Alexander Peter
Wealth Management

10 top retirement planning tips for Brits living in Europe

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While your retirement may still be a little way off, it's important to take time to prepare your finances for when you're no longer earning an income. This way you'll be ready to make the most of your freedom when the time arrives.

As a Brit retiring in Europe, you need to take extra care when planning your retirement savings and income.

However far off your retirement may seem today, it's never too soon to start saving for the lifestyle you hope to enjoy when you're no longer working every day. This guide shares 10 top retirement planning tips you should consider for the best chance of living the retirement you desire.

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Who we are

Alexander Peter Wealth Management provide specialist advice to British expats and international employees living around the world. We have advisers based in the UK, Europe, Australia, and the US. Our European office provides comprehensive advice to European residents and those with connections to Europe.

Experienced in helping other expat clients like you, we can help you:

- Pay less tax
- Set up and start your life abroad
- Advise and assist you in transferring assets cross-border
- Ensure you're on track to afford the retirement you've been working towards
- Reassure you that you remain on track to achieve your goals with regular cashflow updates
- Determine a reliable income plan with tailor-made solutions to help you enjoy your desired retirement
- Settle into your new home overseas, safe in the knowledge that your assets are protected.

We are privately owned and totally independent. So, you can rest assured that you will receive the most appropriate recommendations from the open market.

Wherever you live in the world, we can provide regulated financial advice. We have advisers based in the UK, Europe, Australia, and the US.

We have extensive experience in advising clients on their retirement planning and are here to support you in your transition from work to retirement.

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1. Think about when you want to retire

Whether you hope to retire early or work for slightly longer, there are four important questions you need to ask:

- When would I like to retire?
- Are my pension funds readily available when I retire?
- Are there any financial penalties or tax charges when I start to draw on them?
- Do I have sufficient funds (pensions and other assets) to support my lifestyle when my regular work income stops?

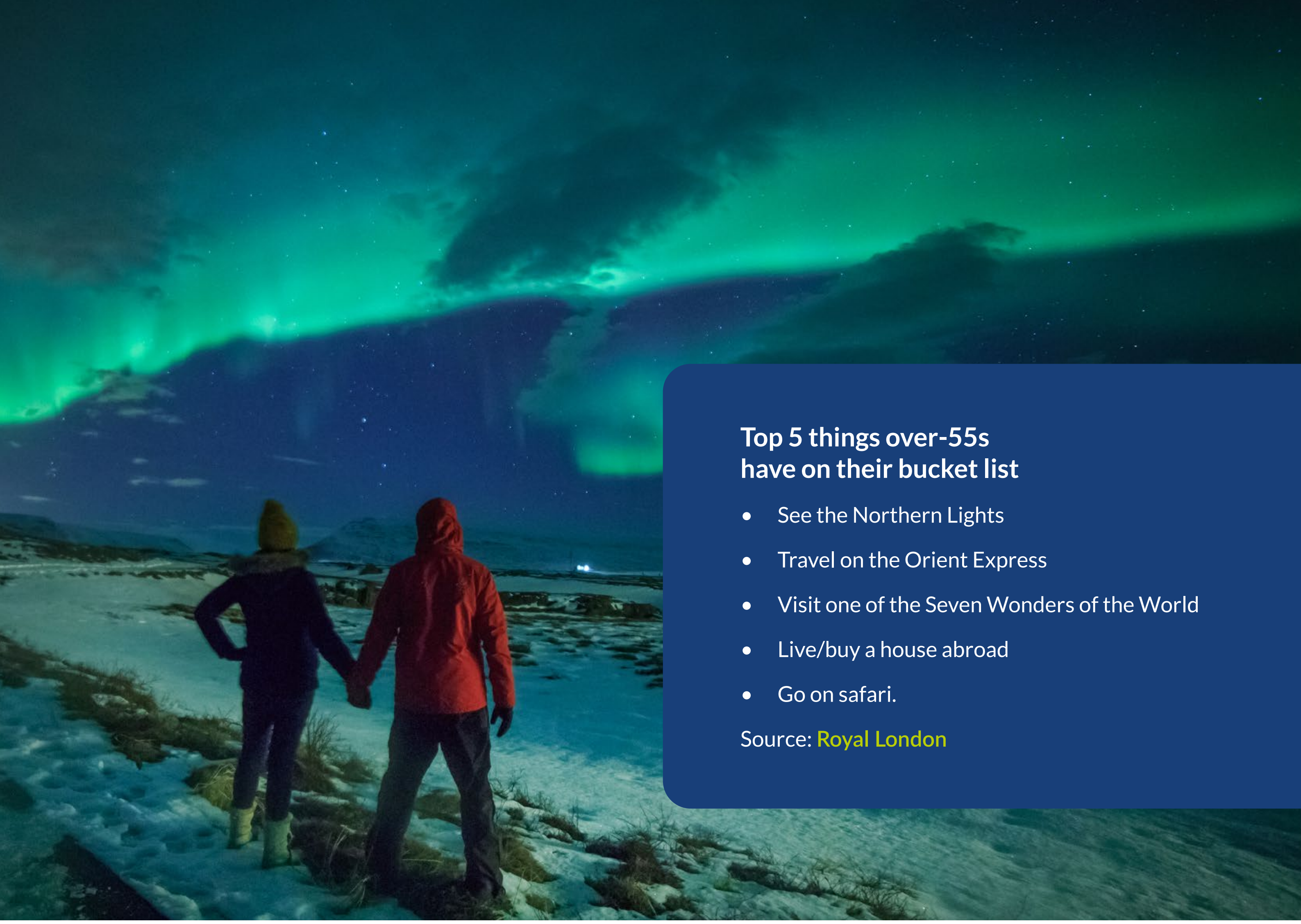
We can help you answer all these questions. We can also help make any necessary changes now while there is still enough time to ensure you avoid any unnecessary tax charges or shortcomings in the size of your retirement savings.

