RETIREMENT IS A JOURNEY NOT AN EVENT

YOUR QUESTIONS & ANSWERS

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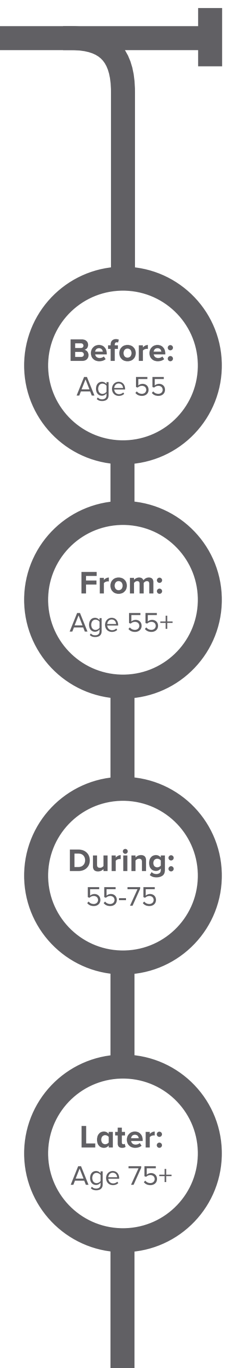

The Retirement Journey – Questions & Answers

Planning for the journey ahead

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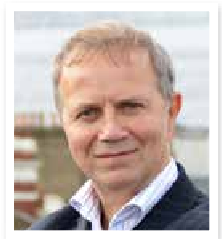
This guide is for information only and does not in any way constitute financial advice.

Introduction: Billy Burrows



Billy Burrows
Retirement Director,
Better Retirement

Pension freedoms has made it very easy for you to take money out of your pension pots, but the decision whether to take a cash sum, purchase an annuity or invest in drawdown is still one of the most difficult and important decisions in financial planning.

It may be tempting to consider the money in your pension pot in isolation but you should take all of your financial assets into account before making important financial decisions. Financial advisers call this ‘holistic financial planning’.

In this guide we will show you how a better understanding of the retirement journey will help you get the most from your retirement savings as you move from a busy working life to an active period of retirement before a less active period in later life.

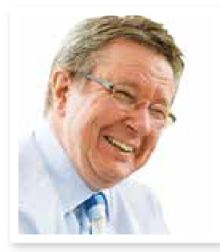
Foreword: Stuart Bayliss

If you want to make the most of your pension savings and get your personal finances into good shape this is the guide for you.

We strike the right balance between keeping things simple while not shying away from explaining difficult and complex options. This is a skill we have developed over the last 30 years, not by reading text books but by speaking and advising thousands of clients from all different walks of life.

One of the most important lessons Billy and I have learnt over the years is that although most people do not understand the key retirement issues, they can quickly learn about their options and make good decisions if they work with an adviser who takes the time to explain things clearly and listens to their concerns.

This is exactly what we do at Better Retirement and this guide reflects our passion for helping people make the best possible decisions throughout their retirement journey.



Stuart Bayliss
Chairman,
Better Retirement

The Retirement Journey

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Before retirement

As you approach retirement you should check your pension and other financial affairs are in good shape

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At retirement

Time to start thinking about your options to convert pension pots into cash and income, especially pension drawdown or annuities

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This is a normally a period of consolidation where reducing risk and increasing the level of guaranteed income becomes a higher priority

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Why is retirement a journey and not an event?

In the past, most people worked until the age of 60 or 65 and then retired with a combination of state and company or private pensions. Therefore, you were either working and receiving a salary or you were retired and being paid a pension. Nowadays, especially since the introduction of pension freedoms in 2015, retirement can be more fluid as you move from full-time work to full time retirement gradually over several years.

In this sense retirement is a journey not an event because you don't have to make big one-off decisions when you first retire. It may be better to ease into retirement step by step by making a number of smaller but equally important decisions as you get older and your financial and personal circumstances change. The new pension freedoms give you greater flexibility and more options but this means you should spend more time planning ahead for your retirement.

Your retirement journey will hopefully be a long one but it may not be as smooth as you would like because we live in uncertain times. It may be good news that we are living longer, but more people are spending their last few years in poor health, often needing expensive healthcare.

This means that your objectives and priorities may change over time as you balance the need for flexibility in early retirement with the need for peace of mind and security later on. There are four different stages of retirement (see below), and you should plan for each stage.

Don't underestimate your life expectancy and the amount of time your retirement income will need to last.

BEFORE RETIREMENT – Generally speaking, in the countdown to retirement you should review your investments and make sure you are not taking too much investment risk. If the stock market falls shortly before you retire and you are over exposed to equities you could retire with a much-reduced pension pot and less income than you thought.

2

AT RETIREMENT – As you approach retirement you will have to make some of the most important financial decisions of your life. These include working out how much income you take from your pension pot and how much risk you take. Throughout this guide I will explain how you can make better decisions if you plan ahead.

3

DURING RETIREMENT – This is the period where you should make sure your retirement finances remain in good shape. It is vitally important your plans are constantly reviewed to make sure your plans remain on track.

4

LATER LIFE – As you approach the last phase of retirement the priority is to make sure you have financial security. You should think about peace of mind for your family and this may involve reviewing your wills and making sure you have set up a lasting powers of attorney. If you need extra money you can consider equity release.

