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Live the life you want

How much pension income will you need for a comfortable retirement?

The purpose of a pension is to provide an income for you to live the life you want once you have retired. But, due to longer life expectancies, less generous schemes and lack of understanding around saving, a common problem is that some people don't retire with enough to last them.

The current life expectancy in the United Kingdom^[1] in 2017 to 2019 was 79.4 years for males and 83.1 years for females, while you can access your pension savings from the age of 55, and the State Pension age is currently 66.

CHANGES TO YOUR LIFESTYLE

The concept of retirement has changed. The idea that we stop working at 65 and then spend our time playing golf and travelling the world is now anachronistic and probably ageist. However, retirement is a challenging new phase in life.

While it ranks high on the scale of stressful life events, it also provides the opportunity to enjoy a new lease of life. A fulfilling and enjoyable retirement will, of course, depend on the age you choose to retire at, your retirement plans and factors that impact your life expectancy, such as your health.

RETIREES ARE FALLING SHORT BY DECADES

A recent survey of people aged 55 to 64 who have not yet retired found that 25% of this age group are only budgeting for their pension savings to last ten years. Around 10% are only budgeting for their pension savings to last five years^[2].

All of these people are risking a significant gap with eventually no income from their retirement savings. While they may be eligible for the State Pension, that will provide less than £10,000 a year to live on.

INCOME NEEDS TEND TO CHANGE

Perhaps these people have created their budget believing that less than £10,000 a year is likely to cover their needs in later life. They may feel that the first five to ten years are when their spending will be highest, so plan to use their retirement savings during that time.

But this isn't a typical pattern for retirement spending. Often, there is a peak in spending in the first five to ten years, when many people pay off their mortgage or make a big purchase, such as a trip-of-a-lifetime. But there is another peak towards the end of life, when many people may need residential or at-home care, which can be expensive.

RETIREMENT SPENDING FORECAST

Surprisingly, 80% of survey respondents said they had received no advice on their retirement needs, and more than half of these people had no plans to. Receiving professional financial advice will help you identify and forecast how your retirement spending could change over time, make a realistic budget and determine how many years your current savings may last.

If there is a shortfall, you'll then be able to make the necessary adjustments to ensure you top up





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any potential savings shortfall before you retire and see how many more years you may need to work for. You can also get a better understanding of where your pension is invested and your options to take an income from it. These factors might affect the income you'll eventually receive, and what you can do about it. ■

MAKE SURE YOUR PLANS STAY ON TRACK

If you're not sure if you've saved enough to last throughout your retirement, a simple solution is to seek professional financial advice and get the answers you need. Get in touch today to find out how we can help you.

Source data:

[1] <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2017to2019#main-points>

[2] <https://corporate-adviser.com/quarter-of-retirees-risk-exhausting-pension-funds/>

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