As a Brit now settled in Europe, you may have pension savings in both Europe and the UK.

Pensions and retirement planning can be complicated at the best of times. But if you have savings in two countries, it's vital that you're aware of the different rules and regulations that apply to how and when you can take the money.

You'll need to take all this into account when considering when you want to retire.

Talk to one of our expert advisers to discuss your situation in detail. They will help you explore all your options and establish steps you should take to achieve the level of retirement income you're aiming for.



Top 5 things over-55s have on their bucket list

- See the Northern Lights
- Travel on the Orient Express
- Visit one of the Seven Wonders of the World
- Live/buy a house abroad
- Go on safari.

Source: Royal London

2. Imagine how you'd like your retirement to look

While considering when and how you will retire, you should think about how you want to spend your retirement.

You might plan on having an adventure and travelling the world, want to learn new skills, or tick a variety of things off your bucket list.

Alternatively, you might prefer to spend quality time with your family and grandchildren. Once you know how you intend to spend your retirement years, you'll be able to calculate how much money your desired lifestyle might cost.

Lots of people expect to spend the equivalent of their final salary, but this is often a big overestimate of how much you'll actually need in retirement. As a general rule, to maintain a good lifestyle in retirement, most people need between half and two-thirds of their final salary (after tax).

Don't be afraid to dream big

Reviewing your pension savings now may reveal that you have the resources to do more than you imagined, so don't be afraid to dream big!

We'll help you to define your goals and then put a plan in place to achieve them.

We have assisted with hundreds of UK pension transfers and our team have years of experience helping expats to make the most of their new residency status.

3. Consider where you want to live when you retire

When you're suddenly free of the shackles of work, you may want to consider where you'd like to live.

If you're currently living in Europe, do you intend to spend your retirement years here too? Or do you intend to return to the UK to be closer to family as you get older?

