QUARTERLY NEWS BULLETIN

Succession NEWS

ISSUE 2 2017

SUCCESSION GROUP

www.successiongroup.co.uk

IN THIS ISSUE

THE RETIREMENT TRICK

SUCCESSION GROUP WEALTH PLANNER, PAUL MILLAR, BELIEVES BEST PRACTICE ADVICE FROM LIFE COACHES CAN HELP CLIENTS LIKE YOU PLAN MORE EFFECTIVELY FOR A SUCCESSFUL RETIREMENT.

They say beauty is in the eye of the beholder, I would argue that retirement is much the same.

One man's idea of retirement is another's view of the beginning of the end. I urge you to think about what retirement looks like for you.

Visualise what you would like to do, how would you fill your days? Who would you spend time with and where would you like to be?

Conventional thinking has led us to define retirement as ceasing to work, usually at around the age of 65. But is that definition really true?

For me, a more apt definition of retirement is provided by Dan Sullivan, Co-Founder of Strategic Coach: Dan suggests that a successful retirement is to only do the things you truly enjoy. Interestingly, at no point does his definition mention ceasing work. Nor does it highlight a fixed retirement age.

I understand and appreciate that some people have worked all of their lives in a job they hate, simply to fund their life. And it is the thought of being able to stop at a fixed point in the future that has kept them going. But equally, there will be others who are dreading the thought of giving up their day job, of losing camerarderie with colleagues and the 9-5 discipline.

A RETIREMENT REBRAND

Maybe if we thought about retirement in a different way, we would feel differently about it. Could a retirement rebrand provide a new perspective? For example, what if you asked yourself:

What job would I love to do if money wasn't your reason for working?

What would I be doing today if I only did the parts of my job I really enjoy?

What would I stop doing in my job tomorrow, if I could?

Now ask yourself, if I could achieve this, would my views on retirement change?

Many entrepreneurial business owners are already beginning to think in this way. To them, retirement is no longer an age to stop work: It's the date that they stop doing the things they don't have to anymore.

These individuals have adopted a different mindset to life. They focus most of their efforts on their unique ability, the area that they are passionate about and uniquely gifted in. They delegate everything else to other colleagues who are uniquely gifted in that area. As a result their performance increases substantially, as does their job satisfaction.

They are able to focus on adding value to the clients they work with, and as a result, they are able to begin to create financial security for themselves.

ROAD TO FINANCIAL FREEDOM

According to world-renowned life coach, Tony Robbins, this is the Road To Financial Freedom.

By planning ahead, that day could be available to you, sooner than you think. After all, why wait?

It is almost certain that the changes that you are considering for retirement, a date that might realistically be five or more years away, can be implemented in some part today.

Active planning for that Financial Freedom date might include holidays, hobbies and activities, even a new business opportunity.

Changing now will almost certainly contribute to an improved quality of life as well as creating a framework for an active and fulfilling retirement.

As part of Your Succession Plan, your Wealth Planner will encourage you to consider all aspects of your retirement – from how you will fill your time, to staying mentally and physically active as well as the all important management of your retirement savings. Getting started on the plan in good time is important to ensure you can spend more of your time doing the things you love. ■

A TAX EFFICIENT RETIREMENT PLANNING CHECKLIST

RETIREMENT DOESN'T COME CHEAP, BUT THE GOVERNMENT DOES ALLOW YOU A FEW PERKS ALONG THE WAY. HERE'S A CHECKLIST FOR A TAX EFFICIENT RETIREMENT.

Saving for retirement:

- Are you making the most of tax relief on pensions where possible? Are you using all your allowances, including unused allowances from previous years? Higher rate tax relief on pensions may not be around forever.
- Are you complementing your pension investments with some Isa savings? You can now get up to £20,000 per year into an Isa, and it can be a useful source of flexible tax free income in retirement.
- Those under 40 should also consider the new Lifetime Isa, which offers both incentives up front and tax-free income on the way out providing you use it for buying your first home or for retirement at 60 or over.
- If you have exhausted your pension and Isa allowance, it may be worth considering more esoteric investments such as VCTs.
- Make sure your investments are structured to take advantage of your individual saving allowances each year – including the dividend allowance, capital gains tax allowance and personal savings allowance.

