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VS ASSOCIATES LTD

The useful guide to **reaching** your retirement goals

01480 384 711

victor@vsassociates.co.uk

Getting the most out of retirement and reaching your goals requires planning.

Not thinking about your post-work years until you reach that milestone can mean that a retirement that promised much, falls short. While you might daydream about giving up work, pinning down the details, from your lifestyle to your income, means you're more likely to turn your dream into a reality.

Being proactive means you can approach retirement with confidence and really focus on enjoying the next chapter of your life.

It's never too soon to start planning for retirement. So, what steps can you take now to help you reach your retirement goals?

Creating a retirement vision: Understanding what you want from retirement

When you think about planning your retirement, what comes to mind first? If it's pensions and money, you're starting in the wrong place.

Setting out what you want your retirement to look like is crucial. It gives you an opportunity to think about what your priorities are and the reasons you're looking forward to this chapter of your life.

And, of course, without knowing what your retirement lifestyle will look like, understanding if you're on track financially is difficult.

These three questions can help you start to build up a clear picture of your ideal retirement.

1. When do you want to retire?

Realistically, when do you want to retire? For some people, the answer will be "as soon as possible". However, there are many reasons for working longer – and it's not always about money. You may enjoy your position, like the routine work provides, or enjoy the social aspect of your job.

Setting a retirement date can give you a clear target. It's not set in stone though, and you should review your decision regularly as your circumstances and wishes could change.

A clear date is also important for understanding how long you'll spend in retirement, which will affect how long your pension and other assets will need to last.

While people are living longer and the State Pension Age is rising, retiring early is still a dream for many people.

According to Aviva, among those who aspire to retire early, 60 is the most popular age. 1 in 5 hope to retire when they're 55.

The research found that the desire to retire early was driven by people wanting more freedom while they're physically fit and well enough to enjoy it.

Other key factors were reassessing what's important in life, wishing to spend more time with family, and finding work too stressful.

Among those that have already retired early, 60% of people reported an increase in their overall happiness as a result.

Ask yourself why you've chosen a particular retirement date. It can help you identify what you're looking forward to and is useful for building up a picture of your desired retirement lifestyle.

Today's retirees are likely to spend decades in retirement

When you're planning your retirement, you should be thinking in decades, not years. As life expectancy has increased, how long people spend in retirement has too.

The Office for National Statistics' life expectancy calculator demonstrates this:

- A 60-year-old man retiring today has an average life expectancy of 84, and a 1 in 4 chance of reaching 92.
- A 60-year-old woman has an average life expectancy of 87 and a 1 in 4 chance of celebrating their 94th birthday.

So, to ensure long-term stability, modern retirees need to consider how their lifestyle and expenses will change over more than three decades.

6 things that can help you retire early

When asked what enabled early retirees to reach their goal, they said:

1. Having a defined benefit pension (32%)
2. Paying off my mortgage (30%)
3. Saving little and often (29%)
4. Saving extra whenever I received a pay rise or bonus (19%)
5. Receiving a redundancy payout (16%)
6. Receiving an inheritance (14%).

Source: Aviva

Is blending work and retirement an option you should consider?

Gone are the days when you had to give up work completely on a set date. Today, you have much more freedom to create a lifestyle that suits you.

For some, that means blending work and retirement by gradually moving into the next stage of their life. Phased retirement could mean reducing your working hours, moving to a less demanding job, or working remotely. It could help you enjoy the best of both worlds.

According to an Aegon report, 38% of people receiving financial advice plan to retire gradually. This compares to 44% of people that want to retire at a single point in time.

A phased approach can also be useful for ensuring you have enough money throughout retirement, as you'll be less reliant on your pension in the early years.

2. What does your ideal retirement look like?

When you think about retirement, what is it you're most looking forward to? Your lifestyle wishes and goals are essential for creating a fulfilling retirement.

When you start thinking about retiring, it's usually the big-ticket experiences that first come to mind.

It may be a stereotype but travelling remains one of the things people look forward to the most when they retire.

Other common big-ticket experiences include moving abroad, taking on a renovation project, or even starting a business.

These things can be exciting to think about, but just as important is thinking about how you will fill your time day-to-day. These smaller decisions can affect your wellbeing and happiness just as much as the larger ones.

You may hope to spend time on hobbies, socialising with friends, or taking grandchildren out. But suddenly having a lot of free time on your hands after working for decades can require some adjustment.