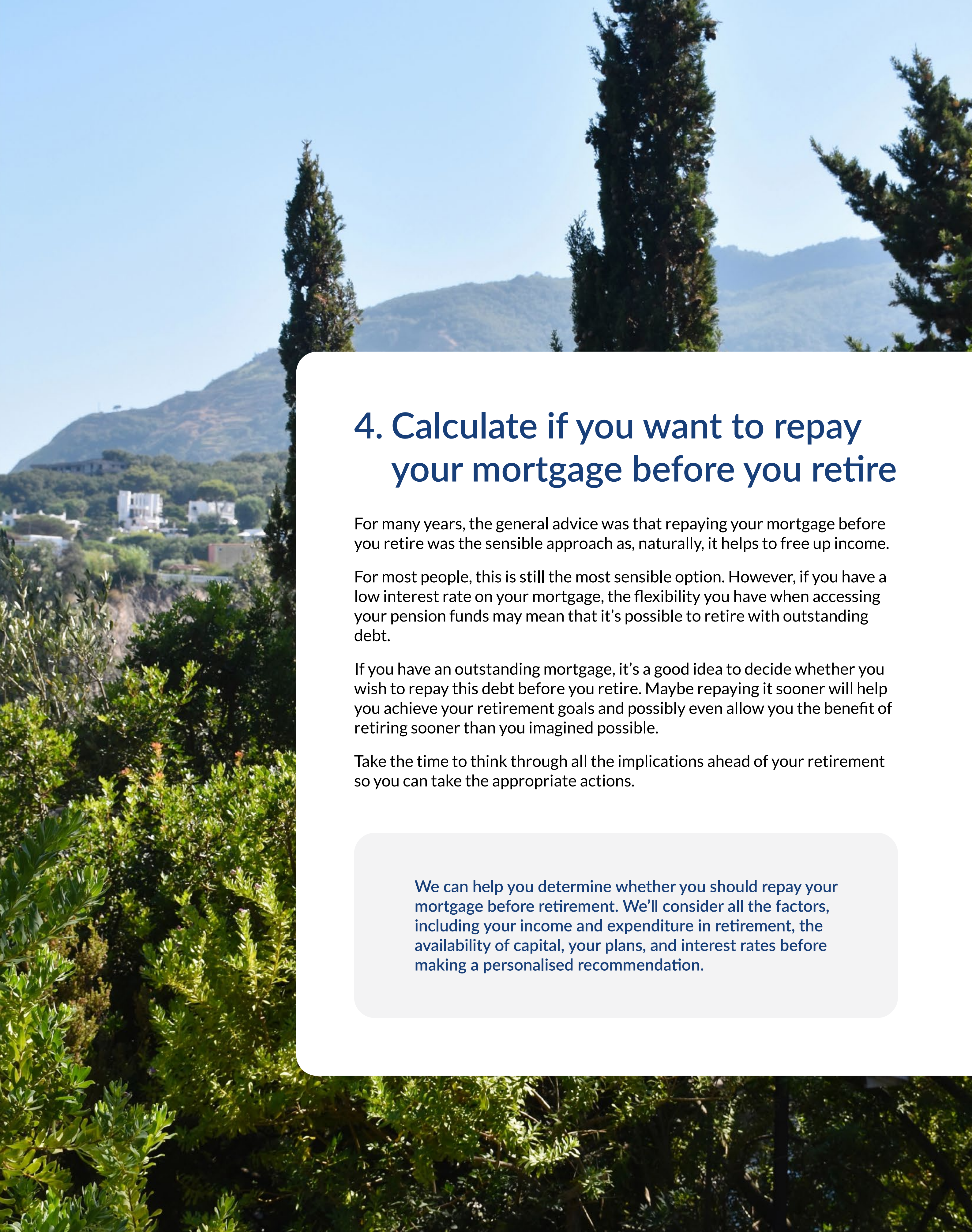
You may be happy to stay in the family home and have no intention of moving away from your local neighbourhood and friends. Or perhaps the idea of moving somewhere smaller and more manageable appeals.

You may even decide to keep the family home and buy a second home and divide your time between locations, which can be a good way to enjoy year-round sunshine.

Perhaps you're keen to move somewhere new when you retire. Perhaps you'd like to relocate to the Algarve for the glorious climate and pristine beaches, or to a picture-perfect town in Provence where you can get off the beaten track?

Where you'll live when you retire is an emotional decision, and one that will also affect your family and loved ones. Your intentions may affect your income and lead you to having to adjust your retirement plan to ensure your retirement income remains as tax-efficient as possible.

Our expert advisers are fully licensed and regulated in both the UK and Europe and can help with the decision-making and practicalities of planning an efficient income in retirement, no matter where you decide to live.



4. Calculate if you want to repay your mortgage before you retire

For many years, the general advice was that repaying your mortgage before you retire was the sensible approach as, naturally, it helps to free up income.

For most people, this is still the most sensible option. However, if you have a low interest rate on your mortgage, the flexibility you have when accessing your pension funds may mean that it's possible to retire with outstanding debt.

