HOW TO RETIRE WELL

APRIL 2025

Did you know that the average 50 year-old retiree might spend longer being retired than they did working?
The Office of National Statistics life expectancy calculator shows the average 50 year-old will live until 84 (male) and 87 (female). With any luck, you will spend a significant chunk of your life in retirement, so plan ahead to make sure you can live the life you want for the whole of your life. **Everyone can retire, but not everyone can retire well**.

So where to start?

- This guide shows you the pathway to follow when starting your retirement planning.
- Each one of the steps may need a lot more research and thought, so **the earlier you start to plan, the better your retirement will be**.
- And don't forget that a plan is out of date almost the moment it is made. It is essential to **review and adjust your plans regularly**, to make sure that your goals stay within reach.

Want a helping hand?
Just tell us where you'd like to get to, and our advisers will take you through the rest. **All of our planning tools are completely bespoke and flexible**, so whatever you have in mind, we can help you plan it. Even if you are not sure of your plans, we can work out what you are currently on track to achieve, and what more might be possible with just a little planning.

RETIREMENT PLANNING PATHWAY

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- How am I going to spend my time instead?

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STEP ONE: WHAT DOES "RETIREMENT" MEAN TO ME?

This is the first and most fundamental question you should consider.
It may not be a financial question, but the answer will drive the financial planning you put in place to live the life, and retirement, you want.

WHEN DO I WANT TO START RETIREMENT? DO I WANT A SUDDEN STOP OR A GENTLE SLOWDOWN?

Retirement is no longer a single moment in time - a carriage clock and a hard stop.

You may want to shift perspective, explore a lower-paid career or voluntary work, or take a phased approach and gradually increase the 'life' in your work-life balance. Or you might be ready to leap in with both feet!

If you're not sure what is possible, or have a few different routes in mind, then your adviser can help you work through the financial implications of each one and guide you towards the right path for you.

HOW AM I GOING TO SPEND MY TIME INSTEAD?

Are you really emotionally ready to retire? In a poll by the FSCS around a quarter of retirees (aged 55-75) said that retiring had a big impact on them emotionally, rating third only after having children and getting married.

- If you are to avoid being disoriented by the shift into retirement, you need to plan - in advance - **how you are going to replace the structure, social contact and even the very identity that work provides.**
- What are your **goals and dreams** for the future, and what **new opportunities** might you have if you take away the need to earn?
- For a happy retirement you need to be **both financially and emotionally ready.**

The approach is **entirely unique to you** and requires some careful thought. How to live a good life is an enormous research area, but the answers will lie in the same areas in retirement as for the rest of life: family, community, purpose, mental and physical health, challenge, balance between routine and novelty, and of course fun!

One resource we have found useful is **The New Retirementality by Mitch Anthony** – but a quick internet search will give many others.

STEP TWO: CAN I AFFORD TO RETIRE – WHAT ARE MY NUMBERS?

How much are you going to spend, and how much will you have saved? How long will your retirement savings need to last for?

- You can't control the end date, but you do have some control over when you start retirement.
- If the figures don't add up, **delaying retirement even by just a couple of years can make an enormous difference to how long your savings last.**
- Pension withdrawals are not allowed before age 55 (57 from 2028), so you will need to plan alternative sources of income if you want to retire earlier than this.
- The state pension is not paid until age 66 (67 from 2028).

HOW MUCH AM I GOING TO SPEND?

We suggest splitting your anticipated budget into three levels. This helps identify your 'wiggle room' when you are weighing up alternative courses of action.

- **Essential costs** – the minimum you require for day-to-day living and cannot reasonably be reduced (e.g. bills, housing costs, capital and maintenance)
- **Lifestyle costs** – costs which could be flexed down if needed, but you would prefer not to (e.g. holidays, eating out)
- **Discretionary costs** – things you'd like to spend money on but wouldn't mind too much if you couldn't (e.g. gifts, savings).

It can be hard to estimate how costs might change once you stop working. Work-related costs may disappear, but other plans such as increased travel or moving house (whether to downsize to release funds, or effective upsizing such as buying a holiday home) should be factored in.

Want a rough idea?

The Pension and Lifetime Savings Association produce some excellent research showing approximate budgets for three different levels of lifestyle in retirement. **They estimate that a couple wanting a 'comfortable' lifestyle might need income of around £59,000 per annum, after tax.**

Their website has an easy-to-understand breakdown of the costs included, which is helpful if you are just starting to consider this for yourself.

STEP TWO: CAN I AFFORD TO RETIRE – WHAT ARE MY NUMBERS?

HOW MUCH DO I HAVE SAVED ALREADY?

For this you need to gather details not just of your pensions, but all of your savings and investments.

Our virtualWRAP technology enables you to pull through details of your investments and pensions from different platforms. You can add any other holdings in the Self-Managed holdings area to give you an easy overview of all your holdings in one single place.

Old Pensions?

If you have lost sight of any old policies, the Pension Tracing Service might be able to help.