At retirement:

- Don't forget your 25% tax free allowance
- If you are a couple, make sure that your income is structured to make the most of both sets of tax allowances where possible.
- Be careful when you withdraw funds. If you are continuing with part-time work for example, you may incur a higher marginal rate if you take a pension on top of your salary. It can pay to defer to a year when you have less income. If suitable for your needs, drawdown could deliver this type of flexible income.
- Don't take more than you need. You can keep your tax bill lower by looking at your overall income and only drawing additional income when you need it.
- Remember that you still have an Isa allowance and can therefore keep sheltering your income from tax.

Inheritance tax

- Make a will if you plan to pass on wealth and mitigate inheritance tax.
- Make sure your expression of wishes form for your pension is up to date.
- Consider annual lump sum gifts to use your allowances.
- Think about making selected transfers. These will be exempt from inheritance tax if you survive for seven years.

Above all, consider consulting an expert. They can help you structure your investments for maximum tax efficiency. At a time when money may be scarce, good tax planning could allow you a more comfortable retirement. ■

GREAT TO BE GREY? OR JUST TOO EXPENSIVE?

INCREASING LONGEVITY IS OFTEN TAKEN AS A WELCOME REFLECTION OF IMPROVING HEALTHCARE AND LIFESTYLES. AFTER ALL, WHO WOULDN'T WANT A FEW MORE OF THOSE WELL-EARNED TWILIGHT YEARS? HOWEVER, INCREASING LONGEVITY COMES WITH ONE NOTABLE DOWNSIDE: IT COSTS A LOT OF MONEY. THERE IS ALWAYS A RISK THAT YOUR WEALTH RUNS OUT BEFORE YOU DO.

The average person in the UK lives somewhere between 6 and 8 years longer than they did thirty years ago (1.). A man in the UK can expect to live around 18.5 years following retirement at 65; a woman can expect to live even longer - at 20.9 years. Default retirement age has not kept pace. Although there are plans to extend the retirement age from 2020, it is only moving up gradually.

This means that people will need to fund a longer retirement, or retire later. Many still underestimate the size of pot they will need. A recent survey from fund management group BlackRock found that millennials underestimate their life expectancy by an average of 10 years, leaving them around £373,000 short in their retirement planning (2.). This is also a problem for older generations. Working into retirement is becoming increasingly common – the number of women working beyond age 70 doubled in the period from 2012 to 2016 (3.). However, this is not necessarily an option open to everyone.

There is also the problem of unexpected costs in retirement: A key risk for many retirees remains care home fees. These and other nursing expenses can be prohibitively expensive – up to £40,000 a year and beyond for full time residential nursing care (4.) And an estimated one in 10 people faces care costs in excess of £100,000 after the age of 65.

The rules regarding paying for care are complicated. Four in 10 people in care homes are self-funding according to a BBC report. But what happens when the funding runs out? Care home fees are difficult to incorporate into a financial plan because, despite the headlines, relatively few people need this type of care. Only around 16% of the over 85s are in full-time residential care (5.).

There are three main ways to pay for care: through pensions and existing income, through savings and investments, and through the family home. Unless you have a particularly generous pension, it is unlikely that will provide enough income by itself. Equity release can be a useful way to release capital without being forced to sell and is an option worth considering to pay for later-life care. It may also be a quicker way to raise funds, than a house sale. Many care home admissions are done as an emergency and relatives often need speedy access to cash.

The key in dealing with all these eventualities is to build in contingency and flexibility into any long-term plan. Any good retirement portfolio will be based on a robust understanding of individual cash flow needs and lifestyle expectations in retirement. However, it will also have options for when things don't go to plan. This may mean balancing, for example, annuities and drawdown, creating a flexible income plan that can be dialled up or down depending on your needs.

Increasing longevity should be something to be welcomed. However, it comes at a cost. A properly managed, flexible retirement plan can ensure that you do not outlive your wealth. ■

1. https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/20132015
2. https://www.blackrock.com/corporate/en-gb/newsroom/press-releases/article/corporate-one/press-releases/millennials-expect-to-retire-earlier_GB
3. https://www.theguardian.com/money/2017/mar/22/number-of-women-working-past-70-in-uk-doubles-in-four-years-retirement
4. https://ukcareguide.co.uk/care-home-costs/
5. http://enrich.nihr.ac.uk/page/understanding-care-homes

WE NEED TO TALK ABOUT INHERITANCE TAX

INHERITANCE TAX IS FREQUENTLY IN THE HEADLINES, BUT FOR MANY PEOPLE, IT'S STILL SOMETHING OF A PUZZLE.

