PLAN FOR RETIREMENT

Investigating all the options is key

By **Eve Carter**
Director, Harrison Drury

Like most things in life, good planning and making sure you've investigated all the options is key to successfully retiring.

From a legal perspective, much of what I say to people applies equally to owners, managers and staff.

In particular, I work closely alongside our commercial department to provide a rounded service to business owners who want peace of mind that all their personal affairs are in order.

Doing this work well in advance, makes it possible for business owners to get on with planning for and enjoying their retirement.

The advice covers the following five areas:

1. **Wills –** Make a will to ensure your estate benefits the people important to you, rather than risking uncertainty and possible litigation over your estate after your death. Dealing with this in advance also allows you to consider tax planning to protect your assets.

2. **Lasting Power of Attorney –** Have LPAs in place for your property and affairs and your health and welfare to allow attorneys of your choice to assist if you lose mental capacity. Failure to do so will leave you open to the more expensive Court of Protection application to appoint a deputy.

3. **Business LPAs / Company Articles review –** If you have not thought about what effect losing mental capacity would have on your business, it needs to be addressed. Would the company survive the loss? Making a business LPA to provide for this eventuality, or amending the company structure, could ensure this is not an issue.

   Larger companies are likely to provide for termination of an incapacitated director in the articles of association, but smaller private companies would need someone to continue running the company and a business LPA would be appropriate. Similarly, business LPAs would be appropriate for sole traders and partnerships.

4. **Take professional financial advice** - You need to understand the implications of the new pension legislation before you decide when to take your pension and get advice on planning for your future care. Care funding is an area that's particularly overlooked.

5. **Succession planning – I**t sounds like an incredibly long time, but a plan to leave your business should be considered from 15 years prior to retirement. Ideally, this would be in the form of a written plan containing key goals, contingency plans and a phased timetable for your exit.

Dealing effectively with the above will make the lives of those around you easier and help avoid a future crisis.

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Mortgages in or approaching retirement

By **Steven Robinson**
Head of lending, Marsden Building Society

There are many reasons behind the growing demand for mortgages from customers over the age of 55.

Difficulty remortgaging: Some customers find their existing lender won't extend their interest-only mortgage when it comes to the end of its term.

Planning to downsize: With plans to downsize in the future, some individuals may face barriers to continuing their mortgage into retirement.

The Bank of Mum and Dad: Increasingly, one of the most popular lenders when it comes to supporting family is customers over the age of 55. Whether mum, dad or grandparent, they want to release money from their own home to help a loved one buy their first home, fund university or purchase a first car.

Home improvements: Money can be released from a mortgage to invest in existing property.

Planning for the present: With many years paying off their mortgage and having plans to downsize in the future, some customers are opting to release the funds now to finally take that 'holiday of a lifetime' with plans in the future to downsize and pay off their mortgage.

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Our quick eligibility guide

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Minimum income per application is £17.5k
(this can be taken from your pension or earned income)

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Tax-efficient inheritance through pension funds

By **David Heaton**, Chartered financial planner, Chancellor Financial Management

With UK interest rates at historically low levels, many business owners who have drawn benefits from their pension arrangements in recent times have opted for what is known as Flexi Access Drawdown (FAD) as opposed to choosing a Fixed Lifetime Annuity.

Whilst FAD should not be undertaken lightly, due to factors such as the ongoing costs and the investment risks, often the tax efficiency of the pension fund in the event of their death is a major factor in someone choosing this route.

The so-called 'Pension Freedoms' introduced to the legislation with effect from 2015 further increased the attraction of Flexi Access Drawdown.

For example, where a pension scheme member is aged below 75 at the date of death their beneficiaries (who no longer need to be a family member or a financial dependent) should be tax-free whether it is drawn as a lump sum or as an income.

If someone dies after age 75 the beneficiaries will pay tax on whatever they receive at their highest marginal rate, currently a maximum of 45 per cent. Furthermore, under current legislation any pension death benefits will generally not be liable to Inheritance Tax which in some cases can substantially increase the amount that can be passed on tax-free in the event of death.

These days, pension funds can be an effective and efficient way of passing money down the generations.

As everybody's circumstances are different, it is important to take regulated financial advice before taking action as there are pitfalls which catch the unwary.

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*The value of investments can fall as well as rise, you may not get back what you invest.

Regular reviews keep your pension on track

By **Marcus Pilkington**
Chartered financial planner, Pareto Financial Planning

How your future looks will ultimately be determined by having the right vehicle in place for your retirement. As you approach retirement and start thinking about when and how to take your money, it's a good idea to check what pensions you have and what they might give you.

The rules around pensions are continuously changing, which means it's essential to receive regular professional advice on how to build up and invest your pension effectively.

Pension contributions are tax efficient for both employees and companies. Employees receive tax relief on their contributions, while owner-directors can deduct pension contributions as a business expense, reducing company profits and saving corporation tax.

For owner-managed businesses, pensions also offer the potential to purchase commercial property via a SIPP or SSAS, to further increase tax efficiency as there is no capital gains tax on growth in value of the property and rental income is tax free and doesn't count towards the annual allowance.

Whether building a retirement strategy with you from the start, or reviewing your existing arrangements, Pareto Financial Planning can provide professional advice to help guide you through the process to defining your retirement goals and recommending a tailored strategy to meet your individual needs that will be flexible enough to adapt as your life changes.

This includes working with your professional advisers to put a plan in place to achieve long-term goals that include exit and/or succession planning.

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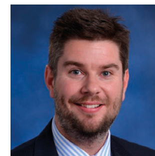

The mutual benefits of employee pension provision

By **Kevin McKenna**
Independent financial adviser, Cheetham Jackson

A recent survey by the Prudential identified that 24 per cent of those due to retire in 2018 cannot afford to retire, a further 25 per cent will have to supplement their retirement income by continuing to work.

Retirement saving is even more important than ever for everyone.

Many of my clients are not clear on the advantages and benefits of providing a pension or making pension contributions on behalf of staff, some do not see the connection to the real value of a pension as an employee benefit, or financial advantages to the business.

When recruiting, a company pension is becoming even more important as a recruitment and retention tool.

An employer contribution is a payment made by an employer into an employee's pension, often matched by the employee, it represents an immediate benefit to the employee. The money is then invested for future growth. The employer contribution could be in the form of salary sacrificed by the employee or come directly from the company.

What are the benefits?

Business owners and company directors: Contributions to an employee's pension can be offset against corporation tax.

Employers: Unlike salary, pension contributions are exempt from National Insurance of 13.8 per cent.

Employees: Subject to the employer's approval employees can save tax and National Insurance by sacrificing part of their salary with a pension contribution.

Investment return is not guaranteed, the value of investments can rise and fall.