If you have an outstanding mortgage, it's a good idea to decide whether you wish to repay this debt before you retire. Maybe repaying it sooner will help you achieve your retirement goals and possibly even allow you the benefit of retiring sooner than you imagined possible.

Take the time to think through all the implications ahead of your retirement so you can take the appropriate actions.

We can help you determine whether you should repay your mortgage before retirement. We'll consider all the factors, including your income and expenditure in retirement, the availability of capital, your plans, and interest rates before making a personalised recommendation.

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5. Work out if you've got "enough" to fund your desired lifestyle

Your lifestyle goals will affect how much you'll need to fund your life in retirement. So, now you've thought about when, how, and where you want to retire, it's time to figure out whether you can afford the retirement lifestyle you'd like.

If you know you have enough, you're in good shape and ready to move on to planning when you'll start enjoying the freedom of retirement.

If you think there may be a shortfall, don't panic. Planning ahead means you still have time to make up any gaps.

Before you get ahead of yourself, to work out if you have "enough" you'll need to understand:

- What you're likely to spend in retirement, including essentials and luxuries
- The lump sums of capital you might need in retirement
- Your income during retirement.

You'll also need to factor in taxation, inflation, and investment returns both here in Europe and, if applicable, in the UK.

Remember to include fluctuations in the exchange rate in your calculations, as well as your domicile and residency status.

Of course, having "enough" on the first day of retirement is only the beginning – you also need to ensure that you don't run out of money. This means you need to factor your life-expectancy, and that of your partner or spouse, into your calculations.

Many people underestimate how long they will live.

Getting an accurate measure of whether you have "enough" both now and in the future is complex. This is especially true when you factor in the potential of needing to pay for long-term care and, depending on all your circumstances, there may be other variables that require careful planning.

The current average life-expectancy in Europe is 78.2 years

- Men aged 60 in 2020 could expect to live another 20.5 years (an expected age at death of 80.5 years)
- Women aged 60 in 2020 could expect to live another 24.3 years (an expected age at death of 84.3 years).

Source: Wikipedia

We are experts in working with British people thinking of retiring in Europe and can tie everything together for you

With so much to take into consideration, understanding whether you have “enough” isn’t easy. And, because it’s only possible to estimate certain things, like life-expectancy and inflation, this adds to the complexity.

We will use sophisticated cashflow modelling to project your income and expenses into the future. This will also include any capital expenditure, to clearly show whether you have enough money to live your preferred lifestyle in retirement.

Of course, to give you a realistic measure, we’ll also consider the moving parts such as inflation, taxation, and life-expectancy. This will help you to get a more accurate picture of what lies ahead and whether you can afford everything you hope to achieve.

By modelling different scenarios, we can show you how different eventualities may affect your retirement plans. For example, you might want to consider retiring sooner than planned, but with more modest ambitions, or gifting lump sums of money to your children.

And there’s always the possibility that you might decide to return to the UK. Again, we can model all of this into the forecast.

Regular cashflow updates will help reassure you that you remain on track to achieve your goals.

6. Know where your retirement income will come from

Now you know you can afford the retirement you want, it's time to look at how to optimise your income and minimise your tax bill.

The good news is that most European countries have a Double Taxation Agreement (DTA) with the UK. This means you aren't taxed twice on the same income in two different countries. So, if you retire in Europe, but were still taxed on assets in the UK, the amount of UK tax payable would be deducted from the tax you paid in Europe.

Your pension income will likely come from several different sources and fall into two categories:

1. **State Pensions:** From Europe and the UK, although this is complex and subject to means testing. Also, depending on where you live, your UK State Pension won't necessarily be index-linked.
2. **UK pensions:** These could be defined contribution (DC) pensions, such as Group Personal Pensions, auto-enrolment pensions from previous employers, or defined benefit (DB) schemes (also known as "Final Salary" pensions). Any pensions paid in the UK while you are living in Europe will be subject to European tax and will also be subject to fluctuations in the exchange rate between the two countries.
3. **QROPS:** If you've been living and working in the EU for a while, you may have transferred your UK pension into a QROPS. While transfers to QROPS in the EU/EEA can be made tax-free, funds will become taxable once you start taking benefits. The tax you'll be charged varies depending on where you are living. We can help you understand how you'll be taxed.