According to research conducted by Opinium on behalf of Octopus, 54% of UK adults don't know the current inheritance tax threshold, and 82% of those who own their own home have not made any plans to reduce the amount of inheritance tax due on their death[1].

This should be worrying, because inheritance tax affects thousands of families every year. And you don't even have to own a very large estate to leave behind an inheritance tax bill. So, it's worth working out how much inheritance tax could be taken out of your estate as soon as possible – before it becomes your family's problem to deal with.

And that's where our online calculator can help. It will estimate the impact of the residence nil-rate band – which comes into effect April 2017 – and therefore gives some indication of the inheritance tax that may be due on your estate. Why not take a look? octopusinvestments.com/inheritancetaxcalculator

Important information
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[1]Opinium, 4 January 2017. Based on weighted sample of 2,003 nationally represented UK adults (18+).

octopus investments

The information and opinions expressed herein are the views of the author

'TELLING THE TIME' WITHIN MULTI ASSET INVESTING

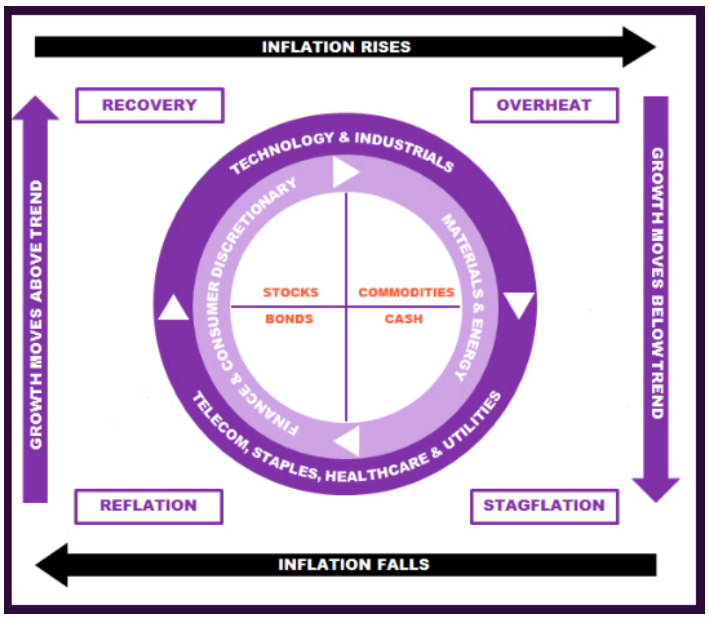
Royal London Asset Management

DIFFERENT ASSET TYPES TEND TO PERFORM WELL UNDER DIFFERENT CONDITIONS AND AT DIFFERENT TIMES. BY SPREADING INVESTMENT ACROSS A RANGE OF THESE ASSETS, INVESTORS AVOID 'PUTTING ALL THEIR EGGS IN ONE BASKET', DIVERSIFYING ACROSS A MIX OF ASSET EXPOSURES. THIS IS AIMED AT SMOOTHING INVESTMENT RETURNS, REDUCING THE IMPACT OF ONE PARTICULAR ASSET TYPE ON THE FUND. MULTI ASSET FUNDS CAN PRESENT AN EFFECTIVE MEANS OF COMBINING THESE EXPOSURES WITHIN A SINGLE VEHICLE.

However, asset class returns have varied greatly over the last 10 years and there is rarely a discernible pattern. Active multi asset managers seek to adopt a forward-looking approach in order to identify which asset classes are likely to do well or badly and when.

The Investment Clock

The Royal London Global Multi Asset Portfolios (GMAPs) aim to move money towards assets that the manager considers to be attractive in relative terms at a given time, while retaining a broad spread of assets. We believe that having a robust investment process is central to this. As part of this, we utilise the Investment Clock, a model tracking growth and inflation trends and the performance of various investments.



Source: RLAM, for illustrative purposes only.

The Clock's horizontal axis, left to right measures inflation while its vertical axis indicates economic growth. In simple terms, the economic cycle moves through waves; from strong to weak growth, with central banks inflating or deflating monetary policy as a means of stabilising activity within the economy.

RLAM's Multi Asset Team analyse and interpret a wide range of data in order to 'tell the time' on the Investment Clock. In addition, they work closely with RLAM's other asset class specialists and exercise judgement with any investment decisions.

