



**Retirement Planning**  
Paul McAtominey

The Government has moved the goalposts again. The age at which you can access your pension savings is going up. New laws and regulations will see the minimum age you can access the benefits from your pension increasing from 50 to 55 years old

You'll be most affected if you were born between 6 April 1955 and 5 April 1960 and were planning on using some of your pension savings before your 55<sup>th</sup> birthday.

Whilst taking benefits early is generally not advisable as any future potential growth will be lost, there are a number of valid financial planning reasons that you may choose to do this.

**Access to a tax-free lump sum without having to draw income.**

You can take a lump-sum of up to 25% of the value of your pension pot, properly referred to as your 'pension commencement lump sum' (apologies for the jargon). You can use this cash as you choose, perhaps pay off a mortgage or reduce debts.

However after 6<sup>th</sup> April 2010 this facility will not be available until you reach age 55. We recommend great caution when using pension funds for this purpose and ask you to speak to us directly if you wish to consider this option.

**Get your pension on track...**

After the incredible turmoil we saw in financial markets last year it's crucial to make sure your pensions savings are on track. Do you have the right asset mix; does your pension pot reflect your attitude to risk and your needs in retirement?

Get the Government to give you a hand...

Saving for your retirement is still highly tax efficient. Your investment grows free from tax and the Government, for basic rate tax payers, add tax relief of 20% to every amount you save (up to the level of your earned income). This means that your

savings get an immediate boost right from the outset.

The most frequently asked question we get as advisers is 'How much do I need?' Only you can answer that question as, to a large extent, this is directly related to what you plan to do in retirement. We have produced a retirement planning checklist to help you think about what you might want to do and what costs might be. **The Retirement Planning Checklist is shown below.**

Please note the value of an investment depends on the value of the underlying assets and can go down as well as up. You may not get back as much as you invest.

It should be noted that your pension income is subject to tax when you receive it and the tax relief figures quoted are based on the tax year 2008 -2009. Tax relief may be altered and the value to the investor depends on their financial circumstances.

Please note any reference to legislation and taxation is based on our understanding of law and HM Revenue & Customs practice at the date of writing. Tax and legislation are liable to change in the future.

[Paul.mcatominey@ellisbatesgroup.com](mailto:Paul.mcatominey@ellisbatesgroup.com)

[www.ellisbatesgroup.com](http://www.ellisbatesgroup.com)

#### Retirement planning checklist

Answering the following 10 questions might be a helpful start to making financial plans for your retirement:

- 1) Where will you live? (Think about downsizing, equity release and second homes)
- 2) What benefits do you currently have as part of your employment that you will need to arrange yourself? Think about company car, life insurance, medical insurance)
- 3) Do you have dependents that you will need to support? (Children, parents or partner)
- 4) Do you have any savings or investments that you might use? (ISA's, unit trusts, property, savings accounts, bonds etc.)
- 5) Do you have any outstanding financial commitments? (Mortgage, credit cards or loans)
- 6) What pension provision do you have? (State, employers' scheme, personal pensions)
- 7) What do you think your day to day living costs will be? Complete a budget plan
- 8) Do you have plans that might need a bit more money? (New car, travel, home improvements)
- 9) Do you know how inheritance tax might affect any money or assets you want to pass on to others? (Gifts or trusts)
- 10) Have you made a will or recently reviewed a will you made a while ago?