

**WEALTH OF  
ADVICE**

GETTING STARTED WITH

# RETIREMENT PLANNING

Retirement Planning is the process of determining your retirement income goals and the actions and decisions necessary to achieve those goals.

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# IMPORTANT INFORMATION.

**We have written this guide to help you understand more about your retirement options and it is not personal advice.**

Your retirement income will usually be generated from your pension which can be accessed from age 55 (rising to 57 from 2028).

We recommend you take care to understand the options available to you with your pension and check that your chosen option is the best fit for your circumstances.

The information in this guide is correct as of May 2025. UK tax rules can change at any time and its impact depends on your circumstances.

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## CONTENTS.

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What is Retirement Planning? .....	05
Setting Your Retirement Goals .....	06
Examples of Retirement Goals .....	07
Assess Your Financial Situation .....	08
Estimate Your Retirement Expenses .....	09
Create a Savings Plan .....	10
Identify Your Retirement Income Sources .....	12
Consider Your Pension Options .....	13
Review and Adjust Regularly .....	14
Planning Your Estate .....	15





**Please Note:**

This guide concerns Defined Contribution pension schemes. If you want to understand your Defined Benefit (Final Salary) options, please get in touch.

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# WHAT IS RETIREMENT PLANNING?

Retirement Planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals.

It involved identifying sources of income, estimating expenses, managing assets and assessing risk. The ultimate goal is to ensure financial security and independence during retirement.

## THE MAIN STEPS OF PLANNING

### Set Your Retirement Goals

Start by defining your retirement goals, which include determining the age at which you plan to retire and thinking about the lifestyle you want during retirement. Having clear goals helps you understand what you are working towards and provides a foundation for your planning process.

### Estimate Retirement Expenses

Project your future living expenses, taking into account housing, healthcare, leisure activities, and other costs. Consider the impact of inflation on these expenses over time. Estimating your retirement expenses accurately is important to ensure that you have enough funds to maintain your desired lifestyle.

### Create a Savings Plan

Determine the amount you need to save to meet your retirement goals and automatic contributions to your savings vehicles when you can, such as your pension or ISAs. A disciplined savings plan ensures that you consistently build your retirement fund over time.

### Review and Adjust Regularly

Periodically review your retirement plan to ensure you are on track to meet your goals. Adjust your plan as needed based on changes in your financial situation or retirement objectives. Regular reviews help you stay focused and make necessary adjustments to stay on course.

### Assess Your Financial Situation

Evaluate your current financial status by examining your income, savings, investments and debt. Calculate your net worth to get the full picture of where you stand financially. This is crucial as it helps you understand your starting point and look at any areas to improve or adjust.

### Identify Your Income Sources

Identify potential sources of retirement income, such as pensions, savings and investments. You may also have additional income sources from rental income or a business. Knowing your income sources helps you plan how to cover your estimated expenses and achieve financial stability.

### Consider Your Pension Options

When you retire, you'll need to decide how to access your pension savings. The most popular options are an Annuity, which provides a guaranteed income for life, or Drawdown, which allows you to flexibly access your income while your pension remains invested.

### Estate Planning

Estate planning ensures that your assets are distributed according to your wishes and can help minimise taxes and legal complications for your beneficiaries. Create or update your Will and other estate planning documents, and consider mechanisms such as trusts for your plans.

# SETTING YOUR RETIREMENT GOALS.

Setting retirement goals is essential as it provides a clear direction for your financial planning.

Without specific goals, it can be challenging to determine how much you need to save, how to invest your money, and when you can realistically retire. Clear goals help you stay focused and motivated, making it easier to track your progress and make necessary adjustments along the way.

## STEPS TO SETTING YOUR RETIREMENT GOALS



# EXAMPLES OF RETIREMENT GOALS.

When it comes to setting your retirement goals, the more specific you can be, the better!

These examples below should give you a diverse range of possibilities and considerations that can shape your retirement planning, helping you create a clear roadmap for your financial future.

## PURSUING HOBBIES

**Goal: Dedicate time to your hobbies**

**Budget for Hobbies:** Budget for any equipment, supplies, or memberships needed for your hobbies. For example, a golf club membership can cost around £1,000 per year.