Current conditions

In terms of trends impacting multi asset investors, we believe there are three main drivers of global markets in 2017. Firstly, growth and inflation pressures are building, while central banks are maintaining low interest rates. This is an environment which typically favours stocks over bonds. The second driver is the 'lone hiker' scenario: the US Federal Reserve is the only central bank to be raising rates. This is good for the US Dollar and strong Dollar beneficiaries. Finally, political risk could create opportunities to buy during this extended equity rally. Despite some recent cooling, while global monetary policy stays generally loose, we believe stocks still have further to climb.

Royal London Global Multi Asset Portfolios (GMAPs)

The Royal London Global Multi Asset Portfolios (GMAPs) are a range of six multi asset funds which each invest in a different blend of assets. The Funds each have a different risk and return profile, resulting in their differing exposures across asset classes.

The Funds invest in other funds which are predominantly managed by RLAM, rather than investing directly in the underlying holdings. This means that they offer a high level of diversification built in.

RLAM's Multi Asset Team was established in 2015 with the aim of creating a range of funds for a broad spectrum of investor needs. The GMAP range is managed by Trevor Greetham, RLAM's Head of Multi Asset. Trevor has over 20 years' investment experience and is a qualified actuary. He is supported by the six-strong Multi Asset Team at RLAM.

WHEN YOU SEE IT, IT'S TOO LATE

Tania Allerton
Head of UK Business Development, Vanguard Asset Management

ACCORDING TO THE RED CROSS WEBSITE ON TSUNAMI PREPAREDNESS, IF YOU CAN SEE THE WAVE YOU'RE TOO CLOSE FOR SAFETY.

Something similar might be said to be true of investment markets. If you can see what is happening, it is almost certainly too late to do anything about it.

We have a tendency to personify markets, to talk about the market doing this or doing that. But of course, the market is not a person. It doesn't make decisions. And neither does it grow incrementally, like a tree. It is not a person and neither is it an organic entity.

A market is an aggregation of the actions of individuals. In the case of a market such as the London Stock Exchange, the number of individuals participating at any one time might be scores of thousands. Each of these individuals is driven by their own agenda, by all kinds of ideas, insights, hopes, needs and desires.

Most of the time, the aggregation of these thousands of agendas will balance each other out, so that there is only a small movement up or down for the market as a whole. But sometimes, an idea will catch hold and spread. The market will move dramatically.

According to Malcolm Gladwell, author of The Tipping Point, ideas spread much like a virus, or indeed like rumours. They start small. They attach to 'influencers'. They become increasingly 'sticky'. Eventually there comes a tipping point, and the idea becomes established and starts to spread rapidly.

Of course, sometimes ideas reach a tipping point and become massive. Sometimes they just fade out. Which will it be? According to Gladwell, epidemics are highly sensitive to the environment, so that their course is extremely difficult to predict.

Very few investors have a talent for predicting tipping points. For most of us, staying invested in an appropriately balanced and diversified portfolio will be the best course. By the time we see the wave, it will be too late.

PROTECTING WHAT MATTERS MOST

MOST PEOPLE ARE PRETTY GOOD AT PROTECTING THEIR POSSESSIONS; THE CAR, THE HOUSE, THE LUGGAGE. MANY ARE EVEN GOOD AT PROTECTING THEIR PETS. AND YET, WHEN DISASTER STRIKES, YOU PROBABLY WOULDN'T BE SAVING YOUR SUITCASES, AND YOU MIGHT EVEN THINK TWICE ABOUT SAVING TIBBLES. YOU WOULD ALMOST CERTAINLY BE SAVING YOUR FAMILY.

The irony is that most people do not apply the same diligence to protecting their family as they do to protecting their 'things'. Around 24% of households have life insurance. That dips to around 1% for income protection insurance. Yet over 75% have contents insurance for their home, another 64% have buildings insurance. 3.4m have pet insurance, so Tibbles can consider herself well protected (1.)

The consequences of not having any protection in place are significant: If a family loses its main breadwinner, it may also mean losing the family home, changing schools, forcing a whole change of lifestyle.

It is also worth considering the impact of long-term ill-health or redundancy. Does the family have resources and savings to fall back on if there is no income coming in for a while? These are often difficult events to contemplate and it is far easier to believe that life will continue to tick on than plan for potential problems. However, the difference for your family will be significant.