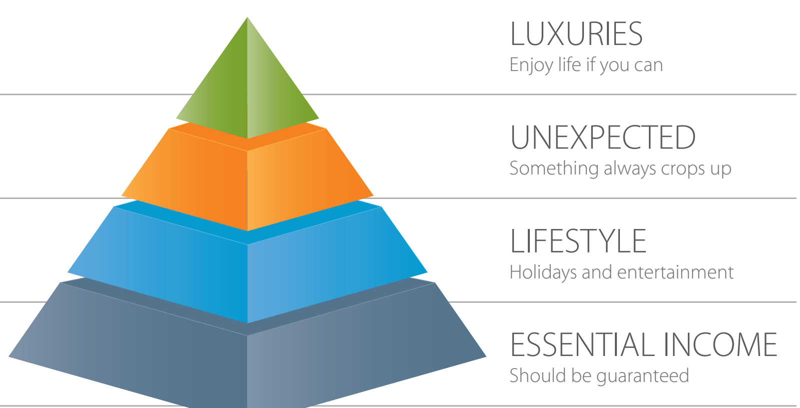
Why is it important to plan ahead for retirement?

If retirement is a journey, it can be a long and unpredictable journey so it pays to plan ahead. We know from experience what happens if we don't plan ahead; we might miss the boat or arrive late at the airport. If you don't make the right plans you run the risk of making serious mistakes or missing out on important opportunities.

The same is true for your retirement plans, but the stakes are higher because if you make the wrong decisions when you retire you could end up with a much lower standard of living that you expected.

Planning for retirement does not have to be difficult or complex but it is surprising how many people either don't know how to go about it or simply cannot be bothered. Although you will probably need to speak with a financial expert before making your final plans there are lots of simple and common-sense things you can do yourself to start the planning process.

Think about how long your retirement will last – Most people underestimate their own life expectancy by several years which means they don't realise how long their retirement may last. Currently a man aged 60 can expect to live another 26 years to age 86 and a woman of the same age can expect to live age 88.



The income pyramid: Guaranteed income at the base with more flexibility at the top

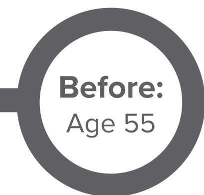
Prepare a household budget – You may view the idea of preparing a budget a daunting exercise but once you have done it you will be in a much better position to work out how much income you will need and where it will come from. A popular and useful planning technique is to build an income pyramid. The wide base represents your essential spending and should be guaranteed as far as possible. At the very top of the pyramid is the luxury spending which doesn't have to be guaranteed and in the middle, is nice to have spending such as holidays for which you probably want some flexibility.

Don't forget to take account of inflation as this reduces your spending power over time and don't forget your income requirements may change over time, for instance you may not spend as much during the middle part of your retirement.

Think about the risks facing you at each stage of the journey – In the planning stage you should think about the various risks facing you in retirement and discuss with your financial adviser how to manage these risks. These risks include the risk of running out of money in later life or dying in early retirement without making adequate financial arrangements for your family. There is also investment risk to take into account as well as the risk that your heath may deteriorate.

Continually review your plans – One thing I have learnt over the years is that many things don't go to plan, so it is important to constantly review and revise your plans on a regular basis.

Are my pensions in good shape?



When you retire, your pensions will probably be one of your largest financial assets so it makes sense to make sure they are in good shape. It is no good waiting until you retire before you start planning because by then you may have missed out on some important opportunities.

During your working life you will probably have amassed a number of different pensions in addition to your state pension, and there are three easy ways to see if these are in good shape:

1. MAKE A LIST OF YOUR DIFFERENT PENSION PLANS
2. GET A PENSION CHECK UP
3. CONSIDER CONSOLIDATING OR TRANSFERRING YOUR PENSION PLANS

1. MAKE A LIST OF YOUR DIFFERENT PENSION PLANS:

In addition to your state pension you will probably have a workplace pension or a personal pension and you may have more than one of each.

For instance, if you have worked for several different companies you will probably have a different workplace pension for each company. If you are self-employed or have made your own pension arrangements you may have personal pensions.

The different types of pensions are set out in the table below:

TOP TIP

There are a bewildering range of different pension plans. If you are not sure what pensions you have you can try and get information by:

- ✓ Contacting your company's pension department (or previous company's)
- ✓ Contacting your personal pension providers
- ✓ Asking your financial adviser

If you have lost track of a workplace pension there is a free pension tracing service: www.gov.uk/find-pension-contact-details

STATE PENSIONS	COMPANY FINAL SALARY	WORKPLACE MONEY PURCHASE	PERSONAL PENSION
The Government introduced the new state pension in April 2016. Providing you have paid a certain amount of national insurance contributions you will get a guaranteed pension each year starting at your state pension age. You can find out the date of your state pension age and apply for a state pension forecast at: www.gov.uk/state-pension	Sometimes called defined benefits or a gold-plated pension. This is a pension paid by your employer, often with generous terms, when you reach retirement age. The benefits are based on how long you have worked and either your final salary or your career averaged earnings. The pension is guaranteed for life and payments should increase each year.	A money purchase pension is where money is paid into your pension pot (normally every month). With a workplace pension (including auto enrolment) your employer makes regular pension contributions and you can also pay in as well.	This is a personal version of money purchase for those who don't have access to a workplace pension and want to save into a pension pot. As well as paying money into your pension, you can also transfer in other pensions if you want to have a single plan.
		When money is paid into a money purchase pension the government gives you tax relief up to certain limit and your pension fund will grow tax free. When you retire you can convert your pension pot into cash or regular income payments.	

