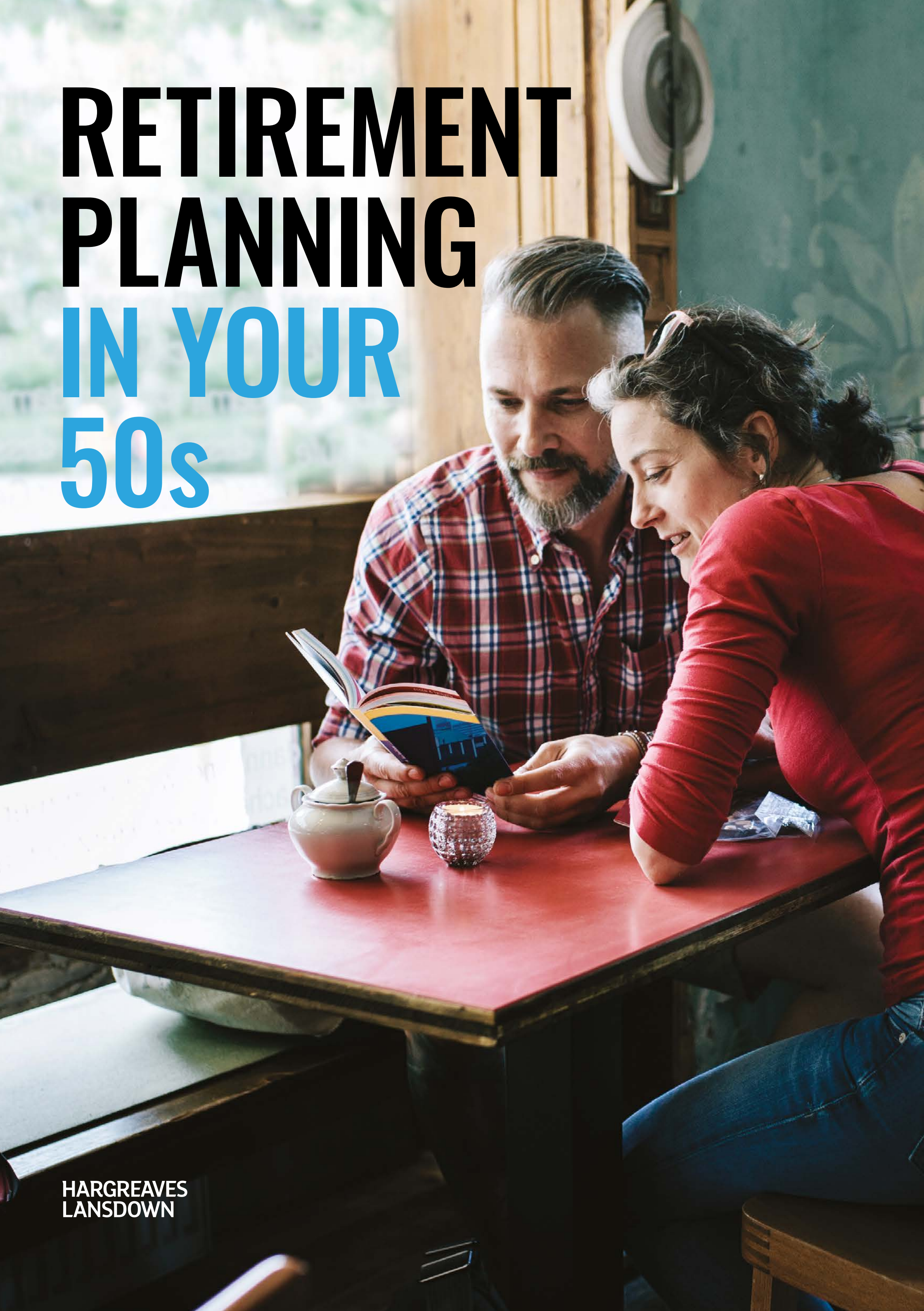
RETIREMENT PLANNING IN YOUR 50s



HARGREAVES
LANSDOWN

IMPORTANT INFORMATION

What you do with your pension is an important decision. We strongly recommend you understand your options and check your chosen option is right for you. You should take advice or guidance if you're at all unsure.