**Time Allocation:** Make sure you have enough time in retirement to pursue these interests as often as you want to.

**Social Engagement:** Joining local clubs or groups to stay socially active and engaged in your hobbies can be a great way to spend retirement. Research these in advance so you have a plan when you retire.

## SUPPORTING FAMILY

**Goal: Provide to your beneficiaries**

**Educational Funds:** Set aside funds for educational expenses, such as university tuition, which can be around £9,250 per year in the UK.

**Gifts and Inheritance:** Plan for potential gifts or inheritance to support family members, making sure it does not compromise your personal financial stability.

**Trusts and Taxes:** Consider setting up trusts to manage assets and provide for your heirs, and plan for potential estate taxes and legal fees.

## EARLY RETIREMENT

**Goal: Retire at age 55**

**Savings Target:** To retire at 55, you may need to save enough to cover living expenses for an extended retirement period. As an example, if you need £30,000 per year and live until 85, you would need approximately £900,000, adjusted for inflation.

**Income Sources:** Ensure you have sufficient savings and investments to maintain a comfortable lifestyle without relying on the State Pension until later in life.



Our clients Gary, Colin, Ian, Bill and Peter enjoying a round of golf in retirement.

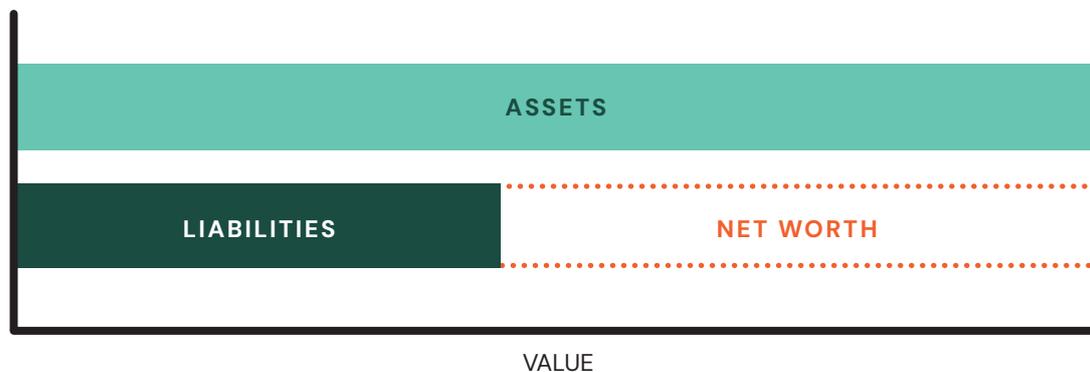
# ASSESS YOUR FINANCIAL SITUATION.

Assessing your current financial situation is a crucial step in retirement planning.

It provides a clear picture of where you stand financially and helps identify areas that need improvement or adjustment. The best way to do this is to calculate your net worth, and look at your income and expenditure.

## CALCULATE YOUR NET WORTH

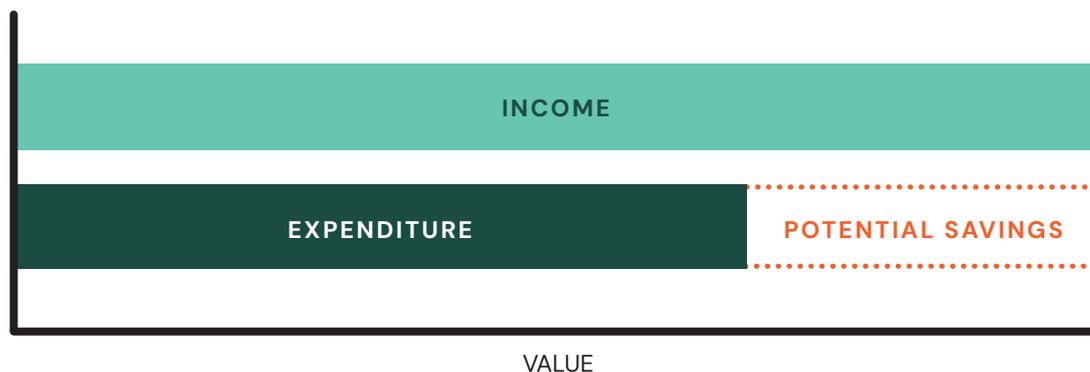
Your net worth is the difference between your total assets and total liabilities. To calculate it, sum up the value of all your assets (savings, investments, property, etc.) and subtract your total debts. A positive net worth indicates financial health, while a negative net worth suggests you need to focus on debt reduction and asset accumulation.



