Woodward Markwell
FINANCIAL ADVISERS

Guide to

# Financial Planning Through Every Stage of Life

Build financial security today to help you face tomorrow with confidence

November 2026



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# Guide to

# Financial Planning Through Every Stage of Life

## Build financial security today to help you face tomorrow with confidence

Your financial journey is unique. Whether you are just starting your career, balancing family and financial commitments, building long-term wealth or preparing for retirement, the decisions you make today can help shape the opportunities available to you tomorrow.

But financial planning is about more than saving money or building wealth. It is about understanding your priorities, preparing for life's changes and ensuring your finances support the life you want to lead. As your circumstances and ambitions evolve, so too will your financial needs. Having the right plan in place can help you navigate these changes with greater clarity and confidence.

In this guide, we explore how your financial priorities may change throughout life, from establishing healthy money habits in your 20s to protecting your wealth, creating a sustainable retirement income and planning the legacy you wish to leave. We also look at how tools such as cashflow modelling and a better understanding of pension options can help you assess your choices, plan ahead and make more informed decisions.

Everyone's circumstances are different, and there is no one-size-fits-all approach. The aim is to help you understand the options available to you, recognise the steps you could take now and feel better prepared for the financial decisions ahead. Whether you are planning for a specific milestone or simply looking to strengthen your financial foundations, it is never too early or too late to take a more considered approach to your future. ■

**Take the next step towards your financial future**

Whatever stage of life you are at, a financial plan tailored to your circumstances and ambitions will help you make informed decisions with greater confidence. From building wealth and protecting your family to planning for retirement and securing your legacy, the right guidance will help you prepare for tomorrow while making the most of today.

Get in touch today to discuss your financial goals and discover how personalised professional financial advice can help you build a clearer plan for the future, whatever life has in store.

UNLESS OTHERWISE STATED, ALL FIGURES RELATE TO THE 2026/27 TAX YEAR. A PENSION IS A LONG-TERM INVESTMENT THAT IS NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028, UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO UP OR DOWN, WHICH WOULD AFFECT THE LEVEL OF PENSION BENEFITS AVAILABLE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE ESTATE PLANNING, CASHFLOW MODELLING OR TAX ADVICE. INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS, BASES AND RELIEFS FROM TAXATION ARE SUBJECT TO CHANGE.

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# How does financial planning change over the course of life?

From building financial foundations to enjoying a secure, fulfilling retirement



Financial planning is a lifelong journey. As your circumstances, responsibilities and ambitions evolve, so too will the role money plays in your life. The priorities you have in your 20s may look very different from those that matter most in your 50s or 70s. What begins with managing your first salary and building savings may eventually become a question of how to enjoy retirement, protect your independence and leave a meaningful legacy for the people you love.

In your 20s, you may be focusing on establishing a career, finding somewhere to live and building confidence in managing your finances. By your 30s and 40s, your attention might turn to buying a home, raising a family, supporting relatives and building long-term wealth. As retirement approaches, the questions often become more personal: Will I have enough money to live comfortably? When can I afford to stop working? How can I make my savings last without giving up the experiences that make life enjoyable?



There is no single financial plan that suits everyone. Your approach will depend on your income, health, family circumstances, housing situation, personal values and ambitions.

### Increasingly focus on maintaining your quality of life

Later in life, financial planning may increasingly focus on maintaining your quality of life, adapting to changing health or care needs, and ensuring your money continues to provide security and choice. You may also start thinking more about the legacy you want to leave. What would you like your financial future to look like, and what would give you genuine peace of mind?

There is no single financial plan that suits everyone. Your approach will depend on your income, health, family circumstances, housing situation, personal values and ambitions. Some people will follow a relatively traditional path from employment to retirement, while others will experience career changes, periods of self-employment, family responsibilities or unexpected financial setbacks. Your circumstances may also mean you need to revisit decisions sooner than expected.

### Giving yourself greater control over your choices

The important thing is not to follow a rigid timetable or compare your progress with anyone else's. It is to understand your options, prepare for foreseeable changes and make informed decisions that reflect what matters to you. Financial planning is not simply about accumulating as much money as possible. It is about giving yourself greater control over your choices, helping protect those who depend on you and creating the freedom to enjoy the different stages of life.

By establishing sound habits early, reviewing your finances regularly and adapting to changing circumstances, you can build greater financial resilience over time. If you feel you should have started sooner, remember that your financial future is not determined by a single decision or missed opportunity.

### Everyone's financial journey is different

While starting early can offer advantages, it is never too late to take control of your finances and work towards your goals. Everyone's financial journey is different, and comparing your progress with others can often lead to unnecessary stress and discouragement. Instead of dwelling on what you could have done differently in the past, focus on the opportunities available to you today and the positive changes you can make. Taking practical steps today can still make a meaningful difference, regardless of where you are starting from.

Whether it means creating a budget, building an emergency fund, paying down debt, increasing your savings or investing consistently, small, steady actions can help you build greater financial security over time. You do not need to have everything figured out or make dramatic changes overnight. What matters most is developing healthy financial habits, staying consistent with your efforts and adjusting your plans as your circumstances change. By focusing on what you can control now, you can gradually build a stronger financial foundation and move closer to the future you want. ■

# Building financial foundations in your 20s

## Establishing good money habits for the years ahead



Your 20s are often a time of new beginnings. You may be leaving education, starting your first full-time job, moving into rented accommodation or taking responsibility for your finances for the first time. You might be enjoying greater independence, making plans with friends or considering your first major purchase.

Alongside that excitement can come a new set of financial pressures. Rent, household bills, transport, student loan repayments and everyday spending can quickly absorb a monthly salary. If you are starting on a modest income, saving may feel difficult, especially when you are also trying to enjoy life and establish yourself.

So, where should you begin?

The first step is to understand your current financial position. Knowing how much comes in, how much goes out and what you have left at the end of each month gives you a clearer picture of what is achievable. You do not need an elaborate spreadsheet or a complicated financial plan. A simple budget that separates essential expenses, discretionary spending, debt repayments and savings can be enough to get started.

Review your bank statements and regular payments. Are you paying for subscriptions you rarely use? Could you reduce your household bills by switching providers or making small adjustments to everyday spending? These changes may seem insignificant on their own, but over time they can free up money for more important goals.

It is equally important to recognise that a budget should support your life, not make it feel needlessly restrictive. You should be able to enjoy your money while making sensible provision for the future. The aim is to find a balance you can maintain, rather than setting unrealistic targets that are difficult to sustain.

### Establishing healthy money habits

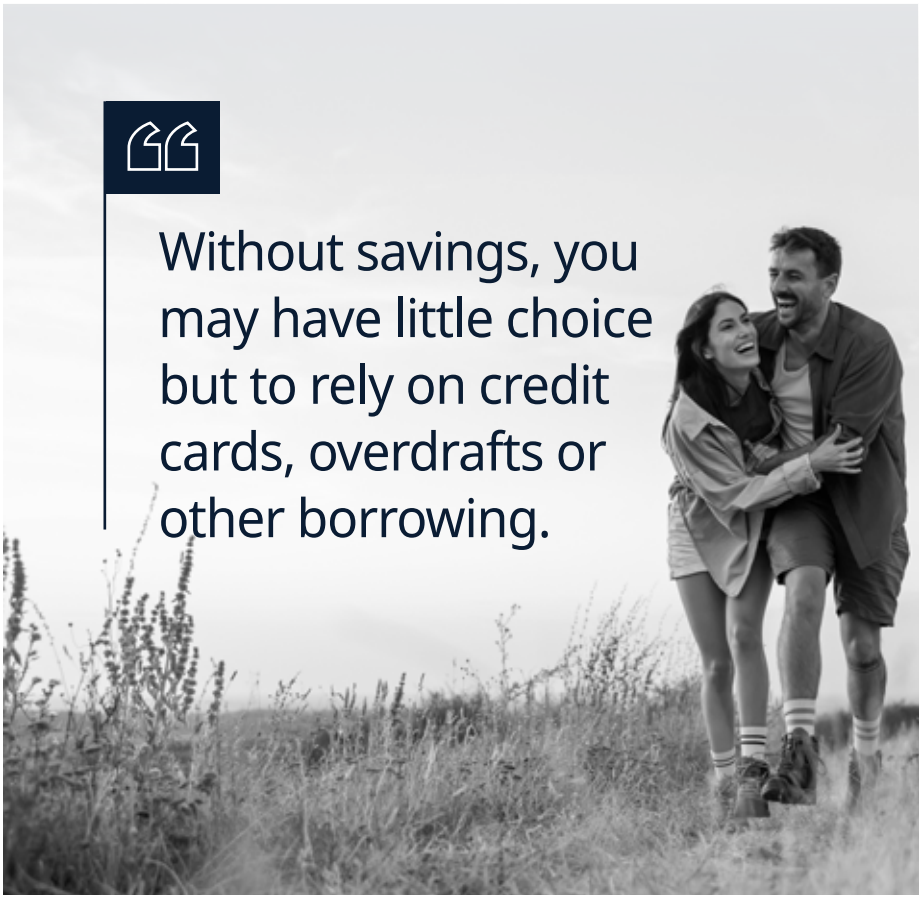
One of the most valuable financial foundations you can build is an emergency fund. Life rarely goes to plan. A car might need repairing, a laptop could stop working or an unexpected period without employment could leave you struggling to cover essential bills.