That said, if you are employed, you will almost certainly have some protection in place already. Most employers offer a 'death in service benefit'. This may be anywhere from 2-4 x your salary, depending on the generosity of the employer. Some employers will also offer sick pay, but it is worth bearing in mind that employers are only obliged to offer statutory sick pay, currently just £89.35 a week (2.). Those who are self-employed, or who run their own businesses, typically have little or no protection in place – according to a report funded by the Joseph Rowntree Foundation(3.). As well as experiencing lower than average earnings, the report expressed concern that the self-employed are more vulnerable to 'income shocks', having no sick pay to cover them should they fall ill, nor maternity pay should they become pregnant. A large number may also be storing up trouble for the future, with the self-employed half as likely as employees to be contributing to a private pension or taking part in regular 'in work' training.

You need to look at the provisions you have in place and whether these are likely to be enough to support your family should something happen to you. While you cannot prepare for every eventuality, you can at least ensure that your family has some protection in place.

The cost of this insurance will vary with your age, employment status and general state of health. Some companies also offer discounts for people who have regular health checks, while some will also offer discounted gym membership and other perks.

The right blend of insurance will depend on a variety of factors, including the other resources you may have available (such as savings and investments), the lifestyle you want to maintain and your dependents. Your Succession Wealth Planner can help you work out the right range of options.

Protecting your possessions is important, but it is worth giving greater consideration to the protections you have in place for your family. It is undoubtedly uncomfortable to contemplate, but with much at stake, it can save your family financial worries during stressful times. ■

1. https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2015/statistics/key-facts-2015.pdf
2. https://www.gov.uk/statutory-sick-pay/overview
3. https://www.thersa.org/about-us/media/2015/tax-and-welfare-overhaul-needed-to-protect-living-standards-of-uks-booming-self-employed-workforce

The information and opinions expressed herein are the views of the author

BREXIT UNCERTAINTY IMPACTS RETIREMENT PLANNING

- **More than one in four planning to retire this year fear that Brexit will have a negative long-term impact on their retirement finances**
- **But two out of three say EU referendum result has had no impact on retirement plans**
- **Prudential's Class of 2017 research finds that one in five of this year's retirees are more likely to seek financial advice, as a direct result of the Brexit vote**

The Brexit effect is creating uncertainty among people planning to retire in 2017, with more than one in four (27 per cent) of this year's retirees worried the decision to leave the EU will negatively impact their finances in the long term, according to the latest research by Prudential.

Prudential's unique research, which has monitored the financial plans and aspirations of people planning to retire in the year ahead is now in its tenth year. Its Class of 2017 research provides a snapshot of the views of people retiring this year, as the UK starts the process of leaving the EU. It found that, for one in three (33 per cent) of the Class of 2017, the result of last June's referendum has impacted their plans for retirement.

One in nine (11 per cent) of those who had planned to retire in 2017 have now changed their retirement date as a direct result of the outcome of the referendum. In fact, more than one in every 20 of this year's retirees (six per cent) have actually changed the country they had planned to retire in including some, who had always planned to stay in the UK, now looking at options to move overseas.

However, two thirds of people planning to retire in 2017 (67 per cent) say that the vote to leave the EU has had no impact at all on their retirement plans, and one in eight (12 percent) believe that leaving the EU will be good for their long-term finances in retirement.

Uncertainty caused by the decision to leave the EU appears to have underlined the value of financial advice to many of this year's retirees, with nearly one in five (19 per cent) saying they are more likely to seek financial advice as a consequence of the referendum result. Meanwhile, 14 per cent say they are worried about the negative impact of the post referendum market volatility on their pension fund.

Kirsty Anderson, a retirement expert at Prudential, said: *"People planning to retire this year are expecting the highest retirement incomes since 2008 – so on the face of it, Brexit has had little impact on their retirement expectations. However, looking below the surface, there is a degree of uncertainty and nervousness among many of this year's retirees.*

"As you would expect, for many people who have been planning and saving for their retirement for most of their working lives, even the biggest of political upheavals won't make a difference to their long-term plans. But with one in three new retirees telling us that their retirement plans have been affected by the referendum result, it is clear that uncertainty is having an impact for some.

"It is encouraging to see that faced with uncertainty, be it around the performance of their investments or where they plan to set up home after their working lives, the Class of 2017 are seeking professional financial advice. It is also important to remember that pension saving is for the long term and, irrespective of single events no matter how momentous, the best way for most people to provide for a comfortable retirement is to save as much as possible from as early as possible, into a pension."

PRUDENTIAL

WHAT DOES RISK MEAN IN RETIREMENT?