Another important thing to consider when planning your retirement in Europe, is that that most European countries will view the 25% pension commencement lump sum, which you get tax-free in the UK, as earned income. This means you will be liable for taxes up to your marginal rate of tax, which could be as high as 55%.

Transferring your UK pensions

You might find it beneficial to transfer your UK pensions for more flexibility. You can do this using a self-invested personal pension (SIPP). A SIPP allows you to invest your retirement savings in a wide range of assets as well as provide lots of different options in how you access your money. Additionally, SIPP funds can be held in multiple currencies, which can help eliminate concerns around currency fluctuations.

If you have more than one UK pension, you can consolidate them into a single SIPP. This could mean less admin and reduce the fees you're paying.

Your pension may be the most valuable asset you own. Make sure you protect it by doing as much research into the advantages and disadvantages of a pension transfer as possible before taking any action. We're happy to chat about your situation and answer any questions you may have.

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As well as your pensions, you may have other investments that you intend to use for income in retirement. These might include:

- ISAs (Individual Savings Accounts)
- Other investments such as managed portfolios
- Shares
- Rental property
- Onshore and offshore bonds.

When you retire in Europe, you're likely to hold assets in both the UK and Europe. Deciding when and how to take income and capital from different countries can be complicated.

Tax-advantaged products, such as ISAs, will also be liable for tax on the growth, regardless of whether you are drawing income or not.

This means you need to plan how to take your income with care and consideration in relation to tax treatment in each country. This is something we can help you with.

Don't fall foul of complex tax and investment rules

The interaction between your UK and European assets must be carefully considered. Getting the right advice is crucial to ensure you don't fall foul of the more complex investment rules or end up paying unnecessary tax.

We specialise in working with Brits living in Europe and have the knowledge and expertise to ensure you withdraw income and capital as tax-efficiently as possible from your worldwide assets.

We'll help you take advantage of the opportunities and avoid the threats.

7. Check your UK State Pension

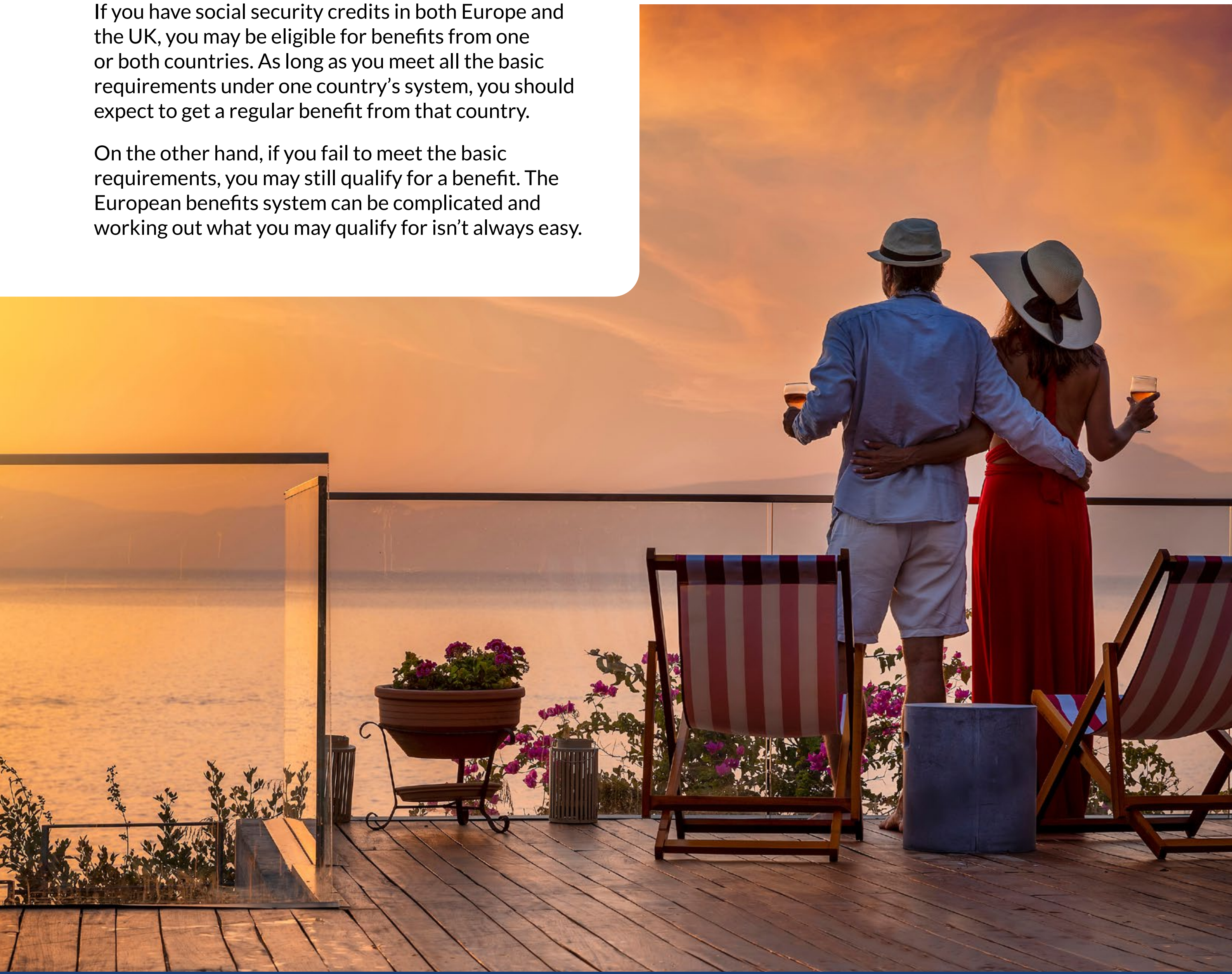
The UK State Pension forms the bedrock of retirement income for almost everyone living in the UK. It's inflation-proofed and guaranteed, and the "triple lock" also helps to protect its real value.

