DFP

Pension & Investment Consultants

The Changing Face of Retirement

A generation ago, retirement meant stopping work completely and winding down. Today's retirees however are more likely to see it as a chance to explore new opportunities or carry on working on their terms.

What's changed

- We're living longer, healthier lives and can expect to spend over 20 years in retirement
- The state pension age is rising so we need to work for longer before we can claim our pension benefits
- The state pension is unlikely to increase in the future
- Pension schemes that promise benefits based on salary and service are a thing of the past

This means we all need to take more responsibility for our pension planning.

Saving For Retirement

Putting a little aside each month can make a big difference later in life.

Start early

Your money will have more time to grow, and you could get more tax relief from the taxman.

You'll also be able to pay in less each month compared to someone who starts later and still have the same amount.

Increase your pension contributions regularly

Putting more money into your pension each year could make a big difference to your final pension pot.

Most pensions are flexible so you can pay in a lump sum and you can start, stop, increase or reduce your contributions at any time.

Reviewing your Pension

As you get closer to your retirement age, it's important to review how your pension is doing to make sure you're on track.

Where to start

Find out what your policy is worth via your financial advisor or directly from the provider. This should provide you with all the policy information including fund values, investment strategies and contributions paid to date.

Retirement Income - It is helpful to do projections forward on what you will get at retirement to ensure that your pension policies and dreams are matching up.

Risk - Review your investment Strategy. As you get closer to your retirement date, it's important to review the different asset classes in which your pension policy is invested to make sure you're comfortable with the level of risk.

Boosting your pension

You can boost your pension by increasing your monthly contributions and/or paying in a lump sum.

You can also change your investments, bring all your pensions together or even change your retirement date to give your policy more to time to grow.

If you receive a windfall such as a work bonus or an inheritance, consider investing it in your pension policy.

Combining your pensions

Do you have lots of pensions with different providers? Bringing them together could make financial sense, here's why:

More control - It's easier to keep an eye on how your pension is performing when everything is in one place.

Fewer charges - Instead of a charge per policy, one set of charges could save you money.

Bringing all pensions together may not suit your individual circumstances. So before you make the move, talk to DFP.

Taking your Retirement Income

Your pension is there to provide an income for the rest of your life so now is the time to decide how to spend it wisely.

On retirement, you can take a cash lump sum and then, depending on your circumstances, choose to invest in an annuity or in an approved retirement fund (ARF)

Below are some of the main differences between an annuity and an approved retirement fund (ARF)

Issue	Annuity	ARF
Payable for life	Yes - guaranteed income for life	No - ARF could run out while you're still alive
Access to income	A guaranteed income for life but no flexibility	Flexible income with no guarantee - normally you take out 5% of the value of your ARF each year but if you take out too much you could run out of money.
Investment growth potential	None - You are locked into an annuity rate for life	Yes - your fund can grow or fall but you need to find a level of risk and reward that suits you
Passing on to your family	Your income stops when you die (it may be payable for longer if you have chosen a guaranteed period and/or a spouse/civil partner's annuity)	Your ARF can be left to your family (tax payable will depend on who you leave it to).

Sharing your Wealth

Once you've looked after your retirement needs you may want to think about sharing your wealth with the people you love.

You should review your will, get your family affairs in order and minimise the impact of inheritance tax.

If you choose an annuity, the income stops on your death (it may be payable for longer if you choose a guaranteed period and/or spouse/civil partner annuity)

If you choose an approved retirement fund (ARF), whatever's left in your ARF when you die can be passed on to your family.

Discussing your retirement options with a financial adviser will help you decide what product is right for you at retirement and into the future.

We believe that DFP are unique in respect of the experience and expertise that we offer in the advice around pensions and investments. We have an in-house actuary, are Professional Pension Trustees and can advise our clients on all types of arrangements be they self-employed, employees, directors or Civil Servants.