2. GET A PENSION CHECK UP:

You should review your pension at regular intervals. We can check your pensions for you.

There are three things to check up:

Are you saving enough?

It normally makes sense to pay as much as you can into your pension plan, especially if your employer is also paying into your pension plan.

It is never too late to pay money into your pension. A good time to increase your savings is when children are less of a financial burden and you have more disposable income.

Do you have the right investments?

As you get nearer retirement you should be thinking about how much risk you should be taking. This can be tricky because on the one hand you want to benefit from any investment growth but on the other hand you don't want to see your savings fall in value if there is a stock market crash.

Most company money purchase plans will have a 'glide path' option which automatically moves your pension fund into more secure investments in the years before retirement.

If you have a personal pension, you or your financial adviser will have to make your own investment decisions based on your attitude to risk.

Are you paying too much in charges?

Most modern-day pension plans have relatively low charges and if you are in a workplace pension you will probably be benefiting from economies of scale.

However, if you have older pension plans you might be paying excessive charges and you should get us to check this out for you.

3. CONSIDER CONSOLIDATING YOUR PENSIONS OR TRANSFERRING TO A PERSONAL PENSION:

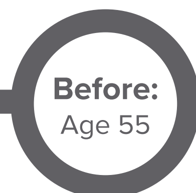
If you have a number of different money purchase pension plans you may be better off transferring them into your own personal pension so you have all of your pensions under one roof. One of the advantages is that you may be able to arrange a better investment strategy with a larger single pot compared to several smaller pots. Also, when you reach retirement it will be easier if you only have to deal with one pot. It doesn't always make sense to consolidate your plans, especially where there are guarantees or special terms. You should take our advice if you are not sure.

If you have a final salary pension the chances are that it will pay you a generous tax-free cash sum and income when you retire so it is probably better to stick with it. However, in certain circumstances it may be a good idea to transfer your final salary pension to your own personal pension especially if you have no dependants or you prefer the flexibility of your own pension pot rather than a guaranteed income.

This is a complex area and if you want to consider transferring out of your final salary pension you should take financial advice. If your pension benefits are valued at more than £ 30,000 you must take financial advice from a specialist pension adviser such as Better Retirement.

For more on tax relief go to:
www.gov.uk/tax-on-your-private-pension/pension-tax-relief

Are the rest of my personal finances OK?



There is no time like the present to check that your personal finances are in good shape and to see if there is anything you should be doing to improve your financial situation.

You will probably be in good shape if your mortgage and any outstanding debt is under control, you have sufficient life assurance or income protection and your savings are invested wisely. Don't panic if everything is not perfect because you can do some simple things to get your finances into better shape.

Here is a handy check list to see if you are your personal finances are in good shape:

- [ ] **MORTGAGE –** Is your mortgage on track to be paid off by the time you retire and do you have a competitive interest rate?
- [ ] **OTHER DEBT –** If you have excessive amounts of personal debts you should take advice about the best way to manage your borrowings
- [ ] **LIFE ASSURANCE –** If you or your partner fell under the proverbial bus, will there be enough money to repay the mortgage or keep the family finances going?
- [ ] **INCOME PROTECTION –** If you fell ill and couldn't work, will there be sufficient income to pay the household bills?
- [ ] **ISAs AND INVESTMENTS –** Are you taking advantage of your ISA allowance and are your investments in the best place?
- [ ] **LEGAL –** Have you and your partner made wills and set up lasting powers of attorney?

CASE STUDY:

Steve is 45, married to Sue and they have two young children. They have an interest only mortgage and very little savings. Steve has a workplace pension but Sue, who works part time, doesn't have a pension. Their joint income exceeds their monthly expenditure and they are about to receive a small inheritance.

They approached Better Retirement to see if their personal finances are in good shape. We explained that if they want a proper financial check-up they will have to complete a financial questionnaire and we will prepare a financial report for a modest fee.

However, to start the ball rolling, we highlighted the following financial needs:

- ✓ As the mortgage is interest only they should either convert to a repayment mortgage or take out a savings plan to repay the mortgage.
- ✓ They should take a life assurance policy, critical illness plan, or income protection plan so there will be enough money to pay the bills if either of them dies, fall badly ill or has a serious accident.
- ✓ As they have surplus income each month, they could start saving, for example into an ISA. They should also take advice about where to invest their inheritance.
- ✓ Steve should consider paying more into his workplace pension and Sue could start her own pension.

What are my retirement options?

Since 2015 when the new pension freedoms started you can access your pension pot at any time after the age of 55. You can take your money either as a lump sum or as regular income. Normally 25% of your pension pot is tax-free and you pay tax on the other 75% when payments are taken.