The government provides a free an impartial service to help you understand your retirement options. Find out more at **www.hl.co.uk/pension-wise**.

This guide isn't personal advice. The information in this guide is correct as at April 2024 and all figures apply to the 2024/25 tax year. Pension and tax rules can change, and benefits depend on your personal circumstances.

All investments and any income they produce can fall as well as rise in value so you could get back less than you invest. Before you transfer, check you won't lose valuable guarantees or benefits, or have to pay high exit fees. Pensions are usually transferred as cash. This means any market rises or falls won't affect your fund value for a period. Money in a pension is not usually accessible until age 55 (57 from 2028).

GETTING YOUR RETIREMENT PLANS ON TRACK

It's time to take control of your retirement

Your fifties are the perfect time to get your pension pot and retirement plans in sync. There's a chance your earnings are at their peak and you've paid off some of your biggest expenses, like your mortgage.

Don't panic if your pension savings aren't where you thought they'd be. There are still plenty of steps you can take to help get your savings back on track.

With so many questions to ask yourself when you're thinking about your future and retirement, it can be hard to know where to start. But you don't need to have all the answers right away. A lot of the uncertainty can be taken away by making sure you have a decent plan in place.

This guide explains six tips to help you build a perfect retirement plan.

1. Spring clean your pensions
2. Think about where you want to live when you retire
3. Think about when you might want or need to finish work
4. Work out how much income you're going to need
5. Get to know your pension income options early
6. Think about how long your pension income needs to last

6

STEPS TOWARDS A PERFECT RETIREMENT PLAN

1 SPRING CLEAN YOUR PENSIONS

WORK OUT HOW MUCH YOU'VE GOT SAVED
It's important to understand how much pension wealth you've built up over the years. It can help you recognise any shortfalls.

It's likely you'll have more than one employer in your lifetime, which means you'll probably have more than one pension pot too.

By having multiple pension pots scattered around with different providers, you might find it difficult to manage them effectively. It can be hard to know how much you've got saved so far, and whether you're on track to meet your future goals.

To get information about your pensions, contact your former employers and ask for their pension provider details. Then you can contact the providers directly and ask for a pension statement, which should give you information about where you're invested, how much your pensions are worth and what they're on track to possibly pay.

HELP FINDING LOST PENSIONS
It can be all too easy to lose track of, or abandon, the pots you've built up with old employers. If you're struggling to find them, the government's Pension Tracing Service can help, visit:

FIND LOST PENSIONS →

REVIEW YOUR INVESTMENTS
Once you've found all your pensions, it's important to review your investment situation. You might find that the investments you hold in your pension aren't performing as well as you'd hoped.

The good news is it's never too late to take control – you can always adjust where you're invested to match your changing goals.

For example, some of your old pensions may have limited investment choice, and can restrict you to a handful of investments, which can limit the potential for better returns. Modern pensions generally give you more choice and can offer more opportunities.

Even the smallest change to your investment choices can have a big impact on performance, and therefore your income when you retire. Over ten years, just a 1% increase in performance from 2% to 3% on a £100,000 pension would add an extra £12,492 to the value. You can see the potential, but of course there are no guarantees. All investments can go down as well as up in value, and charges will have an impact on your fund value too. This is just an example, you could get back less than you invest. This example doesn't take into account any income being reinvested or charges.

