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# Your pre-retirement checklist



Your life can change a lot when you retire, so it's well worth making sure you have a healthy overview and understanding of your financial situation. Getting a clear idea early on will mean you can adjust or tweak your route to retirement without it having a big impact on your day-to-day life now.

If you haven't yet thought too hard about it then don't worry – there are actions you can take now to help you gain control of your financial future.



The government is giving us greater options to the way we access our pension pots. When you come to draw your pension you can take up to 25% of your pension tax free as a pension commencement lump sum. The remainder of your pension is subject to income tax and there are three ways you can access that money:

- 1. Annuity:** Pays a guaranteed regular income for the rest of your life. You must choose any death benefits for a spouse or others at outset. Getting the best deal is paramount.
- 2. Income drawdown:** Your pension pot remains invested and you can draw variable amounts of money as needed to provide you with a regular income.
- 3. Lump sum:** You can take your whole pension as a lump sum, 25% of which is tax-free cash, while the rest is subject to income tax in the year you draw it. But it's best to seek advice as doing this could result in you losing a lot of your pension to income tax.



**Did you know?** Every year, people in the UK buying annuities waste up to £1 billion in pension income by not reviewing all their retirement income options. Taking time to review your retirement income options can make a significant difference to the income you receive. *Source: Money Advice Service*



A whole of market financial adviser will look at all the options available to you. They can review your current financial situation, help you plan your savings, look at the best way for you to access your income in retirement, consolidate your pension pots and help you decide what retirement income option is right for you.



If you're coming up to your retirement, or even just getting a headstart to make sure your plan is steadfast, you'll need to ask yourself some big questions. Preparing in this way will make sure you know what's around the corner, so you can have a safety net ready and waiting.



**Did you know?** With rising life expectancy, the average 65 year old retiring today can expect to enjoy a retirement of around 20 years. This means the decisions you make with your pension pot now will affect your income for the next two decades! Most people can only make this decision once. So deciding your retirement income option will be one of the most important decisions you make in your lifetime.

## What do I need to consider ahead of retirement?

We've put together some key questions you need to be asking yourself 10 years, 3-5 years and 6 months before you plan to retire.

## 10 years ahead of retirement

Now is the time to evaluate your retirement goals and work out your potential expenditure. How much will your lifestyle cost? What activities are you looking forward to in your retirement? Is this all feasible, or do you need to put away a bit more into your pension?



**Did you know?** Are you making the most of your pension tax allowance? UK taxpayers will waste as much as £2.9bn in pension tax relief. *Sources: TaxAction reports 2013 and 2014*

Of course, the earlier you start the better your likely outcomes and increased choices, but those of you who can see retirement on the horizon, can still take action to improve your income.

- At what age are you hoping to retire?
- How much are your current living expenses? Will this be the same in retirement?
- What are your current debts? What will these look like in retirement?
- How much will additional extras, like holidays and hobbies cost?
- Do you need to think about university fees or helping your children onto the property ladder?
- What are your retirement goals? Can you fund them?
- How much income you can expect from your pension/s?
- Do you have savings, investments or other assets which will generate an income?



**Action point:** Understand your current financial position – get forecasts from your pension providers, request a state pension forecast from the Department for Work and Pensions and review your savings and investments.

**Crunch the numbers.** Look at your state pension, your investments and savings and any private pensions you may have.

Compare the amount you'll have in retirement with your forecasted expenditure. You may have to look at cutting your spending or see how you can improve your income once you reach retirement or topping up your pension pot savings.

## 3-5 years ahead of retirement

Your goal now is to keep on track. Do you know what your retirement income options are? Start thinking about how you will receive your income options in retirement. You can take a tax-free lump sum, invest you pension or purchase an annuity, which will guarantee your income for the rest of your life.

Don't worry if you've veered off course, or not started the process yet – there's still time to get on track. A whole of market financial adviser will be able to help you organise and prioritise your paperwork and set out achievable goals. And even if you don't have a lot of money saved, or it's peppered around in small pots, there are still ways to unlock this cash. Under new rules, the amount of money which may be released if you have a small pension pot has been increased and small lump sums can be paid regardless of an individual's total pension savings.



**Did you know?** You don't have to have a big pension pot to seek financial advice. We have more than 5,000 advisers on the unbiased.co.uk site helping people with pots of less than £50,000.

### Have you...

- Checked if your National Insurance contributions are up to date? You can top them up if not, to make sure you receive your full state benefits
- Thought about if you could supplement your income in retirement?
- Checked what will happen to your pension if you delay retirement?
- Made a will? This can have a financial impact on those you leave behind
- Investigated if you could make your money work harder?
- Thought about checking in with your adviser to make sure everything is shipshape?
- Thought about all your assets – such as property or other savings?
- Made sure all your current savings are safe from market fluctuations?



**Did you know?** Providing an income in retirement doesn't have to come from pension plans. Consider rearranging other investments you may have such as shares, cash held on deposit, savings or even property to help provide you with an income.



**Action point:** Don't bury your head in the sand! If there is a shortfall tackle it now. Make sure you seek professional advice if you're not sure how. An adviser will help you to compare the amount you'll have in retirement with your forecasted expenditure. They can help you find ways to improve your income once you reach retirement.

## 6 months before retirement

Not long now! Now is the time to have a retirement readiness check-up. No matter how much you have put aside for your retirement, the decisions you take now can have a significant impact on the income you receive. You may be surprised at how much you can still increase your pension income even at this stage. A whole of market financial adviser will be able to assist you in shopping around.



**Did you know?** If you're in poor health you can actually be eligible for an enhanced annuity. These pay higher rates than a standard annuity, sometimes up to 40% more.

- Checked your pension statements to see how much your pension fund or funds are worth? You can do this online at [www.dwp.gov.uk](http://www.dwp.gov.uk)
- Checked whether you have any pensions you've forgotten about? Visit [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension) for more information
- Let your financial adviser know if you have any health issues?
- Asked your pension providers for an up-to-date statement of how much your pension fund or funds are worth?
- Found out what your final pension will be and how it will be paid to you?
- Updated your beneficiary information?
- Had a pre-retirement meeting with your employer?
- Let the taxman know? Retiring will affect your tax code



**Did you know?** It may be possible to transfer either your annuity or income drawdown pot to your dependent or spouse upon your death. But it is crucial you understand if, and how, your plan manages these possible benefits before you commit.



**Did you know?** Once you're over the state pension age you can stop paying National Insurance contributions.

**Talk to Logic Wealth Planning, help will be at hand.**

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