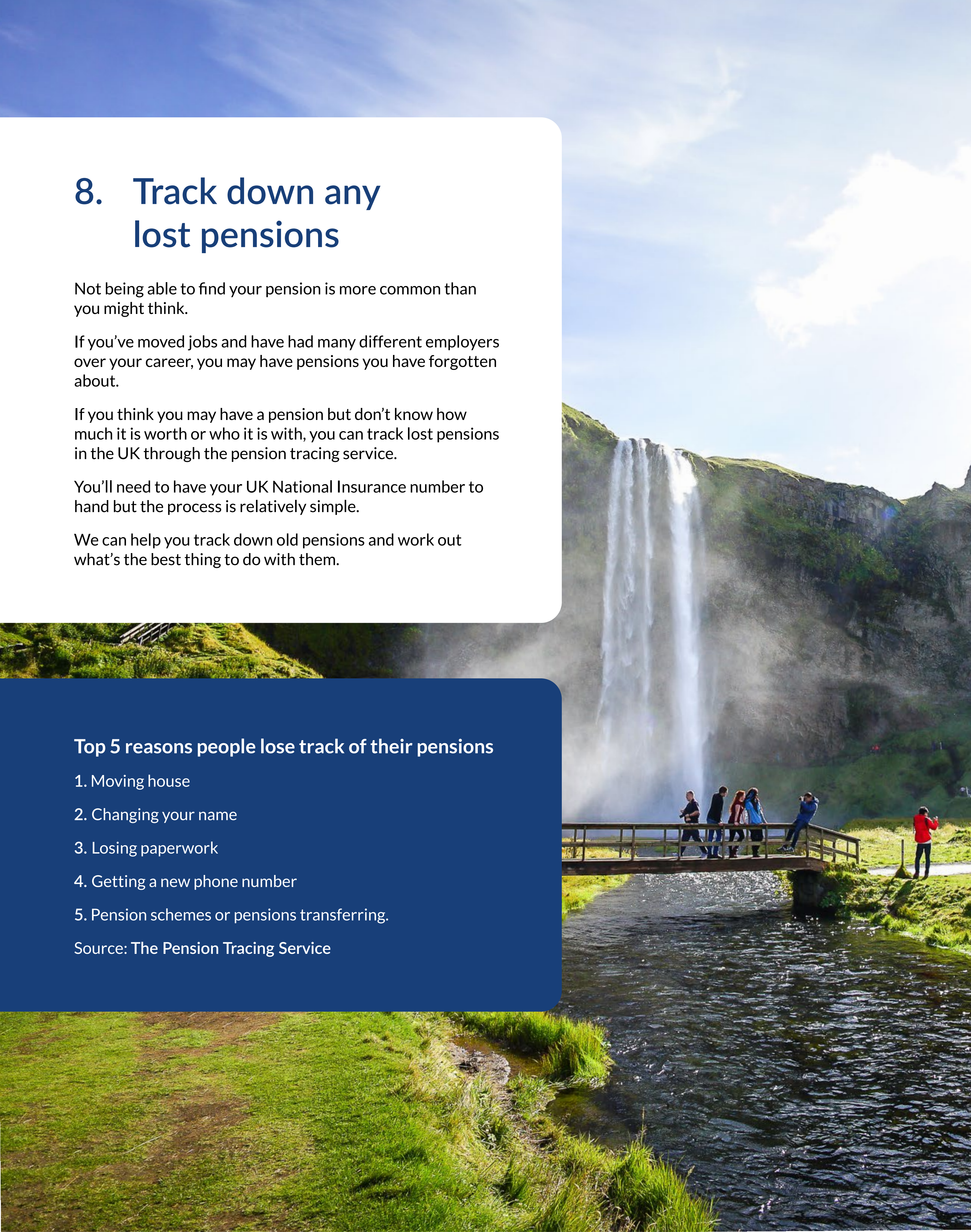
However, if you're intending to live and retire in Europe, while you will still receive any UK State Pension that you're entitled to, it won't necessarily be index-linked, and so could reduce in value in real terms each year. Where you live will determine whether your State Pension will be index-linked, but you can find out what you can expect on the government website or we can help you figure everything out.