The State Pension

It is also helpful to get a **state pension forecast** (apply here). This shows what level of state pension you might receive, and whether any additional voluntary contributions might be useful to top this up.

The full new State Pension is currently £230.25 per week, or £11,973 per annum, before income tax. Your entitlement may be lower if you have ever been in a contracted-out pension scheme, or if you haven't made 35 full years of National Insurance contributions. See our Guide to State Pension Top-Ups for details of how to max out your state pension and make sure you are receiving all the National Insurance credits you are entitled to.

HOW MUCH CAN I SAVE BETWEEN NOW AND RETIREMENT?

We know, it depends! How long you have got before retirement? What is your available budget, if any? What will the return on your investments be?

- **The earlier you can start to save and invest, the better.** The effects of **compound growth** (growth on the growth received, repeated) make a surprisingly large difference given enough time.
- **Are you periodically examining your household budget to look for savings?** Keep a lid on those subscriptions which tend to pile up.
- **Are you making full use of all the help available to you?** For example, max out employer pension matching contributions; tax efficient savings; and make sure you take an appropriate level of risk to maximise your investment return. Later in this Guide, we look at the basic steps to take to make sure your finances are in good shape.

For a comprehensive review, we do (of course) recommend a session with an adviser.

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STEP THREE: CAN I AFFORD TO RETIRE – DO THE NUMBERS ADD UP?

PUTTING MY PLAN TOGETHER: CLARITY'S WEALTHPLAN

So, you've pulled together your schedule of everything you currently have, will save, and will spend. No easy task, well done!

Now it's time to do some maths. Once you know what the numbers in and out are, you can work out whether your retirement plans add up. Will you run out of money? Or will you have enough to start thinking about inheritance tax planning and gifting?

In the simplest scenarios, you can do a quick calculation or use a spreadsheet. Life is not usually so simple though, and you will likely find a bespoke tool extremely useful for **playing different scenarios off against each other** and **seeing how sensitive your outcomes are** to changes in assumptions.

Cashflow modelling brings all these different threads together into one cohesive plan.

At clarity we have invested significantly in the development of our own in-house cashflow planning tool – the WealthPlan. This allows us enormous flexibility in modelling different assumptions and, importantly, gives our clients the power to run different scenarios themselves.

WHAT ARE THE BEST ASSUMPTIONS FOR ME?

A good cashflow tool will allow you to easily **model different assumptions** to see what may and may not be possible. For example, different levels of inflation and growth, spending levels or gifting, and, crucially, the age you can retire, will all make a huge difference to the outcome. These assumptions in turn will **help you to make important decisions** such as the type of retirement income which works for you, or how much investment risk you can take… which then feed back into the overall plan outcome.

CAN I COPE WITH FUTURE UNCERTAINTY?

Equally as important as setting the most appropriate assumptions, is **testing the sensitivity of your plans to changes** in them. For example, if investment returns are lower, or inflation is higher, can you still retire when and how you would like? Do you need to build in some extra buffers to cope with the uncertainties that life may throw at you along the way? A good plan is one which will weather all storms.

STEP FOUR: AM I IN GOOD SHAPE RIGHT NOW?

Now you've made your plan, but have you checked that your current savings and investments are where they need to be to get you there? Areas to consider include:

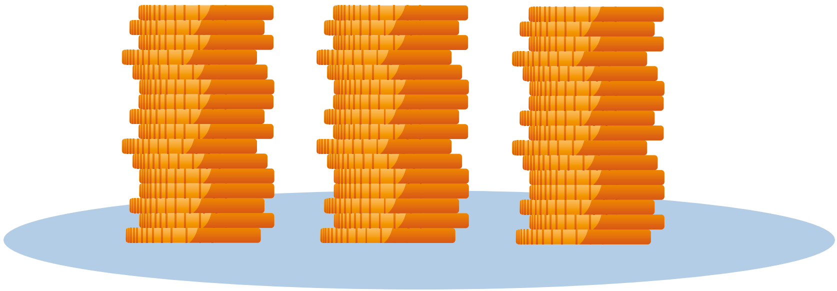
- **Timescale**: are your investments in the right asset classes given how long they will be invested (their 'investment timescale')?
- **Risk**: how much investment risk are you happy taking? How much return do you need to earn, and how much could you afford to lose?
- **Tax**: are you making the full use of all the tax planning boosts available?

TIMESCALE – ARE MY THREE PILLARS OF CASH IN PLACE?

First, you need to make sure your three pillars of cash are in place.

Cash can be a poor long-term investment, but it is perfect for your short-term needs. The capital security gives peace of mind that you can cover any planned or unforeseen capital and income expenditure in the short to medium term.
If you rely on investments, instead of cash, to cover short-term costs, you may have to sell when markets are depressed. This may mean you run through your capital faster than you planned.

Once you have put your cash aside, you can be confident that additional savings won't need to be touched for the medium to long term. This means that you know you can ride out short-term market volatility and start to enjoy the potential growth that comes from **longer term investing**.



