

RETIREMENT CHECKLIST

Retirement is one of the most significant lifestyle changes that you will ever have to go through. As a result, numerous questions need to be considered and answered in order to best prepare you and your family for those potentially long, future years in retirement.

The most important tasks are to review all of your financial circumstances in order to ensure that you and your family are best placed to enjoy a comfortable retirement. However, what are the key questions you should be asking and what are the things you should be considering?

This is why we have produced this checklist: to help you in evaluating and examining the key questions and areas that you should be considering and, if necessary altering, so that you can plan effectively for your retirement.

PENSIONS

How much income in retirement do you need?

A difficult question – but you need to think about how your lifestyle may change upon retirement. Also, will you have any outstanding liabilities i.e. a mortgage, long-term loans.

Will you need the same, more or less income in the future?

Your retirement could last for 20 years plus, so it is important to think about how your income keeps pace with inflation so that over time you are not worse off in real terms.

When will your state pension start and how much will you get?

We would suggest you obtain a State Pension Forecast by completing Post Office form BR19. You can always defer the State Pension if it is not required and get a lump sum in the future.

What type of pension schemes do you have and what options do they offer? e.g. Guaranteed Annuity Rates, Enhanced Tax Free Lump Sum etc.

It is likely that you will have acquired more than one pension over the years and some of these may have very valuable benefits attached. It is imperative to understand what these are before retiring.

Have you considered obtaining quotes from other companies to ensure that you receive the highest income?

You do not have to buy your annuity from your pension provider. You have the right to exercise the Open Market Option (OMO) and shop around to obtain the best annuity rates available.

Are you considering taking all of your pensions at the same time?

You do not have to. At retirement you do not necessarily have to buy an annuity, however, full details of the options open to you are examined in our free Retirement Options Guide.

Have you discussed the various options available to you? e.g. Income Drawdown, Phased Retirement, Investment Linked Annuities, Conventional Annuities.

These options allow retirees to select those that will suit them in retirement. They are too varied and complex to discuss in full here but are examined in our extensive and free Retirement Options Guide.

Do you require the Pension Commencement Lump Sum (Tax Free Cash Sum) – if so what will you use it for?

Retired people use their tax-free cash in numerous ways though many use it to boost retirement income. This will need careful planning and probably the need of some expert financial advice.

Do you have a dependant spouse who will require your pension to continue if he/she survives you?

Will there be sufficient income for them if you die first and is this something that you need to plan for? Our free Retirement Options Guide gives further details on the options available.

If the lump sum is to provide you with a more tax efficient income will you require advice on the available investments?

If so, we can offer personal investment advice on the most suitable investment option open to you – whether this is utilising your ISA allowance or buying a Purchased Life Annuity.

INVESTMENTS

Have you had a recent review of your investment portfolio?

Regular investment portfolio reviews are crucial. Financial objectives and attitudes to risk rarely remain static and you could find that your present portfolio is no longer achieving your financial goals.

Do you need to change the emphasis from a Growth orientated portfolio to one that provides Income?

If you are near or at retirement, the answer is very likely to be yes. As such, you will need to alter your existing portfolio – a daunting task and we recommend that you seek impartial and expert advice.

What level of income do you require and does it have to keep pace with inflation?

How much income do you need? Do you want access to your capital? Such decisions will determine the appropriate investments and we would urge you to seek expert independent financial advice

Will your risk profile change from the current level in retirement?

This will most likely be a definitive yes. Your priority need will now be maximising the amount of regular income you receive and ensuring the security of that income.

Do you need a larger emergency fund in retirement?

There is no hard and fast rule but generally it should be 3-6 months income when employed and 6-9 months in retirement. So, how much do you need and how are you going to fund this?

DEATH AND LIFE COVER

Do you still require Life Cover in retirement? If so what are your requirements and what is the objective of the cover?

Some people assume that Life Cover is not needed upon retirement. But, more and more people retire with outstanding debt and you may need the Life Cover until they are repaid.

Will your spouse have sufficient income if you die first?

Life cover may be required to provide income for a spouse in retirement if your retirement income or investment income is insufficient.

WILLS

Do you have an up to date Will?

If your Will is not up to date your estate may not be passed in accordance with your wishes, in the worst case if your will is invalid then the government will decide who benefits from your estate.

What changes are required to your Will in retirement?

As your circumstances will change, retirement is probably one of the most important times to reassess your will to ensure that it accurately reflects your wishes now that you have retired.

Does it need to be amended after the changes to Trusts in the 2006 Finance Bill?

The tax rules under trusts have changed with the Finance Bill 2006, which could mean that any trusts incorporated in your Will could have a more onerous tax bill and may therefore, need to be changed.

Have you made your immediate family aware of who holds your current Will so that they can carry out your wishes?

If not, you could be classed as not having made a Will if it cannot be produced and the Government will make the choice of where your assets are distributed.

MISCELLANEOUS

Will your Mortgage or any outstanding loans be paid off by the time you retire?

If not you may be able to use the tax free lump sum from your Pension Plan to pay off these debts. If this is not the case you will need to budget for the payment of these debts in retirement.

What about Private Medical Insurance – do you have any and will you continue with it?

You may already have Private Medical Insurance and, therefore, it may be cost effective for you to approach the provider and ask what the cost would be for you to continue this when you retire.

What capital expenditure will there be in retirement, such as changing cars, planning for long term care and have you thought of provisions for this?

As part of your emergency buffer you may need to make provisions for capital expenditure such as the purchase of a new car. It could be a good idea to know how this expenditure is to be paid.

Will you continue to live in your current home or will you consider downsizing to release capital?

One of the advantages of downsizing could be that you will release capital that can be used to provide additional income. However, always seek professional advice before making this decision.

Is Inheritance Tax (IHT) and gifting an inheritance important to you, if so have you given thought on how you wish to do this?

More and more estates are now being valued above the IHT threshold and suffering tax liabilities. There are ways of mitigating IHT though, and we would urge you to seek expert, independent advice.

RETIREMENT OPTIONS GUIDE

The Retirement Options Guide aims to provide you with an awareness of the options available on taking the benefits from a pension scheme for retirement income. While any of the information contained within the guide cannot be taken as a personal recommendation, it should help you to understand the options on offer, the advantages, disadvantages and what you should consider.

Ultimately, after reading our guide, if you feel that you need to seek expert, independent financial advice then we recommend that you contact us and ask to speak to one of our financial advisers.

Many of the key questions asked within this Retirement Checklist also recommend that you seek advice with regards to your investment options. Again if you would like to speak to an expert, independent financial adviser regarding your existing investments or your investment options, then please do not hesitate to contact one of our financial advisers.

To obtain your free copy of our Retirement Options Guide or to speak to one of our financial advisers with regard to pensions and/or investment advice, then please call Nexus Financial Planning on 01278 439 494 or e-mail us at office@nexusifa.co.uk

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