (i.e. your mortgage)
- What level of income are you are likely to need in retirement?
- Will you want to change your lifestyle, travel more or downsize the family home?
- Do you want to help support your family along the way?
- What pension and savings provision do you currently have?
- What is your state pension entitlement?

**You may also want to try this retirement planning calculator from MoneyHelper (formerly known as the Money Advice Service) which calculates the target income you'd like in retirement.**

**Money  
Helper**

Retirement Plan

Pension

# How do you plan to retire?

Your pension(s) will most likely make up a large portion of your retirement pot. You may have several workplace pensions from one or multiple employments or even set up your own private pension. The benefits of having security of your money until age 55 (or above), tax relief on the money you pay in and a means of increasing your retirement income beyond your state pension certainly makes them an attractive option.

The most common type of workplace and/or personal pension is a defined contribution pension, which you can generally access ten years before state pension age. Some may have a 'selected' retirement age, which means you can incur a penalty if you access your pension before this date. You may also be able to contact your pension provider and access your pension early if you have certain health conditions. They will be able to tell you if you're eligible or not. It's worth noting that in 2014, the UK government announced plans to increase the minimum pension age from 55 to 57 from 2028. This proposal was introduced to reflect the fact that we're now living longer and also to encourage people to remain in work.

A workplace pension in particular is one of the most effective and reliable ways to grow your pension pot considerably. Your contributions not only benefit from tax relief at your marginal rate of tax, you will also receive contributions from your employer and benefit from the compound effect of long-term savings.

See our related articles on [Personal pensions](#) and [How pension tax relief works](#).

If you've been a member of a 'final salary' (also known as 'defined benefit') pension scheme, which usually has a 'normal retirement age' of 60 or 65, you may be considering whether to transfer to a defined contribution scheme to access your pension earlier. This is a big decision and something which requires great consideration as you are

giving up your right to a pension income for life in exchange for a cash lump sum.

If you would like to know more information on whether this is an appropriate option for you, please see our **Defined Benefit transfer service**, for which we were awarded the Pension Transfer Gold Standard – a voluntary code of good practice for safeguarded and defined benefit transfer advice based around a set of principles.

*For your own protection, the Government has made it a legal requirement to seek financial advice before you transfer from certain pension schemes, like final salary or defined benefit schemes.*

There's also the option of saving for retirement in an ISA. Whether you open a cash or stocks and shares ISA, you can invest up to £20,000 tax-free in the current tax year (2024/25). Alternatively, a lifetime ISA allows you to pay in £4,000 a year and the government contributes 25% on what you've paid in up to the age of 50 (although there are limitations on when you can access this pot).

Investment bonds can be beneficial as a long-term investment, allowing you to take withdrawals of up to 5% of the original investment each year, without having to pay an immediate tax charge, providing another source of tax efficient income in retirement. These withdrawals are treated as a return of capital – the tax being deferred and only becomes payable when the bond is cashed in or matures, if any liability arises.



If you're considering downsizing in retirement, you're not alone. According to research from OneFamily (2018), one in five (19%) over 50s are relying on income from property to fund their retirement. This trend is a result of soaring property prices over the last 20 years, as well as decreasing pension pots and longer retirements. Whether you're thinking of releasing equity or finding a smaller home, advice and research should most certainly be sought first.

Inheritances could also play an important part of your retirement plan, although it's never something anybody wants to think about or assume is a given. Having an open and honest conversation with a parent, grandparent or loved one is not easy but knowing this information ahead of time affords you the time to plan, rather than making emotional or hasty decisions which you later regret.

Your State Pension can boost your retirement income at State Pension age (SPA) and you can still claim it even if you have other income such as a personal or workplace pension. The amount you get will depend on your National Insurance record. It may be higher if you have over a certain amount of Additional State Pension or if you defer taking your State Pension. See our related article to find out more on [State Pension](#).

There is no right or wrong way to fund your retirement and there certainly isn't a 'one size fits all', though a workplace pension should not be overlooked, otherwise you may risk missing out on extra contributions from your employer.



# Creating your retirement plan

Whether you are at the start, middle or end of your working life, we can help you make strategic decisions suited to you and your family's circumstances, and this forms part of our holistic financial planning service.

Generally speaking, if you're already retired or approaching retirement, your concerns may be more pressing than say, someone who has just started their working life, however, the importance of having a well-designed plan in place applies to everyone. The only difference being the stage of life you're at and the savings options available to you.

Making sure you can have enough income to lead the best retirement you can is our number one priority. Your financial planner will ask you many probing questions in order to establish when you would like to retire, whether you would like to stop working by a certain date or reduce working hours as part of a phased retirement.



The other factor to determine is what level of income you will need to cover your costs and then see how much extra you may need to continue leading a fulfilling life when you decide to stop working. Your planner will build this into your plan using our cashflow modelling tool, taking account of inflation and assumed growth rates on your savings, investments and property. As a way of stress testing your plan, 'what if' scenarios can be added to show the effect of a spouse dying now (if married) or prolonged higher inflation, to ensure you remain in a comfortable financial position whatever life throws at you.

We offer a full review of all your existing pension and investment arrangements to check whether they are invested in line with your objectives, attitude to risk and timespan to retirement. Our findings will be presented to you in a suitability report, along with retirement planning solutions, which may require setting up a variety of tax wrappers to provide a tax efficient income in retirement. This doesn't necessarily mean we will propose transferring your existing investments – we look at what is working best for you and advise accordingly.

For those wanting to make maximum pension contributions, we will perform annual allowance calculations to ensure you are saving as much as possible into your pension pot without incurring a tax charge. Your plan will be regularly reviewed to ensure it's on track

to meet your future objectives or tweaked along the way if needed should your circumstances change.

When it's time to draw an income in retirement, your planner will utilise your allowances and suggest the most tax efficient way of doing this, such as arranging a regular withdrawal from your ISA if pension income is likely to push you into a higher tax bracket. By doing so, it will also preserve your pension benefits, which fall outside of your estate for the purposes of inheritance tax, enabling you to pass as much of your wealth as possible to loved ones.

We have a wealth of knowledge and experience in all types of pension schemes therefore we exercise great care where your pension pots are concerned and rest assured, we will spend as long as it needs to support you through your pension planning and income options.

For instance, if you wish to withdraw cash beyond your 25% tax-free lump sum, you could trigger the 'money purchase annual allowance', which significantly reduces the amount you can pay into a pension each year from £40,000 to just £4,000 (under current legislation - 2021/22). This may be of consequence if you want to access an older, smaller pension but still want to carry on working.

You may be close to the lifetime allowance or have enhanced / fixed protection in place. We can help mitigate higher tax charges further down the line.

# How Equilibrium can help you

Our talented and experienced financial planners don't just say the right thing, they do the right thing, placing your interests at the heart of the advice they give. We don't believe in telling you how to invest your money before finding out what you want your money to do for you and your family.

In March 2015, we were awarded the prestigious title, 'Chartered Financial Planners' by the Chartered Institute Insurance (CII). This title is the industry's gold standard for financial planners and only awarded to firms committed to developing and maintaining the knowledge and capability of their people, so they can deliver the highest quality advice.

We believe in establishing relationships for the long-term which is why we offer a service which is bespoke to your needs and one which allows us to be by your side throughout every financial decision.



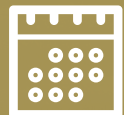
# Get in touch

If you would like to know more or wish to begin planning your financial future today, please do get in touch.

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**Click here to book a no-obligation, 20-minute chat with one of our friendly experts**



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