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UK Retirement Planning - factsheet

A source of information & advice on retirement planning & private pensions

Many people use the Internet to research Retirement Planning because they are worried about not having enough money to achieve their desired standard of living during retirement.

In retirement most people want to be able to:

- Maintain their lifestyle
- Afford to live in and maintain their home
- Go on holidays
- Run a nice car
- Treat family members
- Enjoy hobbies & pastimes

This can be achieved by:

- Getting good advice
- Effective financial planning

Our aim is for you view ukretirementplanning.com as a source of reliable, trustworthy information.

Our goal is to deliver the highest standards of customer service to ensure you receive the advice you need.

For further information:

Please view our website at:

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or, email us at:

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Introduction

Today 18% of the UK population is over retirement age – and this figure is projected to reach 25% by 2040. *

In 1980, the life expectancy of a 65 year old man was 14 years. Today he can expect to live until 89 – 24 more years. **

This means that someone retiring now will need to have built up around 71% more in retirement funds than someone retiring in 1980 to generate the same income.

Building a Retirement Portfolio

Today 3.2m people or 7% of UK adults are relying on property investments to fund their retirement. This leaves them dangerously exposed to fluctuations in the UK property market and interest rate movements. It is crucial that in planning for retirement the investments are diversified amongst a number of different asset-classes. ***

It is possible to access a wide variety of asset-classes through Pension Funds. These funds have a unique advantage when it comes to investing for retirement. A contribution to a Pension Fund is fully relievable against your highest marginal rate of Income Tax, and all of the growth in the Pension Fund is largely free of all UK income and capital gains taxes.

* The Independent

** Institute of Actuaries, Annuitant Mortality Tables

*** Baring Asset Management

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Retirement Planning

Pension Rules

- A maximum lifetime allowance for Pension Funds of £1.75m (2009/10) increasing to £1.8m by 2010. It will then be frozen at this level until 2015/16.
- Contributions are limited to 100% of salary with a maximum of £245,000 per annum (2009/10) increasing to £255k by 2010.
- The earliest retirement age moves to 55 from 2010.
- You can take benefits from a Pension Fund and continue working.
- 25% of a Pension Fund can be taken as tax-free cash.
- You can take the tax-free cash and decide to defer taking an income.

Budget 2009 – Highlights

- Higher rate tax relief remains on pension contributions for anyone with income of less than £150,000.
- From 6 April 2011, tax relief on pension contributions will be restricted to 20% for those people with income over £180,000.
- From 6 April 2011, higher rate tax relief will be reduced for those people with income between £150,000 and £180,000.
- In the meantime, individuals with income of £150,000 or more will continue to receive higher rate tax relief on existing monthly contributions.
- In the meantime, individuals with income of £150,000 or more who have not made any pension provision will continue to receive higher rate tax relief on contributions of up to £20,000pa.

Therefore, the changes announced only apply to you if:

- Your income is £150,000 or higher in any of the current and previous two tax years, AND
- You change your "normal ongoing regular" pension savings, AND
- Your total pension contributions / savings exceed, or are likely to exceed £20,000 in the tax year.

This means that the vast majority of higher rate tax payers will continue to receive higher rate tax relief on their pension contributions.

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Providing the right level of income in Retirement

As a general rule you can multiply the level of income by 25 to calculate the total amount of money you will need at age 65 to provide that income.

The cost of delay

If a level gross investment of £10,000 pa into a Pension Fund commenced at age 30, a projected fund of £713,000 would be available at age 60. This example shows what could happen if the start of the regular annual contribution was delayed by 5, 10 or 15 years.

Years to Retirement	Fund Value	% Reduction in fund
25 Years	£510,000	-28%
20 Years	£352,000	-51%
15 Years	£228,000	-68%

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Private Pensions

There are a wide variety of private pensions, including:

- Employer Sponsored Defined Benefit Schemes
- Employer Sponsored Defined Contribution Schemes
- Section 226 Pension Plans
- Executive Pension Plans
- Small Self Administered Pension Schemes
- Self Invested Personal Pension Plans
- Personal Pensions
- Stakeholder Pensions

As someone progresses through their working lifetime it is not unusual to work for a number of employers or be self employed. This often results in an individual collecting a range of different types of private pensions. This can make it confusing when trying to plan your retirement.

The key to ensuring these are meeting your Retirement Planning objectives is to regularly review your private pensions. This review should consider things like:

- Is the funding level adequate?
- Is the investment risk appropriate, particularly as you get older?
- Is the investment performance competitive?
- Are the charges offering good value for money?

Depending on individual circumstances it may be advantageous to consider transferring your private pensions to something more suitable.

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Key Messages

In respect of planning your retirement consider the following:

- Have much you need to fund your chosen lifestyle?
- Do you risk outliving your savings?
- How much you need to save?
- Do you have existing Pension Funds that need reviewing?
- The cost of delaying action.

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