Without savings, you may have little choice but to rely on credit cards, overdrafts or other borrowing. This can create additional pressure at precisely the moment you need financial flexibility.

Start with a manageable goal, even if it is only a small amount each month. Gradually build up enough accessible savings to cover several months of essential living costs, adjusting the target to reflect your employment security, housing costs and other responsibilities.

Keep emergency money somewhere accessible, such as an easy-access savings account, rather than investing it in assets that could lose value or be difficult to sell quickly.

If you have high-interest debt, consider how it aligns with your wider priorities.




Paying down expensive borrowing can often offer a more certain financial benefit than earning interest on savings. However, using every available pound to repay debt may leave you vulnerable to the next unexpected expense. Maintaining a modest cash buffer while reducing costly borrowing can help you balance these competing needs.

Your credit history is another area worth understanding. If you hope to buy a property or apply for a loan in the future, paying commitments on time, staying within agreed credit limits and checking your credit report for errors can help you demonstrate responsible financial management. Avoid borrowing solely to improve your credit score, and never take on repayments you cannot comfortably afford.

## Starting your pension early

Retirement may seem a lifetime away, particularly when you are still establishing your career. Why worry about an event that could be four decades off when there are more immediate expenses to manage?

The answer is that time can be one of your most valuable financial assets.

Starting pension contributions early gives your savings more time to benefit from investment growth and compounding. In simple terms, growth can generate further growth over time. Returns are never guaranteed, and investments can fall as well as rise, but a long investment horizon can offer opportunities that may be harder to replicate if you start much later.

If you are employed, review your workplace pension arrangements. Eligible employees are generally automatically enrolled in a qualifying workplace pension, and employers must meet the applicable minimum contribution requirements. Your contributions may also receive tax relief.

Review your payslip and pension information to see how much you contribute and whether your employer offers additional contributions if you increase your payments. If you can comfortably afford to contribute more, taking advantage of an employer's matching arrangements may help strengthen your retirement savings.

However, do not feel pressured to maximise pension contributions at the expense of essential living costs or by taking on costly debt. A contribution you can sustain is more valuable than a target that leaves you financially stretched.

If you are self-employed, you will generally need to arrange your own retirement provision. A personal pension or another suitable long-term savings arrangement can help you build a retirement fund. If your income fluctuates, consider a flexible contribution strategy that lets you save more when business is strong while keeping contributions manageable during quieter periods.

Remember that pension savings are intended for later life and are normally inaccessible until you reach the applicable minimum pension age, subject to limited exceptions and protections. They are therefore not a substitute for funds you may need for a rental deposit, a property purchase or other short-term goals.

## Balancing today's ambitions with tomorrow's needs

You may also be thinking about travelling, further education, changing careers or saving for your first home. These goals matter, too. Financial planning should help you make room for the life you want, rather than encouraging you to postpone everything enjoyable until retirement.

Consider separating your savings by purpose. Short-term goals may call for accessible cash savings, while longer-term goals may justify other financial products, depending on your circumstances and attitude to risk.

If buying a property is important to you, research the deposit, mortgage costs and other associated expenses. Depending on your eligibility and the current rules, a Lifetime Individual Savings Account (Lifetime ISA) may help you save for a first home or retirement. Check the withdrawal conditions, charges and potential government bonus before opening or using one.

Most importantly, remember that you do not need to have everything sorted in your 20s. Building an understanding of money, creating a financial safety net and beginning to save for retirement are valuable achievements in themselves.

**Your priority:** Build sustainable habits, establish emergency savings, manage borrowing carefully, and start contributing to your long-term future. ■

# Balancing competing priorities in your 30s

## Making room for family, homeownership and long-term goals



Your 30s can be an exciting yet demanding decade. You may be advancing in your career, earning more than in your 20s or beginning to enjoy greater financial stability. You might also be buying a home, getting married, having children or supporting relatives.

For some, this stage brings significant changes in direction: a career move, self-employment, a return to education or time away from paid work to care for family members. Each change brings its own opportunities and financial implications.

As your responsibilities grow, however, so can your expenses. Mortgage repayments, childcare, transport, insurance and family activities can quickly absorb any increase in income. You may find that earning more does not necessarily leave you with more money at the end of the month.

This is why it is important to review your finances as your circumstances change. When you receive a pay rise, for example, consider directing some of the additional income towards savings, pension contributions or debt reduction before your spending naturally increases to match the rise.

The aim is not to deny yourself the benefits of career progression. It is to ensure that today's lifestyle improvements do not come at the expense of your financial security tomorrow.

### Planning for a home and other major commitments

For many people, buying a property is one of the most significant financial decisions they will make. It can provide stability and a sense of belonging, but it also entails long-term commitments that demand careful consideration.

Before purchasing a home, look beyond the deposit and the headline mortgage payment. Legal fees, surveys, moving costs, insurance, maintenance and unexpected repairs can all affect affordability. You may also need to budget for furniture, decorating and improvements after moving in.

Ask yourself whether the mortgage would remain manageable if interest rates rose when your deal ended, your household income fell or other costs increased. What would happen if one partner had to reduce their working hours or if you faced an unexpected period without employment?

Stress-testing your budget can help you gauge how much financial flexibility you have before making a purchase.

> If you already own a home, review whether your mortgage arrangements remain appropriate as your deal nears its end.



If you already own a home, review whether your mortgage arrangements remain appropriate as your deal nears its end. Compare available options carefully and consider how repayments align with pension contributions, savings and other financial responsibilities. Your home may be repossessed if you do not keep up repayments on your mortgage.

## Protecting your household against unexpected events

When other people depend on your income, financial planning becomes about more than your own ambitions. It also means considering how your household would cope if you could no longer provide the same level of financial support.

If you have a partner, children or other dependants, consider what would happen if you died or were unable to work for an extended period.

Life insurance can provide financial support to your beneficiaries after your death, subject to the policy terms. Depending on your circumstances, cover could help repay a mortgage, meet childcare costs or provide income for your family. Income protection insurance may replace some of your earnings if illness or injury prevents you from working, while critical illness cover may pay a lump sum following a qualifying diagnosis.

These products serve different purposes, so it is important to understand what each policy covers, its exclusions and the duration for which benefits may be paid.

Before arranging additional cover, check what your employer already provides. You may have access to death-in-service benefits, occupational sick pay or other workplace protection. Consider whether these benefits would be sufficient for your household and how they might change if you left your job.

It is also worth discussing how you and your partner would manage shared finances. Agreeing how mortgage payments, household expenses, childcare and savings goals will be funded can help prevent misunderstandings. If one person takes a career break or reduces their hours to care for children, consider the longer-term effects on their pension savings, earnings potential and financial independence.

Both partners should understand the household's financial arrangements, including outstanding debts, savings, insurance policies and pension entitlements. Keeping this information organised can make it easier to manage finances during illness, separation or bereavement.