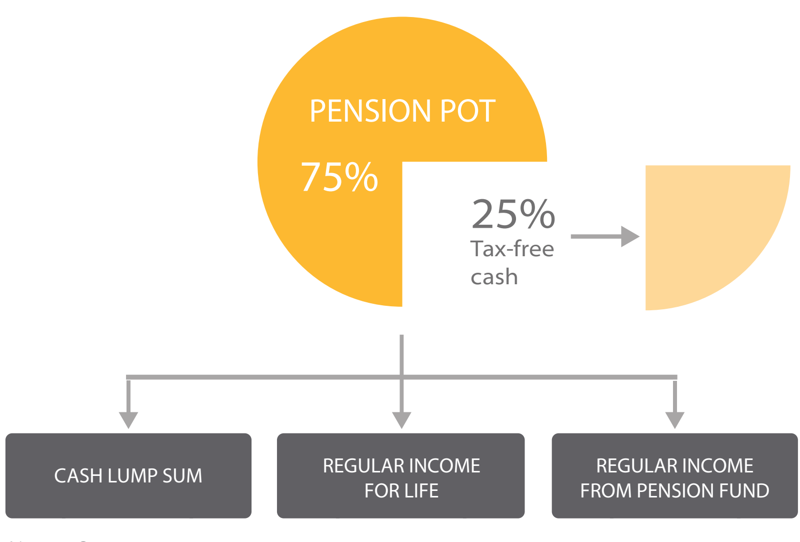
In practice, most people convert their pension pots into cash or income by taking a cash lump sum, purchasing an annuity or investing in drawdown. It is not a black or white choice because you can have any combination of options. If you decide an annuity or drawdown is the best option you do not have to arrange this with your existing pension company and we can shop around to get you the best deal in the market.

CASH LUMP SUMS

You can take all of your pension pot as a cash sum or just part of it. Before you decide to take cash from your pension pot it is really important to work out how much tax you will pay.

Tax – Normally 25% of your pension pot is paid tax free and the balance is taxed at your marginal rate. Basically, this means that if taking cash tips you into the higher rate tax band you will be paying 40% or more tax on at least some of your money. This can be a complex matter so if in doubt taking professional advice is always a good idea.

You can take your entire pension pot as a cash lump sum or you can take part of your pension as a cash sum. We can advise you on the most tax-efficient option.



Above: Options at retirement

Annuities – An annuity will pay you a guaranteed income for the rest of your life. In simple terms, you are converting your pension pot into regular income payments, normally monthly, which will continue until you die no matter how long you live. There are many different options including payments to your spouse or partner if you die before them. You can also inflation proof your annuity payments. If you smoke or have a medical condition you might qualify for a higher income known as an enhanced annuity.

The plus side of an annuity is that you don't have to worry about anything because each month you will get money paid into your bank account. On the negative side, there is no flexibility if your circumstances change in the future.

Pension drawdown – This is where you take regular income withdrawals directly from your pension fund and you retain full control over your pension pot. With drawdown you have income flexibility and you can take as much or little income as you need each year. You also have control of investments so you or your adviser can decide where your pension is invested. Finally, you have a choice of death benefits so you can decide what happens to your pension pot after your death.

Find out more about your retirement options at **www.brgl.co.uk** or **www.williamburrows.co.uk**

Should I convert my pension pot into a cash sum, annuity or drawdown?

When you reach the time when you need to start spending some of the money saved up in your pension plans you will be faced with several different choices; do you take your pension as a cash sum, as regular guaranteed income or by taking income withdrawals?

The biggest advantage of the pension freedoms is that you have the flexibility to spend your pension pot in the way that suits your personal circumstances. However, one of the disadvantages is some of the traditional safeguards that made sure you spent your money wisely and never run of out of income have disappeared.

Converting your pension pot into cash and income is probably one of the most important and complex decisions in personal finance and it is often too difficult for most people to do without specialist financial advice.

Before you decide how to take cash or income from your pension pot you need to think about some important questions:

WHEN IS THE BEST TIME TO TAKE CASH OR INCOME?

Although it might be tempting to dip into your pension pots as soon as you reach age 55 (currently the earliest you can take money out of your pension), it is normally better to wait until you stop working or you really need the money.

WHAT SHOULD HAPPEN AFTER YOUR DEATH?

You may want your spouse or partner to have a guaranteed income so they don't have to make complicated financial decisions or you might prefer they get control over your pension fund. You have a lot of choices to consider.*

HOW MUCH INCOME SHOULD BE GUARANTEED AND HOW MUCH FLEXIBILITY IS NEEDED?

Most advisers recommend your base income should be guaranteed. You can then take a more flexible approach for the remaining income.
(See the income pyramid, page 7)

HOW MUCH RISK SHOULD YOU TAKE WITH YOUR PENSION POT?

You may want to have flexibility with your pension income but can you accept the risks? You should consider investment risk and the risk of running out of income. On the one hand you may live much longer than expected but on the other hand your health may deteriorate and you may need expensive care.

* For more information on death benefits see: **www.brgl.co.uk**

WHEN IS THE BEST TIME TO TAKE CASH OR INCOME?