If you have social security credits in both Europe and the UK, you may be eligible for benefits from one or both countries. As long as you meet all the basic requirements under one country's system, you should expect to get a regular benefit from that country.

On the other hand, if you fail to meet the basic requirements, you may still qualify for a benefit. The European benefits system can be complicated and working out what you may qualify for isn't always easy.

We will establish a reliable retirement income plan based on all your sources of income, including State Pensions.





8. Track down any lost pensions

Not being able to find your pension is more common than you might think.

If you've moved jobs and have had many different employers over your career, you may have pensions you have forgotten about.

If you think you may have a pension but don't know how much it is worth or who it is with, you can track lost pensions in the UK through the pension tracing service.

You'll need to have your UK National Insurance number to hand but the process is relatively simple.

We can help you track down old pensions and work out what's the best thing to do with them.

Top 5 reasons people lose track of their pensions

1. Moving house

2. Changing your name

3. Losing paperwork

4. Getting a new phone number

5. Pension schemes or pensions transferring.

Source: **The Pension Tracing Service**

9. Consider whether you should move your assets to the US

If you're planning to retire in Europe, and think you're likely to remain here permanently, you may want to transfer some or all of your UK assets.

With two different tax regimes to consider, and assets under both, it's essential that you manage the movement and disposal of assets with care.

Planning how and when to move your assets could help you avoid a hefty tax bill, from HMRC in the UK or from the European country you retire to.

As a British national in the EU, you face an array of complicated tax rules and requirements. If you hold assets outside Europe, such as UK pensions, ISAs, and investment accounts, these will be assessed and liable for tax in Europe.

As a result, it can be a good idea to find more tax-efficient ways to hold your assets.

If you're an expat and have existing ISAs and other investments, it is wise to explore potential options that could be more tax-efficient in both the short and longer term. There are a variety of investment options available.

Additionally, you need to remember to consider fluctuations in the exchange rate. Moving your assets at the wrong time could erode your wealth and harm your long-term plans.

Rethink your tax-efficient investment strategy

While ISAs provide tax advantages in the UK, they don't provide the same advantage in the EU and can carry a significant tax disadvantage.

If you are an expat with existing ISAs, it is wise to explore potential options which could be more tax-efficient in both the short and longer term.

Understanding your investment options as an expat can be complex and confusing

Getting the right advice is crucial to ensure you don't fall foul of the more complex investment rules or end up paying unnecessary tax.

All our advisers have in-depth knowledge of both the UK and European systems. We can help you set up and start your life abroad and are here to support you every step of the way.

10. Get ready for the emotional change when you retire

Retiring successfully is about more than money. Having peace of mind that you can afford the lifestyle you desire is important, but preparing for the emotional change matters too.