## Saving for children without neglecting your own future

If you have children, you may want to start setting money aside for their education, university fees, driving lessons or a first home. Planning ahead can give you more opportunities to support them when they reach important milestones.

A regular savings account or a Junior Individual Savings Account (Junior ISA) may be appropriate, depending on your objectives and the level of access you wish to grant. A Junior ISA is a tax-efficient account for eligible children, and the funds belong to the child and are generally accessible to them at age 18.

Before committing substantial amounts, consider your financial priorities. Would your household be able to handle an unexpected expense? Are you carrying high-interest debt? Are you making affordable contributions to your retirement?

These questions matter because financial support for your children should not leave you unnecessarily vulnerable later in life. You may be able to help them more sustainably if you also safeguard your financial security.

You do not need to fund every future expense immediately. Small, regular contributions can accumulate over time and you can increase them as your circumstances allow.

## Protecting your family's future

Your 30s are also a sensible time to make a Will or review an existing one, particularly if you have married, entered into a civil partnership, had children or acquired significant assets.

A Will allows you to set out your wishes for the distribution of your estate and, where appropriate, to nominate guardians for your minor children. The legal effect of marriage, divorce and other changes in circumstances can vary depending on where you live and the applicable rules, so it is worth reviewing your arrangements after major life events.

Check your pension beneficiary nominations as well. Pension benefits may be administered separately from your estate, depending on the scheme rules and the arrangements in place.

You should also consider how you would want your finances managed if you became unable to make certain decisions yourself. The relevant legal arrangements differ across England and Wales, Scotland and Northern Ireland.

These conversations can feel uncomfortable, particularly when life is busy and everyone is well. Yet putting sensible arrangements in place can provide reassurance that the people you care about will be better supported if the unexpected happens.

Your priority: Balance immediate family commitments with homeownership, financial protection and continued progress towards your long-term goals. ■

# Strengthening financial security in your 40s

## Turning higher earnings into lasting financial resilience



By your 40s, you may have a more established career, greater earning power and a clearer sense of the lifestyle you want. You may also have accumulated savings, built up equity in your home and developed a clearer understanding of your financial strengths and weaknesses.

Yet this can be one of the most financially demanding periods of life. Mortgage repayments, children's education, family holidays and support for ageing parents may all compete with pension contributions and other long-term goals.

You may find yourself balancing the needs of two generations while trying to secure your own future. Even with a good income, it can be difficult to decide which priorities deserve your attention first.

This is a valuable moment to step back and assess the bigger picture. Rather than concentrating solely on individual products or monthly payments, look at how your finances fit together.

Review your income, expenditure, savings, borrowing, investments, property and pensions. Consider whether your emergency fund remains appropriate, whether your insurance still meets your needs and whether you are paying unnecessary fees for financial products.

If you have changed jobs several times, gather the latest statements for any workplace pensions you have left behind. The government's Pension Tracing Service can help you find contact details for pension schemes from previous employment, but you will need to contact the relevant providers to confirm the benefits available to you.

The objective is to replace uncertainty with a clearer understanding of where you stand and what needs to happen next.

### Making the most of your earning years

If your income has increased, consider how much of the extra income could support your longer-term ambitions. Directing part of a pay rise or bonus towards pension contributions, investments or debt repayment can help you make progress without dramatically changing your standard of living.

Review your workplace pension arrangements, including whether your employer offers additional contributions if you increase your own. Employer matching arrangements can make higher contributions particularly valuable, subject to the scheme's terms.

Pension contributions may also receive tax relief, depending on your circumstances and the applicable rules. Understanding how your contributions are treated can help you make informed decisions about how much to save and where to invest it.

However, pension contributions are only one part of a broader financial plan. You may need accessible funds for home improvements, education costs, supporting family members or a career change. An Individual Savings Account (ISA) can complement pension saving by providing tax-efficient access to funds when needed, subject to the account's terms and the applicable rules.

> Your 40s may be an appropriate time to review how your pension and other investments are managed.

Consider the different roles your savings can play. Pension funds are primarily intended to support retirement, while accessible savings and investments may help you meet earlier goals. The right balance will depend on your expected expenditure, tax position, retirement plans and need for flexibility.

### Managing debt and protecting your financial flexibility

Your 40s can also be a good time to reassess outstanding borrowing. If you have expensive credit card debt or other high-interest commitments, reducing them can free up funds for future savings and ease the financial pressure on your household.

You might also consider overpaying your mortgage, particularly if reducing the balance would make a meaningful difference to your future living costs. However, check for early repayment charges and consider whether using available funds in this way would leave you with insufficient accessible savings.

There is no universal rule that every mortgage should be repaid as quickly as possible. The decision depends on the interest rate, your wider financial circumstances, the terms of your mortgage and the alternatives available to you.

What matters is understanding the trade-offs before making a major commitment.

### Reviewing your investment strategy

Your 40s may be an appropriate time to review how your pension and other investments are managed. By now, you may have accumulated several financial assets, each with a distinct purpose and time horizon.

Investment decisions should reflect when you expect to need the money, how much risk you can afford to take and how comfortable you would be with a significant fall in markets.

You may still have many years before retirement, so moving everything into cash or very low-risk investments simply because you are getting older could limit your potential for growth. Equally, investing money you expect to need in the near future in highly volatile assets may expose you to unnecessary risk.

Diversification, which refers to how your money is spread between shares, bonds, cash and other assets, and an understanding of charges can help you make more informed decisions. It is also important to view your finances as a whole. Your pension, Individual Savings Account (ISA), property and cash savings may serve different purposes, but together they determine your overall financial position.

If you are unsure whether your investment arrangements remain suitable, a regulated financial adviser can help assess your circumstances and discuss suitable options.

### Preparing for competing family responsibilities

For some households, the 40s bring a particularly demanding mix of responsibilities. You may still be raising children while helping older relatives with their finances, housing or care needs.

These responsibilities can affect both your available income and your ability to save for the future. Before agreeing to provide substantial financial assistance, consider what you can realistically afford and whether the commitment could affect your retirement plans.

Open conversations with family members can help establish what support is needed, what other resources may be available and how responsibilities could be shared.

It is not selfish to protect your financial security. In fact, maintaining a sustainable plan can put you in a stronger position to help others in the long term.

**Your priority:** Use your earning years effectively, review your investments and borrowing, and ensure today's family responsibilities do not jeopardise your future financial security. ■



# Preparing for retirement in your 50s

## Turning retirement aspirations into a realistic financial plan



Your 50s can be a turning point. Retirement may be shifting from a distant plan to something you can now realistically plan for. Perhaps you have a particular age in mind, or you are beginning to imagine what life might look like without the structure of full-time employment.

You might want to travel, pursue hobbies, spend more time with family, move to a smaller property or continue working on a more flexible basis. You may also feel ready for a change after decades in the same career.

Whatever retirement means to you, the key question is whether your finances can sustain the lifestyle you envisage.

This is the time to move beyond simply asking how much you have saved and to consider what that money needs to provide. How much income will you need? When might you want to stop working? Will you have a mortgage or other significant commitments? What activities do you hope to enjoy, and how much might they cost?

The clearer your answers to these questions, the easier it becomes to identify any gaps and consider your options while you still have time to make changes.

### Understanding your retirement income

Begin by gathering information on your workplace and personal pensions, savings, investments and other expected sources of income.

Check your State Pension forecast on GOV.UK and review your National Insurance record to understand your likely entitlement. If there are gaps in your record, assess whether they affect your forecast and whether paying voluntary National Insurance contributions would improve your position. Do not assume that filling every gap will increase your pension; check your position before making a payment.

Next, estimate your retirement expenditure. Include essential costs such as housing, food, utilities, insurance and transport, as well as discretionary spending on travel, hobbies, eating out and other activities you wish to enjoy.

Remember to account for expenses that do not occur every month, including home repairs, car replacement, support for family members and larger holidays. Inflation is also important because the cost of everyday goods and services is likely to change over the years.

You may spend less on commuting or work-related expenses after retirement, but you could spend more on leisure activities or household energy if you are at home more often. Your spending may also change as retirement progresses.

A realistic budget should reflect the life you want to lead, not merely the minimum you think you could survive on.

