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WEALTH MANAGEMENT & WEALTH PRESERVATION

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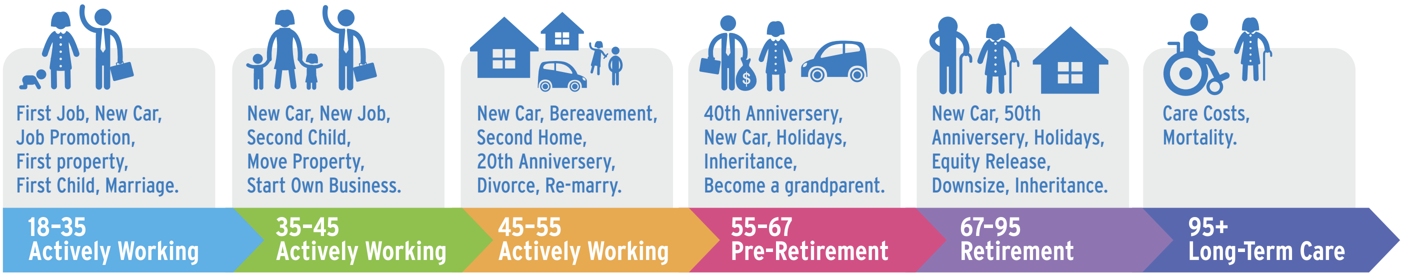
CHARTERED WEALTH MANAGEMENT

GUIDE TO LATER LIFE PLANNING

Chartered Financial Planners

GUIDE TO LATER LIFE PLANNING



You've reached retirement and that's an accolade in itself, but the planning of your future doesn't stop there. If you haven't already, you should begin planning for life in your later years.

Planning for later life can be incredibly complex due to several decisions that you will need to make for the future you. Ensuring you make the right choices and have the right plans in place will require the help of a professional. A financial adviser can help you make the right choices for the current and future you, as well as providing additional expertise for when the inevitable occurs and your wealth is passed on to your beneficiaries.

This guide walks you through some of the decisions you will need to make, the choices available to you and the professional help you will require. It's important to remember this is just a guide, for accurate advice, please do seek professional help.

At retirement?

In the early years of your retirement, aside from having more time on your hands to enjoy, it's important to ensure your financial plan is still on track to see you through the rest of your life. Retirement was one of the goals in your financial plan, not 'THE' goal!

As the years begin to pass, you will need to make suitable adjustments to your lifestyle, these may also impact your holistic financial plan. You may need to consider some if not all of the below.

Pension Review

You may already be enjoying drawing down on your pension to support your early retirement life, but it's a good idea to review your strategy every year or two, especially if you have a defined contributions pension. You should look to review your financial plan in any case where there are significant changes in your own circumstances or the economy.

For example:
If you're receiving income via a drawdown scheme, it's worth reviewing with a financial adviser, the pensions' performance and its expected timeline of existence. Will it last long enough to support you in your later years? A financial adviser, if it is unlikely to last, may recommend adjusting the scheme or how much you withdraw. It may even be prudent to make a significant change to your plan and purchase an annuity,

Your circumstances and later life goals may have changed and with that you may prefer security over flexibility, an annuity may suit you better. At your current age, it may also mean you achieve a better annuity rate, and if you have any health issues you might qualify for an enhanced annuity. A financial adviser can clarify which options are best for you.

However, if you already have an annuity or a defined benefit pension scheme currently in payment, you will not be able to make any changes to these.

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Downsizing your property

Many people in retirement choose to move home either sooner or later. Though you may stay on in the family home to begin with, lots of retirees choose to downsize their property for several reasons, these include:

- Relocating to a different part of the country, a quieter part or to be closer to family
- Finding a smaller, more manageable home
- To release some of their equity to support their financial needs

Aside from your pension, your home is more than likely to be your biggest asset – assuming it's mortgage free. Downsizing your property can provide the much needed funds needed to support you through retirement and your later life.

Before you make any decision speak to your financial adviser and review your cash flow analysis to identify your expected income and expenditure over the coming years, and to estimate how much money you can free up. Moving house can be a costly process, an adviser can inform you if it's worthwhile for you.

Equity release

If remaining in your family home is important to you, you can still use it as a source of money to fund your retirement and later life needs. Unlocking your equity from the value of the property while continuing to live there is called equity release.

There are two main options where equity release is concerned: a lifetime mortgage, and a home reversion plan. Let's take a look at both.

Lifetime mortgage

This is a loan secured against your home. You receive a tax-free lump sum to spend as you wish, and the loan is repaid from the value of your home when it is sold. You can usually borrow between 18 and 50 per cent of the property's total value. Typically, the older you are, the more you can release.

However, please note, the loan will accumulate compound interest, so the amount to be repaid on the sale of the home will be greater than the sum you received.

Home reversion plan

This is where you sell part or all of your home to a specialist company in exchange for a tax-free lump sum. A guaranteed lifetime lease entitles you to continue living in the property rent-free for as long as you wish. If you retain ownership of any portion of the property, you may also benefit from any increase in its value proportionally. Bear in mind that a home reversion plan will pay far less for your home than you would receive if you sold it on the open market. The minimum age is also higher for home reversion than it is for a lifetime mortgage.

Both of the above types of equity release have their advantages and disadvantages. A financial adviser can tell you which type of scheme is likely to be best value for you, and also help you to choose the best provider.

To prevent your family from receiving an unexpected bill if house prices should fall, be sure to pick a scheme with a 'no negative equity guarantee'. This will protect you against any fall in property values which could result in you entering a negative equity position.