## INCOME AND EXPENDITURE

Start by listing all sources of income, including your salary, bonuses, rental income, dividends, and any other regular income streams. Understanding your total income helps you determine how much you can allocate towards savings and investments.

Tracking your monthly and annual expenses is also vital in understanding your cash flow and identifying areas where you can cut back to save more. Categorise these into essential expenses (such as housing, utilities, groceries, transport) and discretionary expenses (such as dining out, entertainment, travel and hobbies).



# ESTIMATE YOUR RETIREMENT EXPENSES.

Planning for retirement involves more than just saving money; it requires a clear understanding of your future expenses.

Start by categorising your expenses into essential and discretionary categories. This will help you prioritise your spending and identify areas where you might be able to cut back if necessary.

Writing down your current expenses can be a great way to work out what changes you can make in order to save more towards retirement. You can also look at how these may change in future to get an idea of what your retirement expenses may be.

## EXAMPLE BREAKDOWN OF EXPENSES

CATEGORY	MONTHLY COST	ANNUAL COST
Housing	£1,800	£21,600
Living Expenses	£400	£4,800
Transportation	£250	£3,000
Insurance	£100	£1,200
<b>Essential Total</b>	<b>£2,550</b>	<b>£30,600</b>
Entertainment	£200	£2,400
Travel	£100	£1,200
Gifts and Donations	£50	£600
Subscriptions	£50	£600
<b>Discretionary Total</b>	<b>£400</b>	<b>£4,800</b>

By estimating your retirement expenses and creating a detailed breakdown, you can ensure that you have a clear understanding of your financial needs both in the build up and during retirement. This preparation can help you achieve a secure and comfortable retirement, allowing you to enjoy your later years with peace of mind.

# CREATE A SAVINGS PLAN.

Now that you know your potential savings, the next best thing to do is to create a savings plan to help you reach your goals.

## SET YOUR SAVINGS GOALS

Determine how much you need to save each month to meet your retirement targets. Consider factors like inflation, long-term care, and unexpected expenses. Having a clear monthly savings goal will help you stay on track.



WE'RE ALWAYS LOOKING TO IMPROVE AND GROW - WHETHER IT'S OUR CLIENTS' INVESTMENTS OR OUR OWN QUALIFICATIONS.



# CHOOSE THE RIGHT SAVINGS VEHICLES

Where you save matters just as much as how much you save. Consider these options:

## Pension Schemes (Workplace & Private Pension)

- Tax relief on contributions – government tops up based on your income tax rate
- Employer contributions boost savings in workplace pensions
- Funds grow tax-free until withdrawal
- Minimum auto-enrolment contribution is 8% (including employer contributions)
- Withdrawals allowed from age 55 (rising to 57 in 2028)
- 25% of pension pot can be taken tax-free upon retirement

## Individual Savings Accounts (ISAs)

- Tax-free savings – no income or capital gains tax on interest or returns
- Cash ISAs: Ideal for low-risk savings
- Stocks & Shares ISAs: Potential for higher returns but carries investment risk
- Lifetime ISA (LISAs) Government adds a 25% bonus on contributions which are capped at £4,000 per year
- Innovative Finance ISAs: Invest in peer-to-peer lending with tax-free returns
- Annual contribution limit of £20,000
- LISAs have withdrawal restrictions – penalties apply if funds are used for non-retirement purposes before age 60

## High-Yield Savings Accounts

- Earn interest on your savings while keeping funds easily accessible
- Protected by the Financial Services Compensation Scheme up to £85,000 per institution
- No risk of losing money, unlike investments
- Interest rates vary by provider and may change over time
- Some accounts require a minimum deposit or limit withdrawals

## Fixed-Term Savings Accounts (Fixed Deposit or Bonds)

- Guaranteed interest rates for a set period
- Ideal for locking in savings without market risk
- Early withdrawals may incur penalties
- Interest rates vary depending on term length and provider