### Checking whether your savings are sufficient

Pension statements and retirement calculators can help estimate the income your savings might generate. These projections depend on assumptions about investment returns, inflation, charges, contributions and retirement age, so they are not guarantees. Nevertheless, they can provide a useful starting point.



> If you have several pension pots, take time to understand the benefits, charges and investment arrangements of each.

If your projected income falls short of your expectations, you have several options.

You could increase pension contributions while you are still earning, delay retirement, work part-time for longer or adjust your anticipated spending. You might also review whether you have unused assets that could be put to better use, although any changes should take account of the financial and personal implications.

Even a modest change to your intended retirement date can affect how long you contribute to your pension and how long your savings need to provide an income.

If you have several pension pots, take time to understand the benefits, charges and investment arrangements of each. Consolidation can make pensions easier to manage, but transferring is not automatically beneficial. Older schemes may contain valuable guarantees, protected pension ages or other benefits that could be lost.

Defined-benefit pensions, which typically provide a retirement income based on scheme rules rather than the value of an investment pot, require particular care. If the transfer value of safeguarded benefits exceeds £30,000, you are legally required to take regulated advice before transferring, to seek appropriate professional financial advice, and to fully understand the consequences before proceeding.

### Understanding when and how you can access your pension

For most people, the minimum age to access private pensions is 55, rising to 57 from 6 April 2028, subject to applicable protections and exceptions. Your State Pension is separate and becomes payable from your State Pension age, which

depends on your date of birth and the rules in force. You can also delay taking your State Pension.

You do not necessarily have to stop working when you access a private pension. Depending on your scheme and circumstances, you may be able to continue earning while receiving pension benefits. However, the tax implications and the potential effect on future pension contributions require careful consideration.

Taking taxable income from a defined contribution pension can trigger the Money Purchase Annual Allowance, which restricts the amount that can subsequently be contributed to defined contribution pensions with tax relief.

Depending on the pension and the options available, you may be able to take a lump sum, opt for pension drawdown or purchase an annuity.

Drawdown lets you keep money invested while taking withdrawals, offering flexibility but exposing your remaining funds to investment risk and the risk of running out of money. An annuity can provide a guaranteed income under the selected terms, but it may offer less flexibility once purchased.

Eligible pension benefits can generally include a tax-free lump sum of up to 25%, subject to the applicable rules and allowances. This is not unlimited, and any taxable portion of a withdrawal is generally treated as income. Taking a large sum in one tax year could therefore result in an unexpectedly high tax bill.

Before accessing your pension, consider how each option fits within your wider retirement plan. Seek regulated professional financial advice to review your defined contribution pension options.

### Testing your retirement plans before you leave work

Retirement is not always a single event. You might stop working altogether, reduce your hours, move into consultancy or continue earning from a business. You may also find that your ideal retirement changes as you get closer to it.

Before leaving employment, review the financial implications of your proposed retirement date. Consider your final salary, any bonuses, workplace benefits, outstanding annual leave and the timing of pension access.

If you have a defined-benefit pension, understand how the scheme calculates your benefits and whether taking them before the normal pension age would reduce your income.

One practical exercise is to test your anticipated retirement budget while you are still working. Try living on the income you expect in retirement and save any surplus. This can reveal whether your estimates are realistic and help you identify spending adjustments before your income changes.

It can also be helpful to consider the non-financial aspects of retirement. How will you spend your time? Which activities will give your days structure and meaning? How might your social life change once you are no longer working?

Financial preparation is essential, but a fulfilling retirement also depends on having a clear idea of what you want your next chapter to be like.

### Planning for housing, care and the future

Your home may be one of your most significant assets, but it is also central to your lifestyle and independence.

If your property is larger than you need, downsizing could free up funds and reduce maintenance or running costs. However, moving



> Your 50s are a good time to review your Will, pension beneficiary nominations and arrangements for managing your affairs if you become unable to make certain decisions.

involves estate agent fees, legal expenses, removal costs and potentially higher property prices in another area. Consider access to family and friends, transport, healthcare and local services alongside the financial implications.

If you intend to remain in your home, consider whether it will continue to meet your needs as you age. Accessibility improvements, home adaptations and ongoing maintenance may require additional funds.

It is also sensible to understand the potential costs of care in later life. Some support may be available through local authorities or the NHS, depending on individual circumstances and eligibility, but not all care is publicly funded. Arrangements vary across England, Wales, Scotland and Northern Ireland.

Understanding the rules that apply where you live can help you make better-informed decisions before a change in health or mobility makes them urgent.

### Protecting your estate and loved ones

Your 50s are a good time to review your Will, pension beneficiary nominations and arrangements for managing your affairs if you become unable to make certain decisions.

In England and Wales, a Lasting Power of Attorney allows you to appoint someone you trust to make specified decisions on your behalf, depending on the type of arrangement. Scotland and Northern Ireland have different legal procedures.

Review your Will after major changes in family circumstances or finances, and ensure it reflects your current wishes. Pension benefits may be handled separately from other estate assets, so review your beneficiary nominations and understand the relevant scheme rules.

If you want to help children or grandchildren financially, consider how much you can afford to give without jeopardising your long-term security. Gifts may have tax implications depending on their size, timing and circumstances. Professional financial advice may be particularly valuable when property, pensions, investments or business interests are involved.

**Your priority:** Set a realistic retirement income target, identify potential shortfalls, understand your pension options and prepare for the practical and personal changes that retirement may bring. ■

If you want to help children or grandchildren financially, consider how much you can afford to give without jeopardising your long-term security.



# Making the most of your finances in your 60s

## Creating a sustainable income while enjoying your freedom



For many people, their 60s mark the transition from earning a regular salary to drawing on the financial resources accumulated over a lifetime. For others, retirement may still be several years away, or they may prefer to continue working, reduce their hours or pursue a different career.

This decade can bring a welcome sense of freedom, but it also shifts the questions you need to ask about money. Instead of concentrating mainly on how much you can save, you may need to decide how to use your assets to support the life you want without depleting your resources too soon.

How much can you comfortably spend each year? Which sources of income are guaranteed, and which depend on investment performance? How much flexibility do you have if living costs rise or your circumstances change?

These questions deserve careful consideration, but they need not prevent you from enjoying retirement. The purpose of financial planning is to help you use your money with greater confidence, rather than to live in constant uncertainty about the future.

### Bringing your retirement income together

Start by determining how much income you can expect from the State Pension, workplace and personal pensions, annuities, and savings and investments.

Check your State Pension forecast and entitlement on GOV.UK if you have not already. The State Pension can provide an important foundation, but you may need to supplement it with other income to maintain your preferred standard of living.

If you have not yet accessed your private pension savings, consider when and how to do so. Your decision should reflect your anticipated expenditure, other available assets, your tax position and the need to ensure your money lasts.

A useful first step is to distinguish between essential and discretionary spending.

Essential costs may include housing, food, utilities, insurance and transport. Discretionary spending might cover holidays, hobbies, entertainment and other experiences you would like to enjoy. Separating the two can help you understand which costs must be covered consistently and where you might have flexibility if circumstances change.

Do not forget irregular expenses, such as replacing a car, carrying out home repairs or helping family members. A budget based solely on routine monthly bills may underestimate your actual needs.

### Choosing how to draw on your pension

If you use pension drawdown, the amount you withdraw and the timing of those withdrawals can significantly affect how long your money lasts.

Taking large amounts early in retirement may leave fewer funds available later, particularly if investment markets perform poorly in those early years. At the same time,

It is important to understand how much investment risk you can afford to take, especially if you rely on your portfolio to cover essential bills.

withdrawing too little out of fear of running out of money could prevent you from enjoying the experiences that matter to you.

The challenge is to strike a balance between enjoying the present and securing the future.

Keeping an appropriate amount in accessible cash savings can help cover short-term spending without requiring you to sell investments at an unfavourable time. However, holding too much cash over the long term can erode your savings' purchasing power if inflation outpaces the interest you earn.

An annuity may be worth considering if you want a guaranteed income for life or for a set period, depending on the product. The amount offered depends on factors such as your age, pension fund size, prevailing rates and the options you choose.