This is a much harder question to answer than it first appears because there are many different factors to consider. For instance, do you take tax-free cash but defer taking income or do you take as much income as you can at the start and risk being short of money later in retirement. Also do you take money from your savings rather than your pensions because of the better death benefits?

The best way to find this out is to prepare a simple income and expenditure forecast. This does not have to be very complicated but without a plan it is difficult to budget and easy to make a mistake.

WHAT SHOULD HAPPEN AFTER YOUR DEATH?

Basically, you have two choices. You can you decide in advance how much income will be paid to your spouse or partner by purchasing a joint life annuity. This means that if you die first a percentage of your annuity income will automatically continue to your partner for the rest of their life.

The alternative is to arrange for your spouse, partner or any other beneficiary to get the money from your pension pot to spend as they wish. They can leave money to other people after their death. In both cases, and money paid out will be tax free if you die before age 75, after that they will pay tax at their marginal rate on any money taken out.

	ADVANTAGE	DISADVANTAGE
Cash sum	You can spend or invest the cash in any way you wish	Once the cash is spent it is gone, so spend it wisely. If you are going to re-invest it will be less tax efficient outside of your pension.
Annuity	Income for life, no matter how long you live or what happens to financial markets	If you (and your partner) die earlier than expected you may not have had your money back
Drawdown	Income flexibility – you can change your income at any time	If you withdraw too much income you could run out of money

HOW MUCH INCOME SHOULD BE GUARANTEED AND HOW MUCH FLEXIBILITY IS NEEDED?

On the one hand, you can purchase an annuity which pays a guaranteed income for life so you will know exactly how much income you will get each month. However, if circumstances change you cannot change the terms of the annuity so there is no flexibility. On the other hand, you can invest in a pension drawdown plan which gives you the flexibility to take your income exactly as you want but does not normally guarantee your income or investment returns. The table above compares the advantages and disadvantages.

This is probably one of the most difficult decisions you will make when you retire so you should get expert help if you are not confident of making the right decision.

HOW MUCH RISK SHOULD YOU TAKE WITH YOUR PENSION POT?

This depends on your attitude to risk and capacity for loss or how much money you can lose without becoming anxious or affecting your lifestyle. If you don't take any risk, you will not lose any money but at the same time your pension savings or income will not have the chance of growing and you may not have enough flexibility.

If you are unsure about how much risk, if any, to take you should speak to one of our experts.

TOP TIP

If you smoke, take prescription medication or have a medical condition you may qualify for an enhanced annuity which pays a higher income. Don't forget, you can have a combination of annuities and drawdown.

Q7.

If I invest in a drawdown plan, how much income should I take and how should I invest my money?

During: 55–75

Pension drawdown may be a very easy concept to understand but it is a complex plan to run properly. Not only do you have to decide how much income to take out and how to invest your money, you also need to be aware of all the different risks. Although you don't have to understand all the detail it will help if you understand the basics such as sustainable income and sequence of returns risk, because the more you know, the better equipped you will be to make the right decisions.

Investing your pension pot after you have retired requires a different approach to investing before you retire. There are two concepts you should understand; sustainable income and sequence of returns risk.

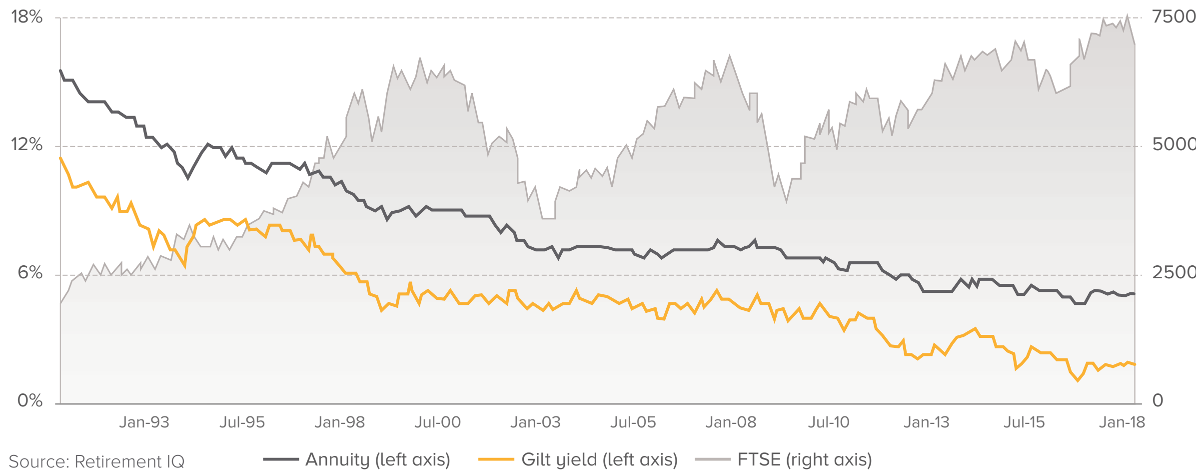
Sustainable income – refers to how much income you can take each year with a degree of confidence you will not run out of money in the future. There are two elements to consider; sustainable income in terms of not running out of money and sustainable income by maintaining its spending power i.e. keeping up with inflation.