## National Savings & Investments (NS&I) Products

- Backed by the UK government, offering 100% security
- Includes Premium Bonds, Income Bonds and Guaranteed Growth Bonds
- Premium Bonds offer tax-free prizes instead of interest
- Some products have minimum investment requirements

## Investment Accounts

- Potential for higher returns compared to savings accounts
- Diversification reduces risk
- Capital gains tax applies on profits above £3,000
- Dividend tax applies based on income tax band

# IDENTIFY YOUR RETIREMENT INCOME SOURCES.

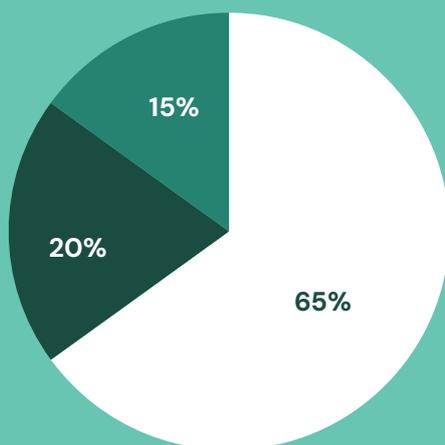
Understanding your income sources in retirement is crucial for effectively planning.

Your income sources at the start of retirement may look very different when you reach State Pension age. This means you may be able to “front-load” your retirement, spending more of your pensions and investments in the early stages knowing that this income will be supplemented by the State Pension down the line.

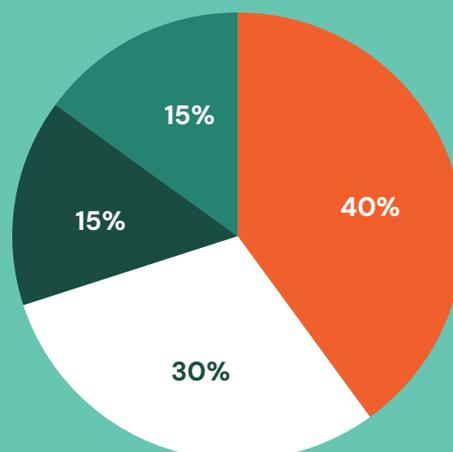
## WORKPLACE AND PRIVATE PENSIONS

Your pension will usually provide the main source of income throughout retirement, whether that’s a Workplace Pension such as a Defined Contribution Pension or Defined Benefit Scheme, or a Private Pension like a SIPP.

RETIREMENT INCOME AT AGE 55



RETIREMENT INCOME AT AGE 67



## OTHER RETIREMENT INCOME SOURCES

### State Pension

The State Pension is a crucial income source for many retirees in the UK. It provides a basic level of income to those who have reached the State Pension age and have made sufficient National Insurance contributions.

### Savings and Investments

ISAs, stocks, bonds and other financial assets provide essential top-ups to ensure you can maintain your desired standard of living. Income from these sources can vary widely.

### Property Income

Income from property, such as rental income from investment properties or income generated from downsizing can also contribute to your retirement income.

### Employment Earnings

You may choose to continue working part-time to supplement your income in retirement. Earnings from employment can be a significant additional source of income.

# CONSIDER YOUR PENSION OPTIONS.

As you approach retirement, deciding how to access your pension savings is one of the most important financial choices you'll make.

## Annuities

Provides a guaranteed, regular income for life or a specified period.

### Pros:

Predictable income, security, financial support for dependants depending on the type.

### Cons:

Less flexibility, potentially lower returns, payments may stop after a specified period (fixed term).

## Drawdown

Withdraw money from your pension as and when you need it while keeping the rest invested.

### Pros:

Flexibility, potential for growth, ability to leave funds to your beneficiaries.

### Cons:

Risk of outliving your savings, market volatility, income is not guaranteed.

## UFPLS

Uncrystallised Funds Pension Lump Sum (UFPLS) allows you to withdraw lump sums directly from your pension pot.

### Pros:

Simple, flexible, 25% tax-free.

### Cons:

75% taxed as income, triggers the Money Purchase Annual Allowance which limits your pension contributions to £10,000 per annum.

## Combining Options

Use a combination of these options to suit your financial needs and risk.