Some annuities can provide income for a spouse or partner after your death or increase over time to help offset inflation. These features affect the amount of income initially payable, so compare the available options carefully. Purchasing an annuity is generally difficult or impossible to reverse.

You do not necessarily need to choose a single approach for all your retirement savings. Depending on your circumstances, a combination of guaranteed income, drawdown and accessible savings may offer a useful balance of security and flexibility.

### Reviewing your investments and tax position

Retirement does not automatically mean that all your investments should move into lower-risk assets. Your savings may need to support you for 25 or 30 years, or even longer, so some exposure to growth-oriented investments may still be appropriate.

At the same time, it is important to understand how much investment risk you can afford to take, especially if you rely on your portfolio to cover essential bills.

Review the diversification, charges and overall balance of your investments. Consider whether your portfolio still aligns with your income needs and how comfortable you would be with potential declines in value. Avoid making substantial changes solely in response to short-term market movements.

Tax planning is also particularly relevant when your income comes from several sources. The State Pension is generally taxable, although tax is not usually deducted directly from the payment. Taxable private pension withdrawals may also form part of your taxable income, whereas eligible Individual Savings Account (ISA) withdrawals are generally free from UK Income Tax and Capital Gains Tax.



The timing and order of withdrawals can therefore affect how much tax you pay. Before taking a substantial lump sum, consider whether it could push you into a higher tax band or create an unexpected tax liability.

If you are still working and contributing to a pension, think carefully before taking taxable income from a defined contribution pension, as this can trigger the Money Purchase Annual Allowance. Understanding this before accessing your savings can help you avoid unnecessarily limiting future pension contributions.

### Protecting your independence and future choices

Your 60s are also an opportunity to consider how you want to live as you get older. You may wish to remain in your current home, move closer to family or downsize to a property that is easier to maintain.

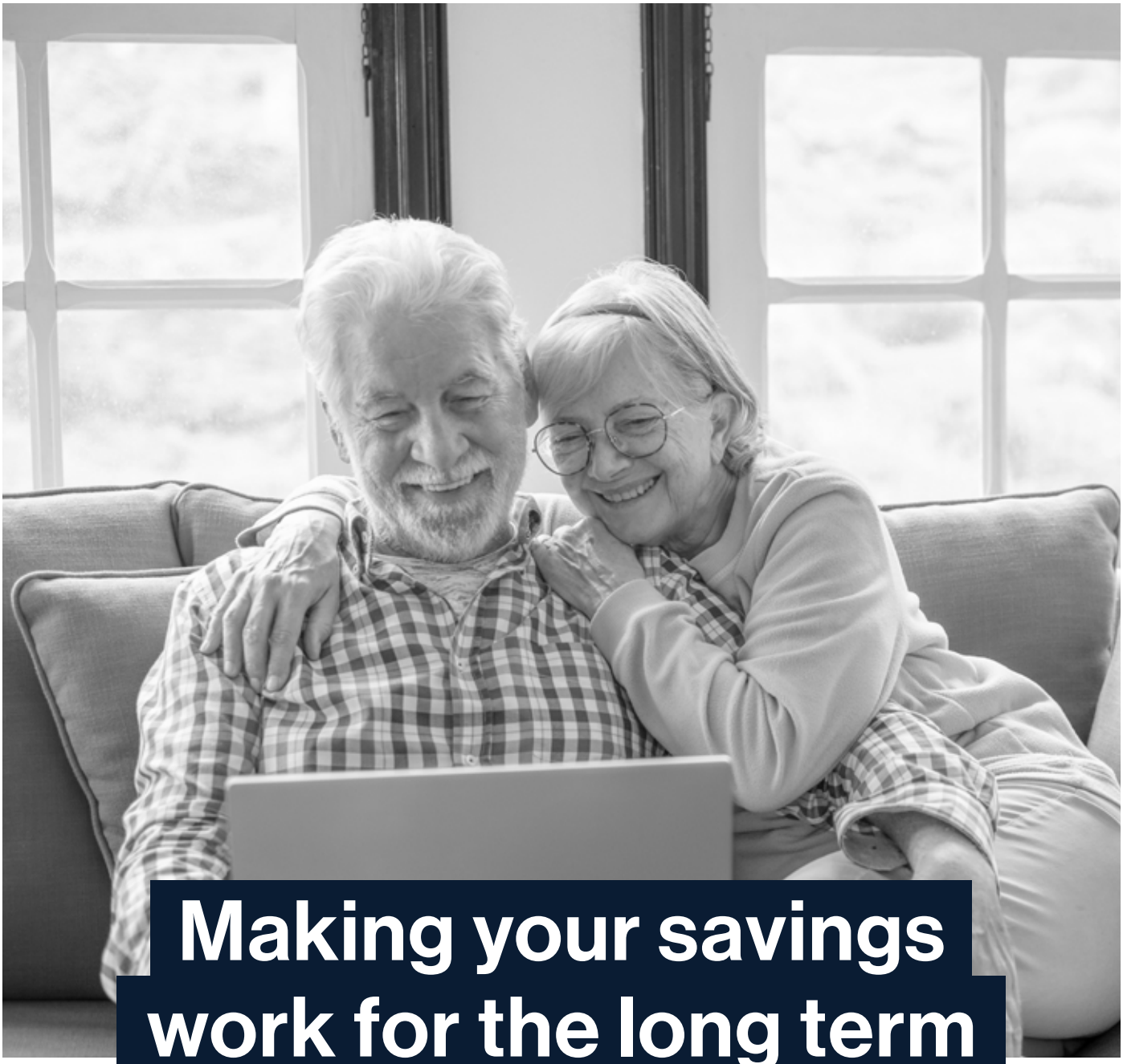
Each option has financial implications, including moving costs, housing expenses, transport and access to local services. Consider both your immediate preferences and whether your home will continue to meet your needs in the years ahead.

Review your insurance arrangements as well. Some policies may no longer be necessary, while others may remain important. Before considering cancelling life insurance, health cover or income protection, check the terms carefully, especially if replacing cover later would be difficult or expensive.

It is also worth reviewing your Will, pension beneficiary nominations and arrangements for managing your affairs if you lose the capacity to make relevant decisions.

Finally, check whether you are entitled to additional financial support. Depending on your circumstances and whether you have reached State Pension age, benefits such as Pension Credit or help with housing and council tax costs may be available. Eligibility rules vary, so consult official guidance or a recognised benefits advice service.

**Your priority:** Create a dependable retirement income, make informed decisions about withdrawals and preserve enough flexibility to enjoy life while preparing for future needs. ■



# Making your savings work for the long term in your 70s and beyond

Preserving independence and ensuring your money supports you and your lifestyle

> A clear spending plan can make it easier to accommodate the things you value while ensuring essential costs and longer-term needs are met.

By your 70s and beyond, your financial priorities may increasingly centre on maintaining a comfortable lifestyle, preserving independence and ensuring your money supports you for as long as you need it.

For some people, retirement income is relatively predictable, as the State Pension and an annuity cover much of their expenditure. Others may continue to rely on investment income, pension drawdown and savings. You may also have new priorities, such as helping family members, travelling while you feel able or making your home more comfortable.

There is no single way to manage money at this stage of life. What matters is understanding your financial position and making decisions that reflect your needs, preferences and resources.

A financial plan that worked well in your 60s may need to change as your spending patterns, health, family circumstances or personal ambitions evolve.

### Keeping your income and spending in balance

Review your income and expenditure at least annually, and whenever your circumstances change significantly. Check whether your regular income covers essential costs and whether you have sufficient accessible savings for emergencies and planned expenses.

If you rely on investments to supplement your pension, review your withdrawal strategy and assess its sustainability. You may need to adjust the amount you withdraw from your portfolio if investment values fall, living costs rise or your income needs change.

It is important to distinguish between maintaining a comfortable lifestyle today and preserving the financial resources you may need in the future. However, financial security should not mean denying yourself every experience you enjoy.

What activities matter most to you? Would you like to travel, spend more time with family, pursue a hobby or support a cause you care about? Understanding these priorities can help you decide where your money will make the greatest difference to your quality of life.

A clear spending plan can make it easier to accommodate the things you value while ensuring essential costs and longer-term needs are met.