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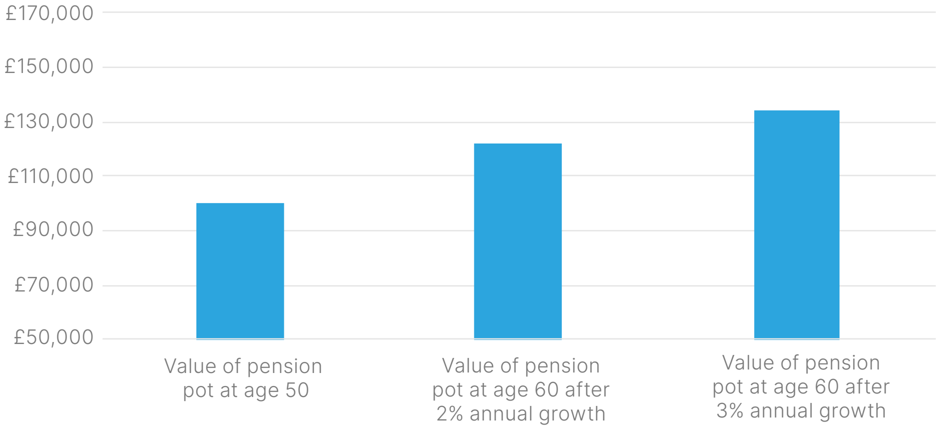
HOW INVESTMENT PERFORMANCE CAN AFFECT YOUR PENSION



CONSIDER BRINGING YOUR PENSIONS UNDER ONE ROOF

If your old pension providers offer limited investment choice, or you find managing multiple pensions a hassle, keeping them where they are could be stopping you from making the most of your options.

Bringing your old workplace or private pensions together under one roof can offer potential advantages.

- Make it easier to keep track of how you're progressing
- Just one account to review
- A single provider to deal with
- Simple to manage your investments and income – both before and after retirement

> Bringing your old workplace or private pensions together under one roof can offer potential advantages.

Before considering transferring, check you won't lose any valuable guarantees or benefits, or need to pay high exit fees. If you transfer a pension as cash, you're out of the market and you won't benefit from any rises or suffer any falls.

MORE ON TRANSFERING YOUR PENSION →

2 THINK ABOUT WHERE YOU WANT TO LIVE WHEN YOU RETIRE

EMOTIONAL TIES AND LOGISTICAL COSTS

Deciding where you want to live out your retirement can be tricky. You might have plans to move closer to family, or you might want to downsize.

For many people, downsizing is a pivotal part of their retirement plan with the hope of freeing up some extra cash. But it's no secret that moving house is a difficult life event. And it's even harder to say goodbye to the home you've built family memories in, or the area where you've made lifelong friendships.

Moving house and downsizing doesn't just have emotional ties, many of us also underestimate the financial costs. Stamp duty, redecorating and removals can all add up, so it might be more expensive than you first imagined.

These considerations are most important if you're relying on downsizing to boost your retirement income. It's worth having a back-up plan, just in case things don't go as you expected.

3 THINK ABOUT WHEN YOU MIGHT WANT OR NEED TO FINISH WORK

With the disappearance of the 'job-for-life', the line between retirement and working life isn't as clear cut as it used to be. But knowing roughly when you want to stop work is a good start.

Let's face it, not many people will be able to give up work completely in their mid-50s.

COULD SEMI-RETIREMENT BE THE ANSWER?

More and more people are choosing to reduce their working hours and opt for semi-retirement. It can allow you to keep a level of financial security and get a better work life balance.

Some people might also struggle to give up work altogether as they enjoy the social aspect. Semi-retirement can offer a happy medium between not losing that social contact and wanting to work less and live more. Then there are the lucky ones who simply enjoy their work so much that they want to continue for as long as possible. To find out more about semi-retirement visit:

MORE ON PREPARING FOR SEMI-RETIREMENT →

ASK ABOUT FLEXIBLE WORKING

Changing your hours might be easier than you think. Everyone has the right to request flexible working, which includes switching from full-time to part-time hours.

Your employer has the right to refuse but they must give you a valid business reason for doing so. The Citizens Advice Bureau provides guidance on requesting flexible working at:

MORE ON CITIZENS ADVICE INFORMATION →

UNEXPECTED LIFE EVENTS

If the pandemic has taught us anything, it's that you never know what's round the corner. And unfortunately you can't be ready for everything, no matter how well you plan. This is also true when it comes to retirement – it might not be a choice.