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STEP FOUR: AM I IN GOOD SHAPE RIGHT NOW?

RISK - AM I TAKING THE RIGHT AMOUNT OF RISK FOR ME?

Everyone has a different attitude to investment risk, and establishing the right level for you is a vital driver of your subsequent investment decisions.

- Make sure you are not taking **too much risk** for you – this could mean you sell through discomfort when market values are depressed, and before the end of your planned savings timescale. A costly decision.
- Also make sure you are not taking **too little risk** for you - which might limit your investment returns so you don't meet your goals.
- How much can you actually afford to lose without affecting your plans? Of course, nobody aims to lose money, but there is risk in all investments and the future is always uncertain. Even cash carries the risk that it loses spending power once inflation is considered. Your '**capacity for loss**' here might limit the amount of investment risk you might otherwise like to take.

Our **risk questionnaire** can help you assess where you sit, and our WealthPlan can help determine the investment return you might need, and how much you might be able to afford to lose.

Ultimately, determining the right level of risk for you means balancing several factors, and our advisers will help you get to the right target through use of such tools and detailed exploration of your situation.

TAX - AM I GETTING ALL THE HELP I CAN FROM TAX RELIEF?

Good tax planning and the full use of tax wrappers, where appropriate, will make a huge difference to the net level of return you receive.

At the most basic level, you should check you are making best use of ISAs, pensions, **dividend allowances** and **capital gains tax exemptions**. If you are part of a married couple or civil partnership, you may be able to **share assets** more effectively to use lower tax bands and both of your allowances.

STEP FIVE: AM I IN GOOD SHAPE FOR THE FUTURE?

An essential part of peace of mind is knowing that your loved ones are taken care of, whatever should happen.

You may think immediately of the financial cover needed should illness or death affect your family. These needs can be covered by various insurance policies. See our range of Research Notes on Protection for more details.

However, the **legal and practical considerations** are just as important and often overlooked.

WILL MY LOVED ONES HAVE SUFFICIENT ASSETS AVAILABLE TO THEM IMMEDIATELY, SHOULD I DIE?

Are there **sufficient free assets** available to your loved ones to tide them over until the long process of probate is concluded?

Assets held as **joint tenants** (e.g. joint bank accounts or investments, jointly held property) are **not subject to either the terms of a Will or the laws of intestacy**. These assets pass automatically to the surviving co-owner - this is called survivorship.

It can therefore be useful for couples to hold at least some assets jointly, or sufficient assets in each individual name, for continuing liquidity. For example, household costs can continue to be met from a joint account even whilst the process of probate holds up distribution of the remaining assets.

IS MY WILL UP TO DATE AND HAVE I MADE POWER OF ATTORNEYS?

Do you have up to date Wills and Powers of Attorney in place, or do they require review?

Making sure you have an up-to-date Will is a vital, but often overlooked, part of a good financial plan.

- Without a Will, your wishes may not be carried out on death. This can include important decisions on the guardian chosen for your children, or your burial arrangements.
- No Will also means the **laws of intestacy** govern the distribution of your assets. This means assets may not pass as you would wish, and the distribution may not be particularly tax efficient.

Even more frequently overlooked is the importance of having Lasting Powers of Attorney (LPAs) in place.

- You may not always be able to manage your personal health or financial affairs, whether on a **temporary or more permanent** basis.
- If LPAs are not already in place, an application to the **Court of Protection** must be made to enable decisions to be taken on your behalf. This can cause long delays, increase stress, and increase costs. It can place restrictions on the decisions made on your behalf and mean that decisions are taken by someone who may not be aware of your wishes.

STEP FIVE: AM I IN GOOD SHAPE FOR THE FUTURE?

CAN MY EXECUTOR FIND ALL MY REAL AND ONLINE ASSETS?

In the event of your death, does your executor know where your assets and important documents are kept? To help your executors, you can:

- Tell executors where your original Will is stored.
- Keep a list of your assets including contact details, not forgetting any online assets.
- Keep a note of where any significant documents are held (title deeds, life policy documents, investment certificates etc).
- Keep good records of financial gifts made to facilitate Inheritance Tax returns and ensure that any tax planning carried out during your lifetime is effective. Depending on the type(s) of gift(s) made, this may require keeping comprehensive details of income and expenditure.

We have developed **clarityONLINE** to help you keep details of all your assets in one place - and set reminders to make sure you keep the details up to date. In addition, we shall soon launch a '**digital vault**' area, where you can keep copies of all your important documents such as Wills and Powers of Attorney.

STEP SIX: REVIEW AND ADVICE

Don't let all the work you have put into making your plan go to waste – make a note to revisit it regularly, ideally at least once a year.
Plans change, investments rise and fall, and tax rules seem to change with the seasons. It is important to review and adjust for these changes to make sure your end goal stays in sight.

Our advisers are, of course, here to help you with any or all of the above. Our strategic financial advice and Investment Management Services cover all the above and more.

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