HOW TO PLAN FOR RETIREMENT

5 TOP TIPS

1

SAVE WHATEVER YOU CAN AFFORD

Take the example of a 50-year-old business owner with no pension and an income (for pension purposes) under £150,000. If the company pays in the maximum amount of £3,333 per month on their behalf (£40,000 limit per annum) then the fund could be worth £681,872 when they retire at 65 (assumes 5% annual investment growth and 2.5% inflation). It's never too late to start saving.

2

PLAN TAKING YOUR PENSION CASH CAREFULLY

Don't think that on the day of retirement you have to draw down your pension right away. This is often not tax efficient and pension funds are the last money you should spend in retirement. Using your cash and ISAs first allows you to keep your pension invested and growing, to give you more in the long run.

3

MAKE THE MOST OF TAX BREAKS

People often worry too much about the size of their pension pot and not about minimising the tax they pay in retirement. Only 25% of your pension pot can be drawn tax free and after that it is subject to income tax. Good advice on how to draw your pension could save you £000s.

4

DON'T UNDERESTIMATE THE COST OF RETIREMENT

It's critical that you think about how much money you'll need to cover your basic living expenses; plus, the luxuries such as holidays. Only you will know what standard of living you'll be comfortable with in retirement. Cash flow modelling can help you to work out exactly how far your money can go.

5

IT'S ALWAYS GOOD TO SEEK ADVICE

To help you build your desired pension pot and make the most of it, advice and planning is key. A financial planner will help you to look at where you are now, and what you ultimately want to achieve, managing the interaction between state benefits, pensions, investment, cash flow planning and taxation which can be complex and are subject to changes.

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