There are many ways of calculating the level of sustainable income such as 4% of the value of your pension each year, increasing by inflation. However, many experts think this is too high and suggest a lower figure, for instance 3-3.5% depending on your age and the economic outlook.

Sequence of returns risk – is the risk that investment returns will be lower than expected or negative in the early stages of drawdown resulting in the value of your pension pot reducing in value quicker than anticipated. If this happens, your drawdown fund may not be able to sustain future income payments and there is increased risk of lower income. If things are really bad you could run out of money in your pension.

Annuities chart – the chart below shows how annuity rates (blue line) have fallen almost continually over the last 25 years and how the stock market (shaded area) goes up and down.

The past is not necessarily a good guide to the future but it shows the importance of keeping an eye on the financial markets and reviewing your drawdown plan at regular intervals to see if it makes sense to purchase an annuity if rates improve.



Source: Retirement IQ

How often should I review my retirement plans?

You should review your retirement plans at regular intervals to make sure you are on track to meet your retirement objectives. If we give you financial advice we will normally review your retirement plans once a year. Your adviser will make sure you are taking the right level of income and the investment strategy is on track to achieve the required returns in line with your attitude to risk. If you don't have a financial adviser you should review your own plans at least once a year.

Sometimes this annual MOT for your personal finances may not be enough, especially if your personal circumstances change or something important happens in the financial markets. This means you should keep a watching brief to make sure your retirement plans are flexible enough to change course if anything changes in the future.

When the time comes to review your retirement plans it is helpful to have a checklist to make sure you take everything into consideration.

PERSONAL CIRCUMSTANCES

As you journey through retirement a lot of things may change. For instance, you may become less active and your health may deteriorate. In addition, as you get older you will probably want to have more financial security and peace of mind. You should take of all of this into account when reviewing your retirement plans as your retirement objectives may change over time.

INCOME REQUIREMENTS

The chances are your income requirements will change over time. You may spend more when you first retire, need less income as you become less active but you may need more income in later life.

A good adviser will review your income requirements and look out for any changes to your risk profile and adjust your plans accordingly. If you will benefit from having more income security they may advise you to purchase some guaranteed annuities.

INVESTMENT STRATEGY

This is the most important thing to review because investments have the biggest impact on your retirement plans. A proper review of your investment strategy should take place at least once a year to ensure it is on target to deliver the required returns and is in line with your attitude to risk.

As your adviser we will not always leave the investment review until the annual review date but will normally monitor the investments at regular intervals looking for any early warnings signs that the strategy needs changing in the light of global investment conditions.

TAKE EVERYTHING INTO CONSIDERATION

When you review your retirement plans you should take everything into account, not just your pension plans. Your overall financial wealth will probably include a mixture of pensions, savings and your house so it makes sense to include all of these assets in your plans.

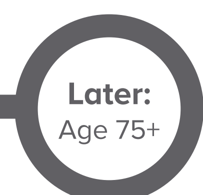
Although the most important part of your plan may be to make sure you have enough income to maintain your standard of living and you are not taking too much investment risk, you should also think about reducing your tax bill and how to pass your wealth to your family after your death.

TOP TIP

Make sure you regularly review:

- ✓ Your personal circumstances
- ✓ Your income requirements
- ✓ The amount of investment risk
- ✓ All of your financial assets

When should I start thinking about equity release?

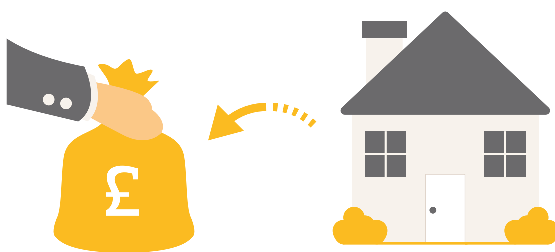


If your pension savings are not providing you with enough income or you need money for something important such as home improvements, you can release money from your home using an equity release plan.

Equity release is a special type of loan using your home as security. The average age for taking equity release is around 70 so it is something to consider in later retirement if your pension savings are running short. Used properly, equity release is a good way of providing additional income or capital.

It is a well-known fact that much of the personal financial wealth in the UK is tied up in property and many older people are 'cash poor but property rich'. If you find yourself short of income or money in later retirement you can release some of the equity tied up in your property without moving home. Unlike conventional mortgages, equity release plans do not have a fixed term and you and your partner can normally remain in your home for the rest of your lives.

There are two types of equity release plans; lifetime mortgages and home reversion plans:



LIFETIME MORTGAGES

This is the most popular option. You retain full ownership of your property and the interest on the loan can be paid each month or rolled up. The outstanding loan and any rolled up interest is repaid after your death or if you sell the property and move to another home, e.g. for long term care. There is a drawdown option where cash can be taken in a series of lump sums rather than all at once. You may get a higher loan to equity ratio if you have reduced life expectancy.

HOME REVERSION PLANS

A home reversion plan operates differently because all or part of your property is sold to a reversionary provider in exchange for a cash lump sum.

As tempting as it may be to get your hands on some extra cash, it is important you don't take advantage of equity release too early in your retirement. One reason for this is the effect of compound interest on rolled up interest.

Most equity release plans allow interest to be rolled up which increases your debt. Therefore, it generally makes sense to take income and or cash from your pensions and savings before tapping into your housing wealth.