Without a routine, some retirees find they aren't getting as much out of retirement as they had hoped. So, setting out what is important to you and making time for these things is essential.

That could mean attending a weekly workshop to develop new skills, making Sundays family time, or setting a resolution to spend time exercising each day.

What's important is that you create a routine around the things you enjoy.

What do you think you'd like to do most when you retire?

- Travel (47%)
- Take up a new hobby/continue with old ones (29%)
- Give financial help to children/ grandchildren (21%)
- Buy a holiday home (15%)
- Move aboard (15%)
- Start my own business (10%).

Source: Aviva

Almost half of retirees don't feel like they spend enough time socialising

Work can play a big role in your social life, and you may find there's a gap when you retire.

According to a report in the Independent, almost half of retirees don't feel like they spend enough time socialising, and a third said they have experienced loneliness.

When setting out the lifestyle you want, socialising is an important aspect to consider. Joining social clubs, attending community events, or taking up a new hobby can help you connect with old and new friends.

3. Do you have any other priorities or goals for retirement?

As well as lifestyle goals, you may have other priorities that are important to you, which could affect your life and income.

For example, you may have decided you want to help children or grandchildren get on to the property ladder by offering financial support. These priorities can have a direct effect on your retirement and how you plan for this part of your life. Setting them out as soon as possible and reviewing them regularly can help make sure you meet them.

Preparing mentally for retirement

Retirement is a huge life event and the emotional side of giving up work mustn't be lost in trying to organise your finances.

For some people, retiring can leave them feeling like they've lost their identity, so it may take time for you to find new passions or purpose. Planning what you'll do with your time and what's important to you can help you overcome this retirement challenge.

Turning your retirement vision into a reality: What income do you need?

With goals set for your retirement lifestyle, it's time to start thinking about how you'll afford it.

You may already be paying into a pension and taking other steps to secure your long-term financial security. But are you doing enough?

It can be a difficult question to answer. Not only do you need to consider how income needs will change over several decades, but your income in retirement is likely to come from several different sources.

A report from the Social Market Foundation found that more than two-thirds of 50- to 64-year-olds don't know how much they'll need for retirement. Not understanding how much you need can mean you face a shortfall when you retire, or that you take an unsustainable income from your assets once you stop work.

Breaking down your finances into three areas can help you understand what income you will need.

1. Essential spending

Add up the essential costs you need to cover in retirement. This should include things like utility bills and grocery shopping. Keep in mind that some expenses you have now, such as your mortgage or commuting costs, you may not have in retirement. This will give you the basic income you need.

2. Discretionary spending

Now, what extra income do you need on top of the essentials to allow you to live the retirement lifestyle you want? Understanding your discretionary spending is just as important as the essential costs if you want to reach goals and have confidence in your future. You may include expenses like eating at restaurants, going on holiday, or equipment for your hobby.

3. Emergency fund

Maintaining a financial buffer in retirement is just as important as when you're working. You can still face unexpected costs and it can be valuable if you need care or support in your later years. Having an emergency fund can improve your financial resilience.

Remember, your income needs may not remain the same throughout retirement. Traditionally, retirees have spent more in the early years before spending settles down.

Inflation: How the rising cost of living could reduce your spending power

Inflation means that your income will decrease in real terms if it doesn't rise at the same pace.

As goods and services cost more, your retirement income will need to stretch further. If you haven't considered inflation, you could struggle financially in the future.

The rate of inflation can seem relatively small year-to-year, but when your retirement is likely to last decades, it adds up.

Let's say you retired in 2000 and an income of £30,000 was enough to afford the retirement lifestyle you wanted. According to the Bank of England's inflation calculator, by 2021 you'd need an income of £53,730 to achieve the same lifestyle. If you hadn't considered inflation, you could be facing a shortfall of more than £23,000 each year.