THOSE IN FINANCIAL SERVICES LOVE TALKING ABOUT RISK, BUT OFTEN THERE IS A GAP BETWEEN HOW THEY VIEW RISK AND WHAT RISK MEANS TO YOU AS AN INDIVIDUAL. FOR YOU, THE GREATEST RISK IS LIKELY TO BE NOT HAVING ENOUGH MONEY TO LIVE ON, BUT THIS MAY HAPPEN FOR A NUMBER OF REASONS.

Living too long

For most people, their greatest risk in retirement will be living too long. It remains widely underestimated: A recent survey of millennials found that most expected to live to age 79 (1.). The reality is closer to 90 and one in five will now live to over 100. A 50 year old woman today has a 15% chance of reaching 100 (2.). People are spending longer and longer in retirement and that is expensive.

Unexpected expenses

Old age can bring unexpected expenses. The most obvious of these is care home fees. For some families, care fees, nursing and healthcare costs can be a swift and permanent way to quickly erode the capital in a family home, for example, or savings and investments.

Of course, retirees are also not immune to the unexpected expenses that beset everyone else. From a leaky roof to a needy relative, there are always unplanned costs. This means a financial plan always needs to retain an element of flexibility.

Inflation

Inflation has been relatively benign in recent years, but is starting to reassert itself. Inflation is the under-estimated bogeyman of retirement planning. Over 10 years, inflation of 1.5% could knock the real value of a £100,000 retirement portfolio down to £85,000. With many savings rates languishing below 1%, investors could lose money in real terms on their cash investments.

Depending on your attitude to risk, this could argue for the inclusion of assets that protect against inflation within an investment portfolio: In general, stock market investment has provided some protection against inflation. Academic studies have shown that shares, for example, do well in periods of low inflation, and fall during a recession; in a higher inflation environment, investing in gold produces better returns, and bonds often rise during a recession. The solution for managing the effect of differing inflation is to ensure a diversified investment portfolio, a key principle of Succession's wealth planning.

You

You are only human. You may want a new car; you may have had a bad day at the races; you may have been over-indulgent in planning your daughter's wedding. All these things may require a little extra capital. As such, you may also be a risk to your long-term wealth.

The best solution

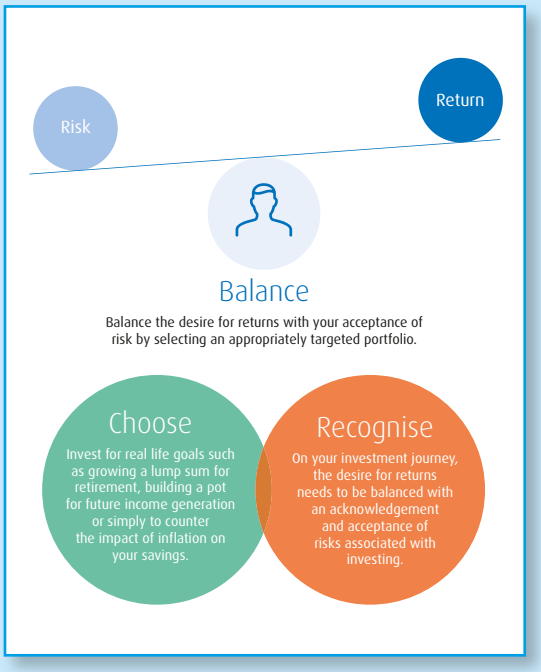
The strongest defence against many of these problems is a balanced portfolio with a blend of different assets. This helps ensure that you retain exposure to those assets that will help you out at times of rising inflation, but also to those areas that offer more consistency of income and capital. It may also argue for blending annuity income with a drawdown portfolio to offer greater flexibility.

Your retirement plan should be flexible enough to adapt to varying needs throughout your retirement. One of the most important investment decisions you and your Wealth Planner will take is to agree on what assets to invest in. Depending on your financial goals, we will recommend a corresponding mix of assets that produces the most appropriate level of risk and expected return. This means your key risk – running out of money – is managed properly. ■

1. https://www.blackrock.com/corporate/en-gb/newsroom/press-releases/article/corporate-one/press-releases/millennials-expect-to-retire-earlier_GB
2. http://visual.ons.gov.uk/what-are-your-chances-of-living-to-100/