Equity release is not only useful for raising extra cash or income, it can also be a valuable tool to help reduce inheritance tax if you have a lot of assets.

This is a very specialised area of financial services, and you should always take expert financial advice.

TOP TIP

If you are interested in equity release you speak to Better Retirement.

The Equity Release Council has lots of useful information at www.equityreleasecouncil.com

When should I start thinking about estate planning, wills and lasting powers of attorney?

Estate planning is thinking about how you want your financial affairs dealt with after your death or if you become unable to make your own financial decisions. This includes making sure you a have a valid will and have arranged a lasting power of attorney. If you have significant assets, you may need our advice about reducing inheritance tax.

It is relatively straightforward to arrange a will and lasting power of attorney but the financial cost and emotional anguish of leaving it too late can be huge and result in complex problems.

WILLS

If you don't have a valid will, your estate will be distributed according to the rules of intestacy. These rules can be complex. The situation if you are married or in a civil partnership and have children is summarised in the box below. It is important not only to have a valid will but to ensure that is regularly reviewed and kept up to date.

Rules of intestacy

If you are married or in a civil partnership and have children and die without a valid will, your entire estate will be distributed as follows:

- Your surviving spouse will get the first £250,000 plus goods and all your personal chattels
- In addition, they will get half of your remaining estate
- The other half goes to your children (or held in trust until they are 18.)

LASTING POWER OF ATTORNEY (LPA)

A lasting power of attorney (LPA) is a way of giving someone (the attorney) the legal authority to make decisions on your behalf (the donor) if you are no longer able to make decisions on your own behalf. In many cases LPAs are set up in advance of the onset of conditions such as Alzheimer's diseases.

The person who you appoint as attorney can manage your finances, or make decisions relating to your health or welfare.

There are two types of LPA. One covers financial decisions, the other health and care decisions.

Benefits of making an LPA:

- ✓ Making an LPA ensures that the person who you want to make decisions for you (e.g. sons or daughters) will be able to do so. This prevents a stranger, or someone you may not trust, from having this power.
- ✓ Making an LPA before the onset of a problem will make things easier for you and your family and friends in future. It will be more expensive, difficult and time-consuming to get the authority for someone to act on your behalf if you lose the ability to make rational decisions before arranging an LPA.
- ✓ Making an LPA can start discussions with your family adviser about what you want to happen in the future.

The first step in arranging an LPA is to speak with a specialist adviser such as Better Retirement.

TOP TIP

Contact Better Retirement (enquiries@brgl.co.uk) to discuss setting up a will or LPA.

We have a team of specialist advisers who can help you.

Why do I need financial advice?

All financial advice is important but advice at retirement is especially important. Pension freedoms have transformed the way pension pots can be accessed at retirement, and it is easy to fall into the trap of thinking retirement decisions can be made without financial advice.

You should consider taking specialist financial advice for the following reasons:
- There are many different pension options and retirement solutions
- It involves more longer-term planning than most other areas of advice
- You may have specific needs and objectives when you retire
- It is important to consider both the technical and behavioural aspects of retirement.

HOW ADVISERS WORK

A financial adviser's primary job is to make sure you make the right decisions and get the best outcome whether that the most appropriate income from your pension pot or selecting the most suitable investments for your pension plan.

Although all advisers must follow the same rules for giving advice there is no set way of giving advice. However, specialist retirement advisers like Better Retirement have a step by step process that makes sure all the important issues are taken into account and the all the relevant options explained.

The best decisions at retirement are made when you help your adviser by contributing to the advice process. The table below sets out a typical advice process and shows what we do and how you can play your part:

ADVICE PROCESS	WHAT ADVISERS DO	HOW YOU CAN PLAY YOUR PART
Initial meeting	We will gain your confidence and trust by explaining the key issues	Start gathering information about your pensions and personal finances
The Retirement Questionnaire	We will get to know your circumstances and help you articulate your objectives	You should answer as many questions as you can, especially about attitude to risk
The analysis, planning and risk profiling	We use a range of financial tools such as cash flow and stochastic modelling to produce a retirement strategy	The more information you provide about your retirement objectives, the better the analysis
Researching the market	Our advisers research the market for best annuity or most suitable pension solution	This is best left to advisers as they have the information and tools to research the market
Present solutions and agree advice recommendation	We will present a range of options which may be suitable for you and will achieve a good outcome	You should be involved in the decision process and be encouraged to ask questions if anything is not clear
Confirm advice and product solution as well as any investment advice	Will produce a suitability letter and regulatory information. Then arrange to implement advice and review regularly	Make sure you are comfortable with the advice given and you understand the risks being taken

COSTS

Many people are put off taking financial advice because they think it is complicated and expensive. Advice does not have complex and a really good adviser will be able to make the complex simple.

Advice does not have to be expensive especially as viewed in terms of the 'added value'. In most cases advisers will arrange a better solution than you can achieve yourself.

Finally, the value of advice should not be viewed simply in monetary terms. We place a lot of importance in providing 'peace of mind and security' in retirement. As many clients tell us, this is priceless!

Billyography

There is a lot of jargon in personal finance and I have tried my best to avoid it by using plain English explanations. Unfortunately, there is no escaping jargon in other literature so I have provided a glossary of the most used terms.