### Pros:

Balances flexibility and security, potential for investment growth, tailored to your individual needs.

### Cons:

Requires careful planning and management, can get quite complicated.

## TALK TO US AT WEALTH OF ADVICE

Our Chartered Financial Planners are here to help you get the most out of your finances, whether that's planning for retirement or managing your estate.

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# REVIEW AND ADJUST REGULARLY.

Retirement planning is not a one-time event but an ongoing process that requires regular attention and adjustments.

Periodically reviewing your retirement plan is crucial to ensure you remain on track to meet your goals.

## WHY REGULAR REVIEWS ARE IMPORTANT

### Stay on Track

Life is full of unexpected changes, and your financial situation can evolve over time. Regular reviews help you stay aligned with your retirement goals, ensuring that your plan remains relevant and effective.

### Adapt to Changes

Whether it's a change in income, unexpected expenses, or shifts in the market, your retirement plan needs to be flexible. Regular reviews allow you to adjust your strategy based on current circumstances.

### Tax Efficiency

Tax laws and regulations can change, affecting your retirement savings. Regular reviews help you stay informed about tax-efficient strategies to maximise your retirement income.

### Peace of Mind

Knowing that you are actively managing your retirement plan provides peace of mind. It reduces the stress of uncertainty associated with retirement planning, allowing you to enjoy your retirement years.

## HOW TO CONDUCT A REVIEW

### Set a Schedule

Decide how often you will review your retirement plan. Annual reviews are common, but you may choose to review more frequently if your financial situation is complex or if there are significant changes.

### Assess Your Goals

Revisit your retirement goals to make sure they are still relevant. Consider any changes in your lifestyle, health, or family situation that may impact your objectives.

### Evaluate Your Savings

Check the balance of your retirement accounts and compare it to your savings goals. Determine if you are on track or if you need to increase your contributions.

### Review Your Investments

Analyse the performance of your investments. Consider rebalancing your portfolio to maintain your desired asset allocation and risk level.

Regularly reviewing your retirement plan is essential for staying on track to meet your goals. By adapting your plan based on changes in your financial situation or retirement objectives, you can ensure a secure and comfortable retirement. Make it a habit to conduct these reviews and stay proactive in managing your retirement strategy. Seeking the help of a financial planner can be a great way to reduce some of the stress in retirement planning, having someone to keep you on the right track and make adjustments to your plan when needed.

# PLANNING YOUR ESTATE.

Estate planning is a crucial component of retirement planning.

Estate planning involves making arrangements for the management and disposal of your estate after your death or if you become incapacitated. It includes creating legal documents that outline your wishes and designate individuals to carry them out.

## KEY COMPONENTS OF AN ESTATE PLAN

### Will

A legal document that specifies how your assets will be distributed after your death. It also allows you to name guardians for minor children. It ensures your assets are distributed according to your wishes and can help avoid disputes among your beneficiaries.

### Power of Attorney

A document that grants someone the authority to make financial and legal decisions on your behalf if you become incapacitated. It's important to know that married couples will still need a Power of Attorney should something happen to either spouse.

### Trusts

Legal arrangements that allow a third party (trustee) to manage your assets on behalf of your beneficiaries. Trusts can help avoid probate, provide tax advantages and protect your assets.

### Life Insurance

A policy which provides a payout to your beneficiaries on your death, covering costs such as funeral expenses and mortgages. Life insurance premiums vary depending on factors such as your age and health.

## CREATING YOUR ESTATE PLAN

### Assess Your Assets

Make a comprehensive list of your assets, including property, investments, retirement accounts, and personal belongings.

### Define Your Goals

Determine how you want your assets to be distributed and who should manage your affairs if you are unable to.

### Consult Professionals

Work with an estate planning attorney and financial planner to create a plan that meets your needs and complies with legal requirements.

### Draft Legal Documents

Prepare and sign the necessary documents, including your Will, Trusts, Power of Attorney and Life Insurance.

Estate planning is an essential part of securing your financial legacy and providing peace of mind for you and your loved ones. By taking the time to create a comprehensive estate plan, you can ensure that your wishes are honoured and your family is protected. Regularly review and update your plan to adapt to any changes in your life or law, ensuring it remains effective and relevant.

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