Retirement will represent a significant change in your life. Even more so when retiring in a different country and moving away from where you grew up and spent your life working. However exciting, this change may take time to adjust to.

Many of us are defined by the success of our career or business. And since work provides a high degree of mental stimulation and social interaction, when we retire, these things often disappear.

So, to make the most of your retirement, take time to prepare yourself for the emotional aspect of the lifestyle change, as well as the financial planning required.

We have helped many Brits navigate the financial and emotional aspects of the life transition from working to retiring in Europe, so we understand the stresses and challenges you may face.

Talk to a financial planner

Always use a financial planner experienced in the country you're living in. One with offices and experience in both countries can make things easier when you're moving.

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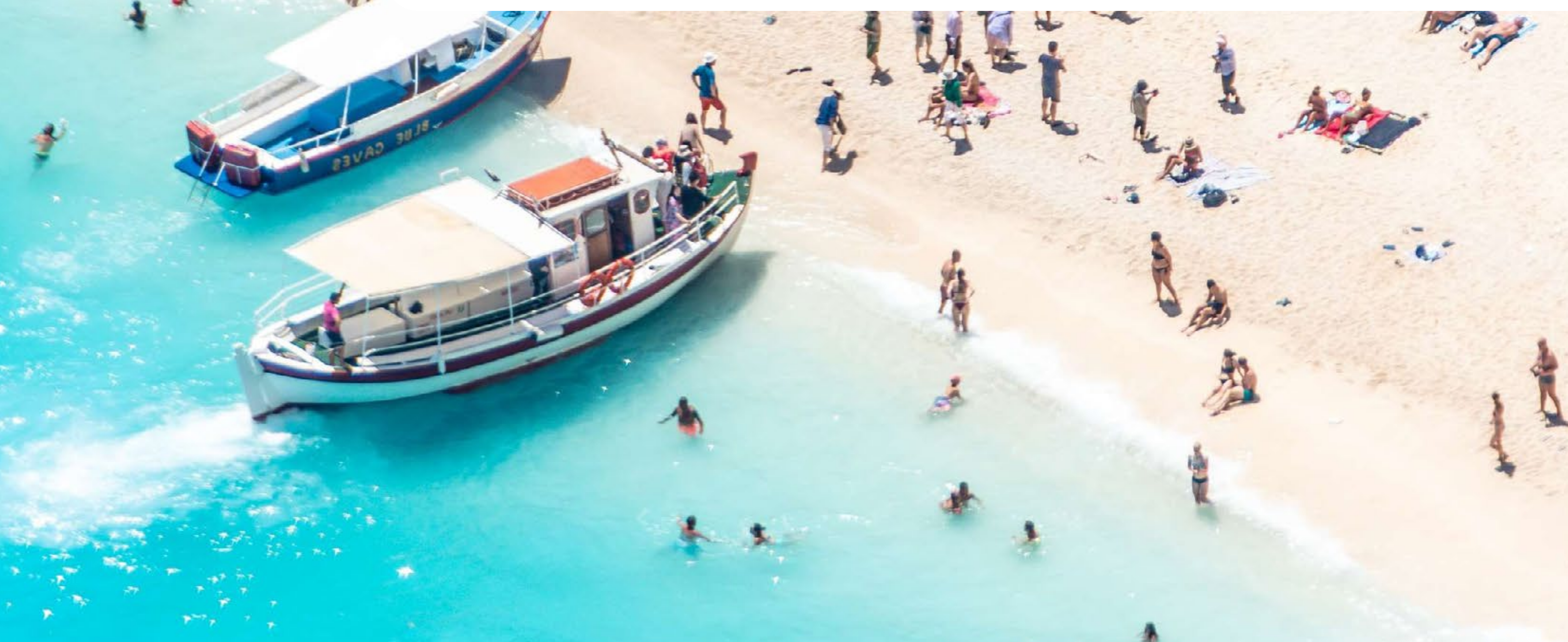

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Get in touch

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This article is for information only. Please do not act based on anything you might read in this article. All contents are based on our understanding of legislation in both Europe and the UK which is subject to change.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Your pension income could also be affected by the interest rates at the time you take your benefits. Levels, bases of and reliefs from taxation may be subject to change and their value depends on the individual circumstances of the investor.