There are many reasons people leave work earlier than planned, including:

- ✓ **To look after loved ones**
- ✓ **Health issues**
- ✓ **Redundancy**

Maximising your savings and investments is important. If you're affected by an unforeseen event, at least you'll be in a better financial position, which could help ease some of the emotional strains. If you're not affected then great – you'll still be in a better financial position when it comes to retirement.

4 WORK OUT HOW MUCH INCOME YOU'RE GOING TO NEED

LIVING COMFORTABLY IN RETIREMENT

Once you've worked out where and when you want to retire, you should consider how you're going to get there.

Most people strive to live comfortably in retirement. But how much you'll need to live on, and therefore save for the future, can be hard to pin down.

To help simplify saving for retirement, the **Pensions and Lifetime Savings Association (PLSA)** launched national income and living standards. These have been designed to help people picture what lifestyle they want in the future, and how much income they'll need to achieve that lifestyle. There are three living standards; minimum, moderate and comfortable (see table on the next page).

Obviously everyone's financial circumstances are different and these figures are just a guide. The actual income you need may be higher or lower depending on your personal needs and lifestyle and is likely to vary throughout retirement.

THE STATE PENSION

The State Pension is a regular income provided by the government which those who qualify can claim once they reach state pension age. The minimum age is rising however, and some people might need to reach their late sixties before they qualify.

Many people believe that the State Pension will be enough to live off alone. When the likelihood is, for most people, it won't be.

For a 'comfortable living standard' in retirement for a single person living outside of London, the PLSA estimate you'd need £43,100 a year. With the current maximum annual state pension amount being £11,500, a single person would fall short by £31,600 each year. This highlights the importance of saving into a workplace or private pension alongside anything the state offers.

SAVE MORE OR WORK LONGER?

Realistically your retirement could last 20 or 30 years, so you need to make sure you'll have enough money to last as long as your retirement.

Our pension calculator can help you to work out how much your current pensions are on track to pay you.

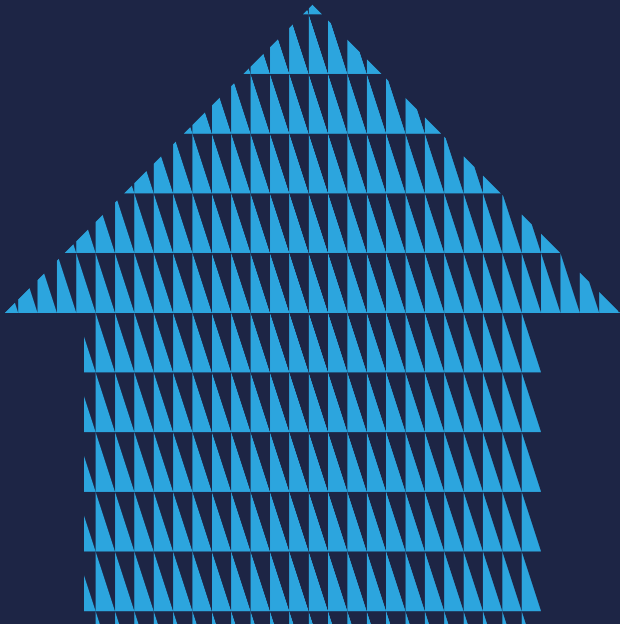
PENSION CALCULATOR

- Simply add your details
- Tell us when you want to retire
- The calculator will tell you what to expect from your pension

TRY OUR PENSION CALCULATOR →

YEARLY INCOME		
Living standard	**SINGLE**	**COUPLE**
Minimum Covers all your needs, with some left over for fun	**£14,400**	**£22,400**
Moderate More financial security and flexibility	**£31,300**	**£43,100**
Comfortable More financial freedom and some luxuries	**£43,100**	**£59,000**

Source: Retirement Living Standards for those living outside of London by the Pensions and Lifetime Savings Association and Loughborough University, 2024.