### Preparing for changing health and care needs

As you get older, healthcare, mobility and support needs may become more important considerations. Not everyone will need additional care, but planning for this possibility can give you greater choice if circumstances change.

You might eventually need help with household tasks, transport to appointments, home adaptations or more substantial personal care. Thinking about these possibilities early can help you understand the options available and avoid making important decisions under pressure.



Start by considering whether your current home remains practical and affordable. Simple adaptations, such as improved lighting, handrails or accessible bathroom facilities, may help you remain independent. Larger changes may require significant expenditure, so investigate whether financial assistance or support services are available.

If you need social care, funding arrangements will depend on where you live, your individual needs and the applicable rules. In England, local authorities can assess your care needs and financial circumstances to determine whether support for eligible care costs is available. NHS Continuing Healthcare may fund certain care needs if you meet the eligibility criteria.

Scotland, Wales and Northern Ireland have different arrangements, so check the rules that apply to your area.

You may also want to discuss your preferences with family members or trusted people before an urgent decision is needed. Would you prefer to remain at home with support, move to sheltered accommodation or consider residential care if your needs change?

These conversations can be difficult, but they can help others understand your wishes and give you greater confidence that your preferences will be taken into account.

> A clear spending plan can make it easier to accommodate the things you value while ensuring essential costs and longer-term needs are met.

### Protecting the long-term value of your savings

Inflation remains relevant throughout retirement. Even if your income remains the same in cash terms, rising prices can gradually erode your purchasing power.

Keeping sufficient accessible cash for regular expenditure and emergencies can provide reassurance. Money you expect to need soon may be better held in accessible savings, while funds intended for longer-term needs may be better suited to a different purpose.

If you still hold investments, avoid assuming that age alone determines the right strategy. You may need your money to support you for another 15, 20 or even 30 years. Moving everything into cash may reduce short-term volatility, but it could also leave your savings more vulnerable to inflation.

Conversely, taking excessive investment risk could expose funds needed for essential expenses to substantial losses.

Consider your overall financial position, including the income you receive from guaranteed sources, the amount you withdraw from investments and your ability to cope with unexpected expenses. If you are unsure how to balance these needs, a regulated financial adviser can help you assess your options.

Review pension withdrawals regularly rather than treating your original plan as permanent. If your essential costs rise or your investments decline, you may need to temporarily reduce discretionary spending to preserve your remaining funds.

If your guaranteed income comfortably covers your basic expenses, you may have greater flexibility in managing other assets. Nevertheless, it is important to consider future living costs and potential care needs before making substantial spending or investment decisions.



## Simplifying your finances and protecting against fraud

Managing money can become more complicated if you have several bank accounts, pensions, investments and insurance policies. Simplifying your arrangements where appropriate can make it easier to track income, pay bills and understand your overall financial position.

However, do not transfer pensions, close accounts or surrender financial products without checking whether you could lose valuable benefits, guarantees or protections.

Keep a clear record of your financial arrangements, including pension providers, insurance policies, regular payments and key legal documents. Store sensitive information securely, and ensure a trusted person knows how to locate essential paperwork if they need to help manage your affairs.

Financial fraud is another risk that should be taken seriously. Fraudsters may impersonate banks, government organisations, pension providers or legitimate investment firms. They may use urgent messages, convincing explanations or promises of unusually high returns to pressure you into acting quickly.



Be cautious of unexpected calls, emails, messages or offers involving investments, pension transfers or requests to move money. Never rely solely on contact details provided in an unexpected communication. Instead, contact the organisation using independently verified contact details.

If you are unsure about an offer, pause before deciding. Seek regulated professional financial advice. A legitimate opportunity should withstand careful scrutiny, and you should never feel pressured to transfer money immediately.

You may also wish to arrange an appropriate Power of Attorney while you are able to make and communicate your decisions. In England and Wales, a Lasting Power of Attorney can authorise someone you trust to make specified decisions on your behalf. Scotland and Northern Ireland have different legal arrangements.

Choose your representative carefully, understand the responsibilities and ensure the arrangement reflects your wishes.

## Planning how you want to pass on your assets

For many people, later life is a time to reflect on the legacy they hope to leave. You may want to help children or grandchildren with significant expenses, make charitable donations, or ensure that specific possessions or assets pass to particular people.

These decisions can be deeply personal. You may find satisfaction in helping loved ones while you are alive, seeing the difference your support makes, rather than simply leaving money behind.

Before making substantial gifts, however, consider whether you can comfortably afford to give the money away. Once a gift has been made, you may not be able to recover it if your circumstances change or you need additional care.

Gifts can also have Inheritance Tax implications, depending on their value, timing, purpose and the applicable exemptions. The rules can be complex, so consider professional advice if you intend to make significant transfers of wealth.

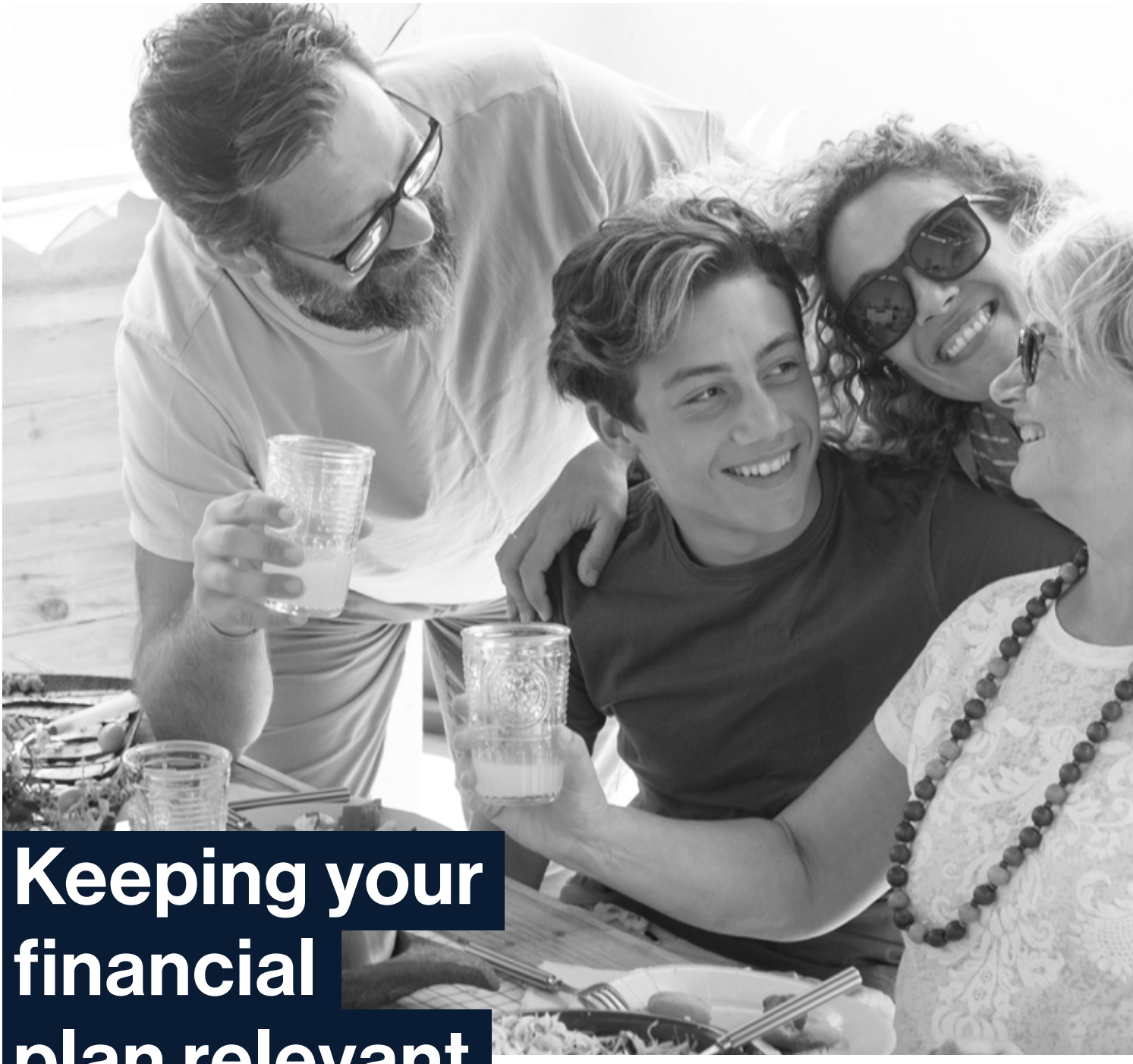
Review your Will after major changes in family circumstances or finances. Check that it reflects your wishes and that the people you have appointed to administer your estate understand their responsibilities. Keep pension beneficiary nominations up to date as well, since pension benefits may be handled separately from other assets.

