

HOW MUCH WILL YOU NEED FOR A FINANCIALLY SECURE RETIREMENT?

TALKING POINTS | RETIREMENT PLANNING

IT'S NEVER TOO EARLY OR LATE TO PLAN FOR YOUR GOLDEN YEARS BY SETTING SOME GOALS TO MAKE THE MOST OF YOUR SAVINGS AND INVESTMENTS.

When thinking about how to plan a financially prudent retirement, identifying your key numbers is a good place to start. Here are some of the main points for you to consider.

How long will my retirement last?

It's an impossible question to answer but the Office for National Statistics features a life expectancy calculator to give you an idea of how many years your pension savings may need to generate an income. For example, on average a man aged 45 today is likely to live until 84 and a woman until 87, and in some cases well beyond those ages.

A man aged 45 today	A woman aged 45 today
Average life expectancy: 84	Average life expectancy: 87
1 in 4 chance of reaching 93	1 in 4 chance of reaching 95
1 in 10 chance of reaching 98	1 in 10 chance of reaching 99

Source: ONS.

How much annual income could I need to fund my lifestyle?

Your answer will depend on the income you are used to and what you want to do in retirement.

As a guide, the Pensions and Lifetime Savings Association has worked out how much on average a couple or single person will need to support their retirement each year, whether their living standards are minimum, moderate or comfortable. Don't forget that these figures are rising steadily due to inflation, and will vary depending on your personal circumstances and where you live.

Minimum	Moderate	Comfortable
Single: £12,800	Single: £23,300	Single: £37,300
Couple: £19,900	Couple: £34,000	Couple: £54,500

Source: www.retirementlivingstandards.org.uk

How much income could my savings provide after I've retired?

An online pension calculator can help you forecast the pension income you may receive when you retire. It will take into account your pension along with your State Pension and any other savings or investments you may have.

Cashflow modelling allows you to see how long your pension could last and how much you should aim for in terms of income and savings. It applies a scientific approach to providing a road map that illustrates how likely you are to achieve your objectives, and what planning may be required to make these objectives more achievable.

In order to determine your key numbers and set your goals for retirement, it could be really helpful to work with a financial planner. They will assess the potential longevity of your target savings figure and help you work out the steps required to get there by taking into account living expenses, healthcare costs and other issues through cashflow modelling.

Make the most of your pension

Keeping on top of your retirement savings is something a financial planner can assist you with, including areas like:

Maximising your contributions: whether it's a workplace plan or personal pension, contributing the maximum each year and finding out whether you can make additional voluntary contributions is one of the best ways to maximise your retirement pot. In workplace pension plans, your employer will usually match your contributions up to a certain amount.

Consolidating your pensions: if you've built up several pensions, it can be simpler to combine them into one pot, which could cut down on paperwork and administration. But it's important to seek professional advice to ensure that any decisions make good financial sense.

How can a financial planner help keep your plans on track?

While a pension is a common tax-efficient way to save for retirement, there are still some restrictions around when and how you can access the money when the time comes. Here are some of the things a financial planner can do to help:

- determine how much you can afford to save towards retirement
- understand your different pension pots and how these can contribute to your future retirement strategy
- work out how much income you'll need and explore ways to boost your retirement pot, incorporating other forms of investment and savings you might have
- set an investment strategy that's appropriate for your objectives and adjust it as you approach retirement
- examine your finances using a comprehensive approach, from budgeting, income and expenditure to addressing loans.

A picture of retirement

Phil is 48 years old, living and working in central London as a successful business consultant. He earns around £110,000 a year and has a mortgage of £150,000 on his flat, which is worth around £1 million. Now divorced, he lives with his 17-year-old daughter, who splits her time between her parents' homes.

Phil's current financial needs are well provided for, but he has some long-term goals he's working towards. He hopes to buy a holiday home at 55, and then retire at 60 and live half the year abroad.

Our financial planners will use cashflow analysis to map Phil's needs and goals against his savings and assets. They interpret the results and will build a plan to help Phil work towards achieving his retirement goals and helping him to understand if any need to be adjusted or reprioritised.

A financial planner can also help you explore other ways to save and invest tax-efficiently if you want to have access to your money before 55 or don't want to draw down on your pension early in retirement.

Working out all the numbers involved with retiring can be complicated. Our financial planners and investment managers are here to help you develop a strategy that builds a robust retirement savings plan based on your requirements.

If you'd like to know more, please speak to your Rathbones contact or **get in touch with us**.

Did you know?

The 2023 Spring Budget made saving into a pension more attractive with the following changes:

- pension annual allowance rose from £40,000 to £60,000
- pension lifetime allowance (LTA) tax charge scrapped (previously applied to most people with pension savings exceeding £1.073 million)
- money purchase annual allowance (MPAA) raised to £10,000 from £4,000.

Source: www.gov.uk

Key takeaways

- Retirement planning should start by defining your key numbers, like how much money you'll need to have saved and how long it may need to last.
- There are lots of things you can do to maximise your pension savings while you're still working and earning so that you can retire in comfort.
- Starting to think about your retirement early will provide a longer period to invest and can help build your pension pot to a greater level.
- A financial planner can help you design a strategy for your retirement and ensure your money is working hard for you.

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