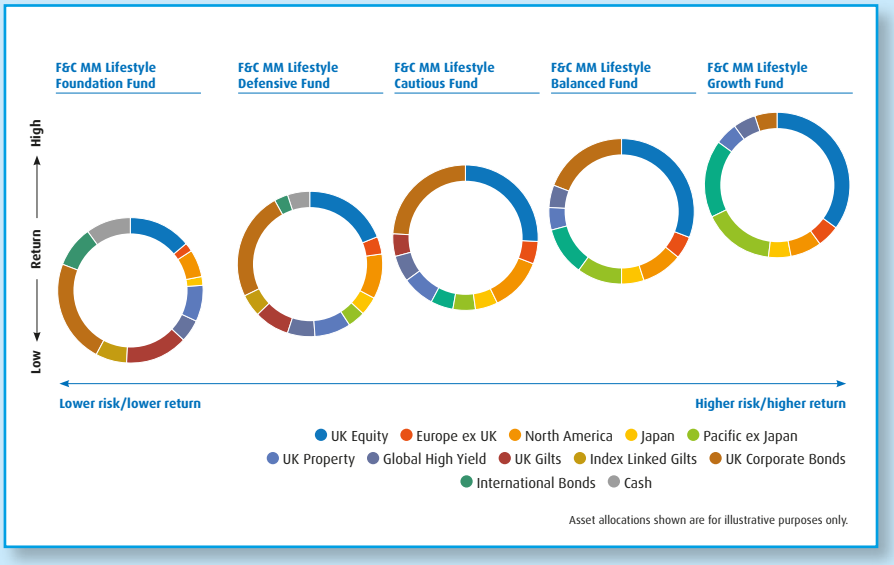
BALANCING THE INVESTMENT DILEMMA

ASKED WHAT INVESTMENT RETURNS YOU WOULD LIKE AND 'HIGH' IS LIKELY TO BE THE ANSWER. APPLY THE SAME QUESTION TO RISK OF LOSS HOWEVER, AND THE CORRESPONDING ANSWER IS LIKELY TO BE 'LOW'.



THE F&C MM LIFESTYLE FUNDS

Our F&C MM Lifestyle range contains five funds with each one aiming to grow the value of your investment within defined risk parameters. For further information on our range, contact your Succession Wealth Planner who can help you decide which one is best for your circumstances, attitudes and objectives.



AT A GLANCE

Well-diversified – each portfolio contains a range of asset types like equities, bonds, UK commercial property and cash.

Asset allocation – a specialist third party determines the asset mix. This 'strategic' long-term blend is overlaid with shorter-term 'tactical' adjustments.

Fund selection – our multi-manager team build the portfolios by picking funds from right across the marketplace. Each portfolio contains over 30 individual funds.

Hands on – the portfolios are constantly monitored and rebalanced when necessary.

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

Please remember that past performance is no guide to the future and the value of your investment can go down as well as up. As a result, its value in the future may be less than the amount you invested.

Stockmarket and currency movements mean the value of investments and the income from them can go down as well as up and you may not get back the amount originally invested.

Please note that we cannot give you any advice on the suitability of investing in our funds.

Prospective investors should consult the Key Investor Information Document for the relevant share class before investing, which is available from your financial adviser or our website.

WHAT IF YOU DIE TOO SOON?

ALMOST ALL RETIREMENT PLANNING IS BASED ON THE VIEW THAT THE GREATEST RISK WE FACE IS TO OUTLIVE OUR WEALTH. FOR MOST OF US, THIS IS UNDOUBTEDLY TRUE. WE TEND TO UNDERESTIMATE HOW LONG WE ARE GOING TO LIVE AND OUR FINANCIAL NEEDS. HOWEVER, FOR SOME PEOPLE, THE OPPOSITE WILL BE TRUE - THEIR WEALTH WILL OUTLIVE THEM. THIS IS A RISK THAT SHOULD ALSO BE INCORPORATED INTO FINANCIAL PLANNING IN RETIREMENT.

Apart from never being able to enjoy the fruits of a well-earned retirement, the risk in dying too soon is that the pot you have built up over years of hard work disappears with you.

Annuity options

There are different types of annuity that deal with this problem to some extent. A joint life annuity, for example, will be paid to your chosen beneficiary until their death. Alternatively, a guaranteed annuity will pay out for a certain number of years, whether the policyholder is alive or not. It is also possible to find annuities where you receive a cash lump sum equivalent to your unspent pot at the end.

For those who know they have life-limiting conditions, it is also possible to receive an 'enhanced annuity'. These annuities pay out a higher income for a range of health problems, from diabetes to asthma to a heart condition on the assumption that sufferers will have a shorter lifespan.