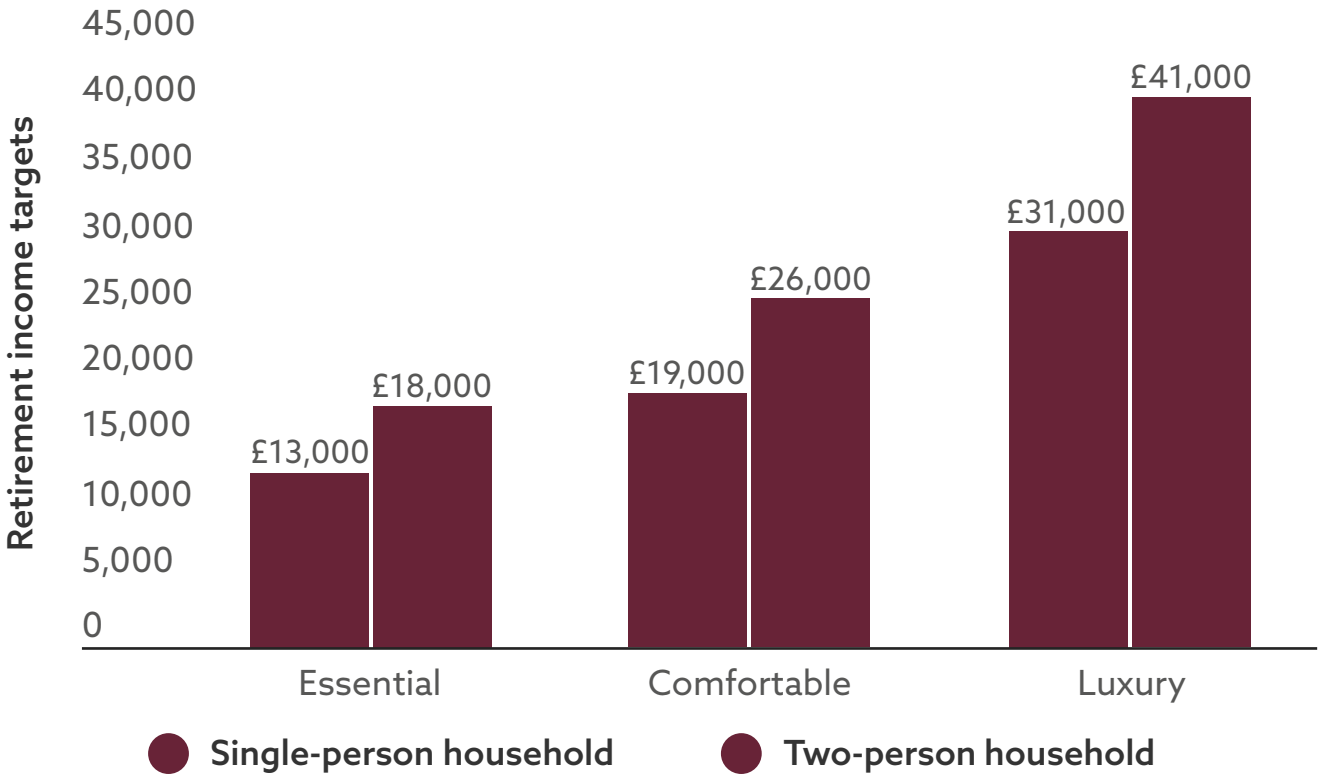
There are several steps you can take to manage the effects of inflation in retirement, including investing a portion of your assets and purchasing an inflation-linked annuity. If you'd like to discuss your options, please contact us.

A couple needs an income of £26,000 for a comfortable retirement lifestyle, according to Which?

While the income you need will depend on your decisions, research from Which? can give you a broad idea of the lifestyle different incomes will provide.

The findings suggest that a retired couple aiming for a comfortable retirement will need an income of £26,000 a year. A comfortable lifestyle includes travel to European destinations, a budget of £1,188 for recreation and leisure, and spending around £700 on new clothes a year.

If you hope to visit long-haul destinations, purchase a new car, and visit fine restaurants, the research suggests an annual income of £41,000 for a couple.



Source: Which?

Bringing together your goals, income needs, and assets

You've set out what will make your retirement fulfilling and the income needed to achieve it. But are you on the right track to reach your goals?

Financial planning can help you bring together your goals, income needs, and how your assets, from your pension to property, can support this.

The decisions you make at the point of retirement can affect the rest of your life. Despite this, only a fifth of 50- to 60-year-olds have spoken to a financial adviser or planner about their pension, according to a Social Market Foundation report.

As a result, many lack the understanding of how much they need to save or how best to use their pension in retirement, and it could mean they don't secure the retirement they want.

It's never too soon to start planning for your retirement. Whether your retirement date is near or years away, we're here to help you create a plan to reach your retirement aspirations. Please contact us to talk to one of our team.

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Please note: This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The value of your investments (and any income from them) can go down as well as up, which would have an impact on the level of pension benefits available.

Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances. Levels, bases of and reliefs from taxation may change in subsequent Finance Acts.

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