Pension jargon	Plain English
Annuity	An annuity converts a pension pot into regular income payments for the rest of your life. These payments can continue to someone else after you die if a joint life option is chosen.
Beneficiaries	You can choose who you would like to benefit from your pension fund after your death. Although you can nominate who will be the beneficiary, it is normally at the discretion of the trustees who are in charge of the pension fund because this avoids any IHT
Capacity for loss	Refers to your ability to absorb falls in the value of your income or investments without it having any material or detrimental effect on your standard of living.
Citizens Advice Bureau (CAB)	Citizens Advice delivers help and advice from over 3,300 community locations in England and Wales, run by 338 individual charities. They provide free, independent, confidential and impartial advice to everyone on their rights and responsibilities.
Enhanced Annuity	If you smoke, take prescription medication or have a medical condition you might qualify for an enhanced annuity which pays more income because of your reduced life expectancy.
Final salary pension	A company or government sponsored pension which is based on your final salary rather than the amount you actually pay in. These are sometimes called 'gold plated' pensions because the benefits are normally very generous.
Guidance	Guidance is given by specially trained individuals, sometimes called guiders, who will discuss your personal circumstances and explain the options available, but they cannot give specific product recommendations.
IHT	Inheritance Tax (IHT) is paid if your estate is worth more than £325,000 when you die. In addition you may qualify for the Residence Nil Rate Band (RNRB). Currently IHT is charged at 40%.
Marginal Rate of Tax	The UK income tax system is based on marginal bands, which means different tax rates apply to the amount of income that falls into each band. Your marginal rate of tax rate is applied to your highest band earnings.
Money purchase pension	This is a pension where you (and your employer) pay money into a pension pot each year. Contributions get tax relief and at retirement you have a pension pot which you can take in cash or as income.
Pension freedoms	The rules which came into force in April 2015 giving everybody the flexibility to convert their pension pot into cash or as income after age 55.
Pension Wise	A Government-backed service that provides free 'guidance' for those over the age 50 who have a personal pension. At present only two organisations are permitted to provide guidance; TPAS and CAB.
The Pensions Advisory Service (TPAS)	TPAS is an independent organisation that is grant-aided by the Department for Work and Pensions (DWP). They provide independent and impartial information and guidance about pensions, free of charge, to members of the public.
Self-invested personal pension (SIPP)	This is a special type of personal pension which allows you to invest in any investment that is permitted by HM Revenue and Customs. SIPPs are commonly used to invest in commercial property or in conjunction with a discretionary fund manager.
Sequence of returns risk	This is the risk of receiving lower or negative investment returns in the early years when income withdrawals are being made from a fund invested in the stock market. If a pension drawdown fund falls in value during the early years future income payments may not be sustainable because the fund may not increase in value sufficiently to make up for the early losses.
Uncrystallised Funds Pension Lump Sum (UFPLS)	Your pension provider can pay part or all of your pension as a cash payment without the need to convert your pension fund into a drawdown plan. You must be over the age of 55 and 25% of each payment will be tax-free and the remainder will be taxed at your marginal rate.

Billy Burrows – Better Retirement

Billy Burrows has been involved with retirement options for nearly 30 years, advising clients on all aspects of annuities and retirement income options. He is Retirement Director of Better Retirement and a regulated financial adviser.

In 1992 he helped establish Annuity Direct and then in 1997 he set up William Burrows Annuities. A year later he joined Prudential Annuities as their Marketing Director for annuities. In 2001 he returned to running William Burrows Annuities and in 2010 became part of Better Retirement Group, enabling us to offer the highest quality of services to all approaching retirement.

Billy divides his time between advising individual clients about their retirement options, helping Better Retirement develop new services and writing retirement guides. The quality and depth of the information on his website www.williamburrows.co.uk make it popular with potential clients, clients and professionals.

He is frequently quoted in the national press, appears on radio, podcasts and videos and writes extensively on retirement options.

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Better Retirement Group

Better Retirement

Founded in 1992, we have assisted over 100,000 people in maximising benefits that they receive from their pension savings in terms of both cash and supporting their lifestyle objectives. For the first 15 years we promoted the Open Market Option annuity through Annuity Direct. We rapidly became the largest specialist in this area, providing weekly information to the national press, BBC Ceefax and other broadcasters.

In 2007 we sold Annuity Direct to a retirement product provider and relaunched as Better Retirement in 2010. We have evolved our services to comprehensively meet the market challenges and your needs as retirement choices increased.

In 2011 annuities became optional. 2014 saw pension freedoms announced with implementation in 2015. Since pension freedoms we have grown rapidly, bringing together a specialist and experienced team of 20 advisers and planners. We have an extraordinary focus and knowledge of retirement and pension needs, applying this for the benefit of our clients, both now and in the future.

We have a high quality of process and advice and ensure fairness in pricing and market. This latter point includes challenging and changing the market. We led the work for the automatic provision of the Open Market Option. We started the campaign to ensure Equitable Life behaved fairly - which ended in the House of Lords. Now we are challenging the government to require pension schemes to offer part transfer rather than an all or nothing choice which is often not the best solution.

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