Most importantly, do not allow inheritance planning to come at the expense of your wellbeing. Your savings are there to support your life as well as any legacy you hope to leave. Maintaining sufficient financial flexibility for living expenses, emergencies and potential care needs should remain central to your plan.

Ultimately, financial planning in your 70s and beyond is about preserving choice, independence and peace of mind. Regular reviews, clear records and open conversations with trusted people can help you stay in control of your finances and make decisions that reflect what matters most to you.

**Your priorities:** Maintain a sustainable income, prepare for changing needs, protect your finances and make thoughtful decisions about the legacy you wish to leave. ■

> Ultimately, financial planning in your 70s and beyond is about preserving choice, independence and peace of mind.



# Keeping your financial plan relevant at every age

Support your choices, protect loved ones and build confidence in the future



Although your financial priorities change over time, one principle remains constant: your financial plan should evolve with you.

A new job, a pay rise, marriage, divorce, the birth of a child, an inheritance, a period of illness or a change in housing can all affect your financial position. Retirement, bereavement and changes in family responsibilities may also require equally significant adjustments.

Some changes will be planned and welcome. Others may arrive unexpectedly, leaving you to make decisions when your attention is already stretched.

Regular financial reviews can help you prepare for foreseeable changes and respond more confidently when life takes an unexpected turn.

Set aside time at least once a year to review your budget, savings, debts, pension contributions, investments and protection arrangements. Consider whether your emergency fund remains appropriate, whether your financial products still meet your needs and whether you are making progress towards your long-term goals.

Check that your insurance arrangements reflect your current responsibilities and that your Will and beneficiary nominations are up to date. If retirement is approaching, review your likely income and expenditure. If you are already retired, assess whether your withdrawals remain sustainable and whether your savings can meet your future needs.

It is also important to stay aware of changes to tax rules, pension regulations and State Pension arrangements, as these may affect your decisions. When making a significant financial commitment, check the current rules rather than relying on outdated information.

## Recognising that financial progress is not always linear

It is easy to imagine financial planning as a steady upward journey: earning more, saving more and gradually building towards a comfortable retirement. In reality, life is rarely so straightforward.

You may need to reduce pension contributions during a difficult period, draw on savings to cover an unexpected expense or delay a major goal because your circumstances have changed. You may face redundancy, illness, relationship changes or responsibilities that affect your ability to save.

These setbacks do not necessarily mean your financial plan has failed. Sometimes the most sensible decision is to protect your immediate wellbeing, address the issue at hand and return to your longer-term goals when circumstances allow.

The important thing is to understand the choices available to you and to avoid feeling that one difficult period has undone all you have achieved.

Financial confidence develops through informed decisions, consistent habits and a willingness to adapt. You do not need to get every decision right first time. You need a plan that can respond to the realities of your life.

## Taking practical steps towards greater financial confidence

Whatever stage of life you are at, begin by understanding your current position and identifying the areas that need attention.

If you are in your 20s, that might mean establishing an emergency fund, managing debt or reviewing your workplace pension. In your 30s and 40s, it could involve protecting your family, reviewing your investments or balancing mortgage repayments with retirement savings.

If retirement is approaching, you may need to estimate your future income, review your State Pension forecast and compare your options for accessing your pension savings. If you are already retired, you may want to review your spending, consider future care needs or simplify your financial arrangements.

You do not need to tackle everything at once. Choose one practical step and build on it.

You could review a pension statement, set up a regular savings payment, check your insurance cover or arrange a conversation about your retirement plans. Small, consistent actions can help turn a broad ambition into something more manageable.

If your circumstances are complex or you are making a significant decision about pensions, investments, inheritance or retirement income, seek regulated professional financial advice.

## Take the next step towards financial confidence

Financial planning is ultimately about more than numbers. It is about creating a life in which money supports your choices, helps protect the people you care about and gives you greater confidence in the future.

What would make the biggest difference to your financial wellbeing right now? Would it be having a little more money set aside for emergencies, knowing your family would be protected, feeling confident about retirement or simply having a clearer understanding of where you stand?

Whatever your answer, you do not need to have every detail worked out today. The most important thing is to start. ■

# How can cashflow modelling support your financial plan?

## Bringing the bigger picture into focus by making more informed decisions



Your financial priorities will change throughout your life. You may be establishing your career, saving for a home, raising a family, building wealth or preparing for retirement. At each stage, you will need to decide how to use your money today while ensuring you have enough to support your needs and ambitions in the years ahead.

But how can you tell whether your plans are financially feasible? Could you afford to reduce your working hours, support your children financially, make a significant purchase or retire earlier than planned? How might these decisions affect your long-term financial security?

Understanding the value of your savings, pensions, investments and other assets is an important starting point. However, knowing what you have today is only part of the picture. You also need to consider how your finances could evolve as your income, expenditure, circumstances and priorities change.

Cashflow modelling can help bring this bigger picture into focus. By projecting how your money could move in and out of your finances over time, it can help you explore different scenarios, understand potential risks and make more informed decisions. Used alongside a comprehensive financial plan and professional advice, it provides a

> As your wealth grows, you might use cashflow modelling to assess whether you can increase your pension contributions, support family members, or make a significant purchase without compromising other objectives.



practical way to align your wealth with the life you want to lead.

### See the bigger picture

Your financial life comprises many interconnected elements. Your salary, household expenditure, savings, pensions, investments, property and other assets all contribute to your overall financial position. Changes in one area can affect the others, sometimes in ways that are difficult to anticipate.

Cashflow modelling brings these elements together to illustrate how your financial position could change over time. It uses information about your current circumstances, together with assumptions about future income, spending, investment returns, inflation and other factors, to project how your finances might develop.

This can help you look beyond your immediate financial position and consider the longer-term implications of your decisions. Are you saving enough to support your future goals? Could your wealth sustain your preferred lifestyle throughout retirement? Would a major financial commitment leave you with sufficient resources to meet other needs?

Rather than considering each decision in isolation, cashflow modelling helps you understand how different parts of your financial plan may interact. It can highlight potential shortfalls, identify opportunities and reveal where changes today could make a difference in the future.

The projections are not guarantees, and actual outcomes will depend on circumstances and economic conditions. However, they can provide a valuable framework for exploring your options and making decisions with greater clarity.

### Plan for every stage of life

Cashflow modelling is not just for those approaching retirement or with substantial wealth. It can support financial planning at different stages of life, helping you understand how your priorities may change and how to prepare.

Early in your career, for example, it could help you assess how much you might need to save for a property deposit while continuing to contribute to your pension. As your responsibilities grow, it could help you weigh the financial implications of buying a home, raising a family, changing careers or taking time off work.

Later, as your wealth grows, you might use cashflow modelling to assess whether you can increase your pension contributions, support family members or make a significant purchase without compromising other objectives.

As retirement approaches, the focus may shift to assessing whether your accumulated savings and expected income can support your desired lifestyle. You could compare different retirement dates, estimate how much income you might need to draw from your investments or assess the potential impact of outliving your expectations.

Even after retirement, cashflow modelling can remain useful. Your spending patterns may change, investment returns may differ from expectations or you may face unexpected expenses. Revisiting your projections can help you assess whether your financial arrangements remain appropriate and identify where adjustments may be needed.

At every stage, the purpose remains the same: to understand how today's financial decisions could affect your future choices.

### Explore your options before making important decisions

Life rarely follows a perfectly predictable path. A new job, a growing family, an inheritance, a business sale or a change in health can all shift your financial priorities. Some changes will be planned, while others may arrive unexpectedly.