However, for most people, the problem is that they don't know if they are likely to die early. Cancer, heart attacks, car accidents can strike unexpectedly. All the annuities that preserve some of the pot after death mean a lower income while you are alive. You would have to be an optimist to consider more income but a shorter life expectancy as a good thing.

It is interesting to note that within the headline message of "we are all living longer", comes the sobering news from the Continuous Mortality Investigation of the Institute and Faculty of Actuaries suggesting future improvements in death rates will be significantly less than expected. Life expectancy reduced by four months for a 65-year-old man, and six months for a 65-year-old woman.

Flexible planning

A better option may be to retain some flexibility in a later years retirement plan that allows for both contingencies. Annuities have their place in providing a guaranteed income stream for day-to-day expenses, but, depending on your attitude to risk, pension drawdown plans have some advantages in preserving some of your pension pot to be passed onto your beneficiaries.

Pensions lie outside of your estate for inheritance tax purposes. For drawdown portfolios, if you die before you are 75, the income and/or capital (depending on how the pension is passed on) is also free from tax in the hands of the beneficiary. In this way, if you die early, at least your family and friends can benefit. If you die after 75, the pot is taxable at the beneficiaries' marginal rate of tax, so for children, this can still be very tax efficient.

This argues for holding at least some of your pension portfolio in a drawdown option. It is also worth making full use of ISAs in retirement planning as a source of tax-free income that can be switched on and off, but crucially the pot will remain in place to be passed on should you not be around to make full use of it.

In this way, retaining flexibility in the way you build your retirement portfolio can help you plan for a range of contingencies. It may be little consolation, but at least your wealth can be enjoyed by the next generation if you are not around to enjoy it yourself.

FLEXIBILITY AS PART OF YOUR RETIREMENT PLAN

AS YOU APPROACH RETIREMENT, YOU BEGIN TO LOOK FORWARD TO A WELL-EARNED CHANGE OF PACE – TIME TO TAKE A BREAK FROM THE RAT RACE AND ENJOY THE REWARDS OF YOUR HARD WORK. WE ARE SURE THAT YOU HAVE HAD A SOLID RETIREMENT PLAN IN PLACE FOR YEARS, ENSURING YOUR FINANCIAL WELL-BEING AND PROTECTING YOUR HARD EARNED GAINS.

But what if things change?

Research shows that people are living much longer these days. But what if you die sooner than expected or your health deteriorates dramatically? These changes can have a marked impact on the best of plans.

It is vital that you build an element of flexibility into your retirement plan to cope with these unexpected events.

A solution could include investments that qualify for Business Relief – Inheritance Tax exempt after two years, but letting you retain full control over and access to those investments so that:

- If you live longer than you expect and you need additional funds, the investment is yours to do with as you wish.
- When you die, your loved ones can benefit from the full value of the investment without suffering IHT.

One such solution, The Triple Point Estate Planning Service, is a clear and straightforward investment solution which provides investors with access to real, tangible businesses via two strategies; Navigator and Generations.

Triple Point has provided successful Business Relief solutions to private investors for over 10 years. Investments made through the Estate Planning Service can achieve 100% relief from inheritance tax after two years.

The Estate Planning Service gives you the opportunity to select your own target return of 1.5% to 6.0% per annum net of charges and corporation tax. Both strategies offer you capital preservation and liquidity and have consistently achieved positive quarter on quarter growth and met their target returns.

The Generations and Navigator strategies offer tax efficient investments that are potentially exempt from IHT after only two years, providing returns that are uncorrelated to traditional asset classes and allowing you to maintain access to your funds.

So when looking forward to your retirement, make sure that your plan is as flexible as it is robust, allowing you to enjoy your hard earned rewards, free from financial concern.

For more information contact your Succession Wealth Planner

Risks - There is no guarantee that target returns will be achieved and investors may get back less than the amount they invested – your capital is at risk. Past performance is not a guide to future performance and may not be repeated. Tax rules and reliefs are subject to change and the availability of business relief depends on the continuing tax status of respective businesses. The availability of tax reliefs for investors also depends on their personal circumstances.

SUCCESSION
GROUP

Drake Building
15 Davy Road
Plymouth Science Park
Derriford, Plymouth
Devon PL6 8BY
Tel: 01752 762140

Email: info@successiongroup.co.uk

www.successiongroup.co.uk

FP No. 2017-108