

Will we have enough money in retirement?

A couple approaching retirement concerned they may not have enough to fund their lifestyle.

Background:

A married couple, Brian and Sue, were approaching retirement age and were unsure of their retirement income and how to make tax efficient use of their assets.

They held a number of pensions, a buy to let property and some other assets, mostly in savings they had planned to use to fund their retirement.

They were unsure what level of income their collective assets could deliver or how long it would fund their retirement.

Specific client considerations:

The couple did not want to do anything that could undermine their income position or take any unnecessary risks as they moved towards their retirement.

They needed to know how their retirement would be funded and how recent changes to pensions legislation affected them.

Brian did not want to stop work completely but wondered how a part-time job might affect his tax position.

In addition, they were keen to understand if they could gift some of their estate to their two grandchildren.

Our approach:

We met for an initial session with Brian and Sue and explained the changes under the Pension Freedoms introduced in 2015 and the choices and opportunities available for them at retirement.

We then agreed some lifestyle goals in retirement which enabled us to draw up a forecast focused on their long-term plans.

We modelled how continuing to work at varying levels of salary affected their retirement income and the legacy they might leave their family.

We were able to optimise some of their assets to improve the tax efficiency and transfer their pension funds into a new policy which allows them to take advantage of pension freedoms.

Outcomes:

Working together we showed Brian and Sue how they could use some tax-free cash to fund a once in a lifetime, holiday, as well as helping them both take a retirement income of over £20,000 per year and remain basic rate taxpayers.

They are now able to live the retirement they want, secure in the knowledge that they won't run out of money and have the flexibility to provide for their grandchildren as they wish.

We meet with the couple annually to update and review their lifetime cash flow forecast and financial plan, ensuring continued financial peace of mind.