When a significant decision is on the horizon, it can be difficult to assess how it might affect your overall financial position. Cashflow modelling enables you to explore different scenarios and compare potential outcomes before committing to a particular course of action.

For example, you could consider whether retiring earlier would be affordable, how a period of reduced earnings might affect your long-term plans or whether buying a second property would leave enough resources for other goals.

You could also consider how your finances might respond to less favourable circumstances. What if investment returns were lower than expected? What if inflation remained elevated, household expenditure increased or you needed to fund additional care later in life?

By examining a range of possible outcomes, you can begin to understand which decisions may be more resilient to change and where you might need greater flexibility.

No financial model can predict the future with certainty. Its value lies in helping you ask the right questions, challenge assumptions and consider your options before making an important decision.

### Balance today's ambitions with tomorrow's security

A good financial plan is not simply about accumulating wealth. It is about making your money work towards the things that matter most to you, now and in the future.

You may want to enjoy more travel, spend time with family, support your children or pursue a personal ambition. At the same time, you need to consider future living costs, retirement income and the possibility of unexpected expenses.

These priorities can sometimes conflict. Giving money to your children today may reduce the assets available to you later. Retiring early may offer more time to enjoy life, but it could also mean fewer years of pension contributions and a longer period during which your savings need to provide an income.

Cashflow modelling can help you explore these trade-offs. By comparing different approaches, you can assess how much flexibility you may have and whether there are ways to balance immediate ambitions with longer-term security.

For example, you might compare making a substantial financial gift now with making smaller contributions over several years. Alternatively, you could assess whether working an extra year would significantly improve your retirement outlook, or whether reducing expenditure in certain areas could help you achieve an important goal sooner.

The answers will depend on your circumstances, but understanding the potential consequences can help you make decisions that reflect your priorities rather than being swayed by uncertainty.

Ultimately, financial planning should give you the confidence to enjoy the wealth you have built while remaining mindful of the needs and opportunities ahead.

### Adapt your financial plan as life changes

A financial plan should never be treated as a fixed set of instructions. Your circumstances, ambitions and priorities will evolve, so your financial arrangements need to adapt accordingly.

Cashflow modelling can help you regularly review your position and



> Obtaining professional financial advice will help ensure that the projections are based on appropriate assumptions and are interpreted in the context of your wider financial circumstances.



assess whether you remain on course to achieve your objectives. By updating your projections as your circumstances change, you can explore how new information may affect your future plans and identify where adjustments could be beneficial.

This might involve increasing pension contributions after a pay rise, revisiting your retirement date following a change in family circumstances or reviewing your spending if investment performance has been weaker than expected.

It can also help you assess the potential effects of changes in tax rules, interest rates, inflation or other economic conditions, provided these are appropriately captured in the assumptions used.

The most effective approach is to treat cashflow modelling as an ongoing part of your financial planning rather than a one-off exercise. Regular reviews allow you to revisit your assumptions, challenge your expectations and respond to changes while you still have options.

Obtaining professional financial advice will help ensure that the projections are based on appropriate assumptions and are interpreted in the context of your wider financial circumstances. This is important because the figures alone do not determine what you should do. Your personal goals, attitude to risk, family responsibilities and preferences all matter.

## Turn greater clarity into confident decisions

Financial planning is ultimately about helping you make informed choices about your future. Cashflow modelling can support that process by illustrating how your finances might develop, highlighting potential challenges and enabling you to compare different options.

Whether you are building your savings, managing family commitments, preparing for retirement or reviewing your financial position later in life, it can provide a clearer perspective on what may be achievable and on the steps that could help you get there.

You do not need to have every aspect of your future mapped out. What matters is understanding where you stand today, recognising what you want to achieve and having a practical framework to guide your decisions as circumstances change. ■

# Understanding pension freedoms

## Shape your retirement income while safeguarding your long-term financial security

Pension freedoms are UK rules introduced on 6 April 2015, giving people greater flexibility over how and when they access their defined contribution pension savings. Rather than being required to use their pension pot in a particular way to provide retirement income, eligible individuals can choose from several options, depending on their pension scheme and circumstances.

The changes give you more control over how you use your pension to support the retirement you want. You might take a tax-free lump sum, withdraw money as and when you need it, arrange a regular income or purchase an annuity that provides a guaranteed income.

However, greater freedom also entails greater responsibility. You need to consider how much money you will need throughout retirement, how withdrawals will be taxed and whether your savings will last as long as you need them to.

### What options do pension freedoms give you?

For most people, pension freedoms apply to defined contribution pensions, where contributions are invested to build a pension pot. The value available at retirement depends on contributions, investment performance and charges.

**The main options are:**

- Take up to 25% as a tax-free lump sum. You can usually take some of your eligible pension as tax-free cash, subject to the rules, any protected tax-free cash and your available Lump Sum Allowance (normally £268,275), as well as subject to potential protected tax-free cash and individuals' Lump Sum Allowances. You can then leave the remainder invested or choose another retirement income option.
- Take flexible withdrawals. With flexi-access drawdown, you can keep your pension invested and withdraw funds when you need them, either as regular income or occasional lump sums. The money remaining invested can rise or fall in value.
- Take several lump sums. You can also withdraw smaller amounts over time. Under the usual rules for eligible defined contribution pensions, 25% of each withdrawal may be tax-free, with



the remainder taxable, subject to your available allowances.

- Buy an annuity. You can use some or all of your pension to buy an insurance product that provides a guaranteed income, potentially for the rest of your life. The income and available options depend on the annuity you choose.

- Take the entire pension pot as cash. This may be possible with a defined contribution pension, but the taxable portion could result in a substantial Income Tax bill. You would also need to consider how to manage the funds to support your future needs.

You can often combine these options, using different approaches for different pension pots or at different stages of retirement. Your provider may not offer all options directly.

## When can you access your pension?

For most people, the minimum pension age is currently 55, rising to 57 from 6 April 2028, subject to protected pension ages and certain exceptions. This is separate from your State Pension age.

Pension freedoms do not require you to retire when you access your pension. You may be able to take money while continuing to work, or leave your pension invested until you need it.

## How is pension money taxed?

One of the most important considerations is that pension freedoms do not make all pension withdrawals tax-free.

- You can usually take up to 25% of your eligible pension benefits as tax-free cash, subject to the rules, any potential tax-free cash protection, and your available lump sum allowance.

- Most taxable pension withdrawals count towards your taxable income for the relevant tax year.

- Taking a large withdrawal in a single year could push some of your income into a higher tax band.

- Taking taxable money from a defined contribution pension can trigger the Money Purchase Annual Allowance, which restricts the amount you can subsequently contribute to defined contribution pensions with tax relief.

- Pensions and withdrawals may also affect your entitlement to means-tested benefits, depending on how the funds are withdrawn and held.

For most people, the standard lump-sum allowance is £268,275 across their pensions, though protections and individual circumstances can affect the amount available. It is desirable to seek professional financial advice to review your position before making a withdrawal.

## How can cashflow modelling help?

Cashflow modelling can help you understand how different pension choices might affect your wider financial plan. For example, you could compare taking a lump sum now with leaving your pension invested, or explore how different withdrawal rates might affect your future income.

By considering your pensions alongside your State Pension, other savings, investments, property and expected expenditure, you can assess whether your preferred approach is likely to sustain your lifestyle over time.

The projections are not guarantees, but they can help you identify potential shortfalls, understand the trade-offs and make more informed decisions.

The key takeaway: Pension freedoms give you greater control over your retirement savings, but the choices you make can have lasting consequences. Understanding your options and how they fit into your overall financial plan can help you use your pension to support the retirement you want, both now and in the years ahead.

**Take control of your financial future. Get in touch today to explore your options and discover how tailored financial advice can help you build wealth, plan for retirement and protect the people and legacy that matter most to you. ■**



# Ready to take the next step towards your financial future?

Whatever stage of life you are at, having a clear financial plan can help you make informed decisions, prepare for the unexpected and feel more confident about the future.

**Get in touch today to discuss your financial goals and learn how a personalised approach to financial planning can help you make the most of your money at every stage of life.**

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