IT'S NEVER TOO LATE TO PLAY CATCH UP

If you've calculated how much your pensions are on track to pay you, but there's a shortfall, don't worry. There's still time to change the future. If you've paid off some of your larger debts, like your mortgage, you might want to consider paying in more to your pension. Paying as much as you can will give you a better chance of reaching your retirement income target.

The government will also add money (known as tax relief) to your pension each time you make an eligible payment, right up until you reach 75. Non-taxpayers and basic-rate taxpayers get a 20% top up automatically, while those who pay tax at a higher rate can claim even more through their tax returns (up to an additional 25%, Scottish income tax rates and bands are different).

Let's say you paid in £100 a month for ten years, this would give you an extra £12,000 in your pension. With the government tax relief added on top, this means you actually end up with £15,000 in total (that's not even taking into account any investment growth). And if you pay tax at a higher rate, remember you can claim back further tax relief. Pension and tax rules change and their benefits depend on individual circumstances.

If you have a workplace pension it's worth speaking to your employer. If you increase your contributions, they might pay in more too.

HOW MUCH CAN I PAY INTO A PENSION?

For most people the limit to what can be paid in across all of their pensions this tax year is 100% of their earnings, up to £60,000. This limit includes payments made by you or your employer and any basic rate tax relief added. Your allowance could be higher or lower than this, so check before you make any decisions.

You can also only contribute as much as you earn, or £3,600 if greater, and benefit from tax relief.

MORE ON PENSION CONTRIBUTIONS →

Remember, money in a pension isn't usually accessible until age 55 (57 from 2028). Any investments can fall as well as rise in value so you could get back less than you put in.

PAYING INTO AN HL SIPP

- ✓ Make one-off contributions as and when you like
- ✓ Set up regular monthly contributions from £25
- ✓ Stop or amend your regular contributions any time
- ✓ Choose your own investments, to potentially grow your money further

5 GET TO KNOW YOUR PENSION INCOME OPTIONS EARLY

Transitioning into retirement isn't necessarily as hard as you might think. You can make it easier by getting to know your options early.

You can usually take up to 25% of your pension as tax-free cash (up to a maximum of £268,275), and the rest will be taxed as income when you receive it. How you take your tax-free cash will depend on which income options you choose

If you have a personal pension, you'll typically have three main options to choose from. They include; annuities, lump sum payments and drawdown. If your provider doesn't offer all of these options, you could think about transferring your pension to the HL SIPP. You'll have access to all the pension options.

ANNUITIES

If you don't want to keep your pension invested, and have to worry about the ups and downs of the stock market, you could consider using some (or all) of your pension to buy an annuity.

It'll provide you with a guaranteed income for the rest of your life. It doesn't matter how long you live, or what happens in the markets. The amount of income you receive will depend on the value of your pension, your circumstances and the options you choose.

You can decide whether your income increases over time or stays the same, how often you receive it, and you choose what happens to your annuity after you're gone.

Note, rates tend to be higher for older people, particularly for those with medical conditions, and once set up an annuity can't be normally be changed or cancelled.

It's also important to contact different providers to find the best rates – they're guaranteed for a limited time only and can go up and down in future. This could have an impact on how much of your pension you decide to lock into an annuity and when. You may consider waiting to fully retire before going ahead.

DRAWDOWN

This is one of the most flexible ways to access your pension. This could help counteract a drop in earnings if you want to semi-retire. The rest of your pension will remain invested for later. Once in drawdown, you're in control of how much income you take (which is taxable) and when, as well as where you invest.

You need to be conscious that the more money you withdraw early on, the less you're likely to have in later years. Your investment decisions will also have an effect; the better your investments perform, the more money you'll potentially have available to take. So it's vital to have a clear income and investment strategy in place.

LUMP SUM WITHDRAWALS

This option is also known as taking an Uncrystallised Funds Pension Lump Sum (UFPLS). You could consider this option if you want to withdraw your entire pension in one go, or if you'd like to receive your pension in stages.

