

# Can't afford to retire

Getting your pension finances back on track

Do you know how much money you will need in retirement? What about how much you already have saved? Do you know what kind of income that might provide? Unfortunately the answer is 'no' for some people.

When thinking about how much you will need to retire comfortably, it's important to consider the sort of retirement you would like and the annual income you'll need for your desired lifestyle. You may want to simplify your outgoings, and even downsize in later life.

## WHAT ARE YOUR INCOME SOURCES AT RETIREMENT?

Your income sources at retirement should be clearly outlined before you start the process of retirement planning. Do you know exactly how many pension pots you have, and how much they're worth? Sources of income may include multiple personal pensions, historic employer pensions, savings, income from property or dividends, and the State Pension, once it becomes accessible.

Make sure to fully use your tax allowances, which is key to maximising your retirement income. Most people can contribute up to £40,000 tax-free to their pensions annually. From 6 April 2020, the annual allowance taper figures were adjusted to give a higher threshold level. The maximum reduction is £36,000, meaning that someone with adjusted income of over £312,000 has an annual allowance of £4,000.

## HAVE YOU FULLY USED YOUR ALLOWANCES FROM THE PREVIOUS YEARS?

One way of mitigating any shortfall is by using pension carry forward, which allows you to carry forward any unused annual allowances going back up to three years. Therefore, you should check if you fully used allowances from the previous years so that you can receive the tax-free allowance.

Ensure that you start by assessing the previous tax years and including the total value you

contributed to pensions, any contributions from your employer and the amount of tax relief HM Revenue & Customs gave you.

## HOW CAN YOU IMPROVE YOUR RETIREMENT JOURNEY?

**1. Find lost pensions** – If you've had a number of different employers, then you have probably had a number of different pension pots. Most pension schemes of which you've been a member must send you a statement each year. These statements include an estimate of the retirement income that the pension pot might generate when you reach retirement. Alternatively, you can visit <https://www.gov.uk/find-pension-contact-details> to find contact details to search for a lost pension.

**2. Work out what you need for your retirement** – People have different suggestions for ways to work out how much they will need as an income in later life, but you know best what your costs are now and what they are likely to be in retirement. Think about what bills you will no longer have – no commuting costs, perhaps you will own your home outright, for example. And think about the bills that won't change and the budget you want for travel and leisure. Calculate your likely costs and you should have a good idea of what level of income to aim for.

**3. Check your State Pension age** – Don't forget that you will be entitled to State Pension as long as you have made the required number of National Insurance contributions. The age at which most people start to receive the State Pension has now increased to age 66. Men and women born between 6 October 1954 and 5 April 1960 start receiving their pension on their 66th birthday. For those born after that, there will be a phased increase in State Pension age to 67, and eventually 68. ■

## TIME TO DISCUSS YOUR CURRENT POSITION?

When you're under 50, retirement may still seem a long way off and there may be other things competing for any extra money you earn – holidays, children heading off to university or supporting elderly relatives – but putting money away for your future is just as important. To discuss how we can help you plan for the retirement you want – please speak to us.

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