MAGEE GAMMON
CHARTERED ACCOUNTANTS

Guide to Retirement Planning 2016/17

Retirement isn't what it used to be. In many ways it is better: people are living longer and enjoying healthier and more active retirement years.

On the financial side, however, trends are not as positive. For a combination of reasons, the goal of a financially secure retirement is becoming increasingly difficult to achieve. This guide highlights some of the issues you need to consider if you wish to enjoy the comfortable retirement you deserve.

While being able to retire may not be your most important financial objective now, sooner or later it will be at the top of your agenda.

The earlier you focus on your retirement needs and plan for meeting them, the more time you will allow yourself to invest and the more time your investments will have to grow.

A pension shortfall?

Many people are heading towards retirement with inadequate savings, and many even have significant debts. Personal debt in the UK now stands at around £1.4 trillion, with consumer credit reaching in excess of £179 billion.

Meanwhile, retirement periods are becoming longer. Government figures suggest that life expectancy at age 65 has now reached the highest ever levels for both men and women.

For many, the whole picture adds up to a pension shortfall. However, we can help you take steps to ensure that your retirement is as financially secure and comfortable as possible.

Key points to discuss with us include:

- Working out how much you need to save to create a 'retirement pot' capable of securing the comfortable retirement you desire
- Tax-advantaged saving for your retirement
- Using your business to help fund your retirement.

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Principal Pension Planning

There are various options for retirement funding available. Here are some of the most common:

The state pension

With the state pension in 2016/17 worth just over £9,900 for a married couple who qualified prior to 6 April 2016, living on this alone is probably an unrealistic proposition.

For a full state pension, it is necessary to have made 35 years of national insurance contributions.* For a forecast of your state pension, phone the Future Pension Centre on 0845 300 0168. This service will advise if there are years for which additional benefits can still be bought.

Company pensions

There are two kinds of company pension scheme, into which you and your employer may make contributions. A **defined benefit scheme** pays a retirement income related to the amount of your earnings, while a **defined contribution scheme** instead reflects the amount invested and the underlying investment fund performance. In both cases, you will have access to tax-free cash as well as to the actual pension. You should receive annual statements that include valuations of the pension fund and forecasts of the income it might provide at your retirement. A new auto-enrolment scheme was phased in from October 2012, starting with the largest employers.

Private and personal pensions

If you are not in a company scheme, you should make your own pension arrangements, through personal policies or existing retirement annuity policies, your investment will, subject to limits, qualify for tax relief at up to 45%. Limits for 2016/17 are the greater of £3,600 or your UK relevant earnings. Pension input exceeding the annual allowance (£40,000 for policy years ending in 2016/17, although this may be as low as £10,000 in some circumstances) may be subject to a tax charge, payable under self assessment by the investor. Where premiums paid in the pension input periods ending in the preceding three years are less than £40,000, unused relief may be carried forwards.

The lifetime allowance on money that can be accrued in a pension fund and still receive tax relief, fell from £1.25 million to £1 million from April 2016.

** For those reaching state pension age before 6 April 2010, a man required 44 qualifying years, and a woman 39 years.*

Other Planning Options

Other options include Self Invested **Personal Pension schemes (SIPPs)**, which give the investor a relatively high degree of influence over how funds are invested.

Your business

At some point in time, you will dispose of your business interests and invest the proceeds. While this may be some years away, and the business will continue to generate your income for now, at some point you will wish to realise its capital value.

Maximising this value and paying the minimum in capital taxes is an important goal.

Your home

Although they might not be suitable for everyone, there are at least two ways to make your home boost your retirement finances.

The first is down-sizing – selling your current home and buying something cheaper to release value now tied in your property for other purposes.

If you wish to continue living in the same property, 'equity release' might also be something to consider. Equity release might not suit all families, and you need to discuss all the implications with us and your other financial advisors.

Other sources

Savings in ISAs and other vehicles, stocks and shares, insurance policies, property and valuables such as art or collections could all be taken into account when developing a retirement strategy.

Your retirement strategy will be determined by a number of factors, including: your age; the amount of state pension you will receive; whether you have a company or personal pension scheme; whether you are self-employed; and how much you can afford to invest.

We can help you to plan for a comfortable future at the end of your working life.

Contact us today **T. 01233 630000**

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