Each time you take a lump sum 25% is usually tax-free and the rest will be taxable as income. Typically there's no limit on the amount you can take, but like with drawdown, the rest of your pension stays invested, so the same risks apply.

GET PENSION WISE GUIDANCE

At age 50, everyone has the right to get free impartial guidance sessions from Pension Wise. It's a free service offered by the government. Even if you've an idea about what option you might choose, it can be useful to get a second opinion. You can find out more by visiting:

MORE ON PENSION WISE →

EXPLORE MORE

You can continue your research by using some of our online resources.

Learn more about annuities:
www.hl.co.uk/annuities

Learn more about drawdown:
www.hl.co.uk/drawdown

Learn more about lump sums:
www.hl.co.uk/UFPLS

6 THINK ABOUT HOW LONG YOUR PENSION INCOME NEEDS TO LAST

If you're considering keeping your pension invested in retirement it's important that you have a strategy for taking income – whether that's through drawdown or as lump sum withdrawals.

It can be tempting to withdraw whatever amount you want, but without any real planning you could find yourself running short later on.

INCOME AND INVESTMENT STRATEGIES

If you choose to just take the income that your investments produce, you're less likely to run out of money. This strategy is also known as taking the natural income (or the natural yield).

The main benefit of using this strategy is that it improves the chances of a growing pension. One which, over time, could continue to provide an income. This strategy doesn't come without risks though. Just like their value, the income that your investments produce can go up as well as down.

SEE OUR DRAWDOWN INVESTMENT IDEAS →

WHEN TO BUY A SECURE LIFETIME INCOME

As we've discussed, choosing to buy an annuity means you don't need to worry about how long your income will last – it's guaranteed to be paid for as long as you live, and you can start to receive a regular income straight away.

A good time to look at buying an annuity is when you give up work completely. You'll no longer have a steady income stream from your earnings to cover your essential bills, and an annuity can help cover these. You can then use drawdown for any nice-to-haves.

Rates also tend to be higher for older people and, as you age, you'll potentially develop health conditions which could boost how much annuity income you'll receive. However, there is no guarantee the rate you get in the future will be higher than the rate you could get now.

It's worth getting annuity quotes regularly once you've stopped working. It will help you to keep an eye on ever-changing rates, plus it won't cost you anything. You may want to look at buying several smaller annuities using parts of your pension as you get older. This allows gradual de-risking of your overall pension, and allows you to shape your retirement based on your changing circumstances.

GET ADVICE WHEN YOU NEED IT

There's a lot to think about as you approach retirement. Planning how you'll spend your time, where you might live, and how to fund the next stage. All this can be hard to get your head around, but don't worry, our financial advisers are here to help.

It's important to consider taking advice when it matters. Retirement is a time when advice could be worth paying for, and you'll likely benefit most.

Our advisers can help you get your pension fit for retirement, visit:

MORE ABOUT HL ADVICE →

ABOUT US

We're Hargreaves Lansdown – a secure, FTSE-listed company which has been helping UK savers and investors since 1981. Our aim is to make it easy for people to save and invest for a better future, by giving you the tools and information to help you to make your own informed decisions.

We want to help simplify your financial life by making it easy and straightforward to manage your savings, investments and pensions under one roof.

Wherever you are, our website and app give you access to your savings and investments at any time. Our specialist helpdesk is also there to support you and answer your questions.

GET IN TOUCH

Our helpdesk is here six days a week to help. Call us on:

0117 980 9926

(Monday to Friday 8am-5pm, and Saturday 9:30am-12:30pm)

Email us:

sipp@hl.co.uk

Write to us:

Hargreaves Lansdown
One College Square South
Anchor Road
Bristol
BS1 5HL

HL

Hargreaves Lansdown
One College Square South
Anchor Road Bristol BS1 5HL

0117 980 9926
sipp@hl.co.uk
www.hl.co.uk

0424