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Lasting Power of Attorney

Whilst you are still fit and healthy it is highly advisable to set up Lasting Power of Attorney (LPA). Should you become unable to manage your financial affairs yourself, an LPA will allow another trusted person (e.g. your spouse) to do so on your behalf.

It is important to realise that without an LPA in place, your spouse or dependant family will not have automatic access to your finances should you become incapacitated. Without an LPA, the only way for them to have access to your finances is to apply through the Court of Protection, which can be a long and frustrating process – something they would probably prefer to avoid during this difficult time.

You can only arrange an LPA while you have full mental capacity, so it pays to put one in place well in advance. LPA can prove invaluable at any age – not just in later life. A financial adviser can help you set up an LPA through a trusted solicitor – if you don't already have one.

Making a will

As a force of habit, you should have been keeping your Will up to date at any major life event you have experienced up until now, such as buying a house, getting married etc. In later life it becomes even more important. Your will ensures your estate is inherited by your chosen beneficiaries in line with your exact wishes.

If you die without a will, then it is highly likely the wrong people will inherit your wealth. It also takes far longer for any beneficiaries to inherit your estate if you have failed to make a will.

Your will can also be a way of reducing any inheritance tax bill for your family. You can donate to charity and make provisions for any other intended beneficiaries who would not otherwise receive anything.

A financial adviser can help you make or update your will through a trusted solicitor – should you not already have one. It's an inexpensive process but one that will save your family significant time, money and any potential arguments further down the line.

Estate planning

"Planning for retirement – It's never too early"

Statistics projected by Office for National Statistics (ONS) have indicated that the UK's population is ageing. It shows that in 50 years' time, there would be an additional 8.6 million people aged 65 years and over.

When the inevitable occurs and you pass away, your estate could be subject to inheritance tax (IHT) if it's valued more than the IHT threshold – currently £325,000 in November 2021.

By planning ahead, you may be able to reduce any IHT liability your estate may have to pay. A financial adviser can help reduce the size of your taxable estate via various methods, these include:

- Lifetime gifts (PETS, surplus income etc)
- Trusts
- Charitable donations
- Payments into your pension
- Other forms of planning

You can also take out a life insurance policy to pay any likely IHT bill and if held in trust, this policy can be paid out directly to your beneficiaries quicker as it sits outside your taxable estate, meaning it isn't included during the probate process.

Your pension is not subject to IHT but any income received from it and held in bank accounts may well be. A financial adviser can give you all the help you need with tax efficient estate planning. The earlier you begin planning, the more you can do.

Long term care

As time goes by and your life extends into much later years, you may need some sort of long-term care. This may be include a residential home, or simply a visiting carer.

If you end up requiring long-term care in your later years, you will probably need to fund at least some of it yourself, if not all of it. The cost of care plans are currently at the highest levels they have ever been in the UK, this is an area you really should pay close attention to when planning for later life.

You have a number of options available to you to fund any care plan, these include:

- Income (e.g. private and state pensions)
- Investments
- Equity release
- Selling or renting out your home

Another option is an immediate care plan. Similar to a retirement annuity, this is a product that pays a guaranteed regular income for the remainder of your life, which may increase with the cost of your care.

Again, speak to a financial adviser to identify the best approach for your long term care plans.

State-funded long term care

You may qualify for local authority funding to pay for some or even all of your care. However, if your savings and assets are above a certain level (assessed via a means test) then you will have to pay for all your care yourself. All the more reason to speak to your financial adviser sooner rather than later on this topic to avoid not having the funds to cover the cost, should you need it.

If your spouse or civil partner has died

Should your spouse or civil partner die without a will, then inheritance will follow intestacy rules. Otherwise, you will inherit according to the will. In either case, you will not have to pay any inheritance tax. You may also be entitled to some or all of their pension, though this will depend on what kind of pension they had and whether or not it was already in payment. It may not be beneficial for you to receive their pension from your own tax perspective, speak to a financial adviser if you are unsure about whether you can inherit your partner's pension.

If you were not married or in a civil partnership

If you were not spouses or civil partners but simply living together, you will not inherit anything unless your partner named you as a beneficiary in their will. This is why it is vital for partners who are not married (or in a civil partnership) to make wills.

Financial arrangements after bereavement

Bereavement has many financial implications for the surviving partner. Things may be particular difficult if the deceased partner handled some or all of the couple's finances. Furthermore, the needs of the surviving partner may change. Things to consider include:

- Life insurance payments
- Mortgage / loan repayments
- Pension pots
- Pensions already in payment
- Savings and investments that were not jointly held
- Property and other assets

The surviving partner may be left to sort through a great deal of financial information, which can be an additional stress at an already difficult time. A financial adviser can take this burden off your hands and ensure that everything continues to be arranged in your best interests.

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HOW FIDUCIA CAN HELP YOU?

Fiducia are a multi award-winning Chartered Financial Adviser authorised and regulated by the Financial Conduct Authority (FCA). We are proud to have been awarded Chartered Financial Planning Firm status, one of only about 700 firms in the UK, selected from over 20,000, to hold this designation. Having achieved the coveted Corporate Chartered status, we adhere to much higher standards of integrity and professionalism than most financial advice firms.

We are wealth managers in the truest sense, offering a complete 'in-house' wealth management solution for clients, led by our specialist Investment Committee. We do not believe in a one size fits all approach and treat all our clients on an individual basis. Therefore, each solution is carefully tailored to a client's personal needs and objectives.

Questions we provide the answer to include:

- **Financial Planning –** Do I need to cut back or be smarter with my wealth?
- **Investment planning –** How much risk is necessary to achieve my goals?
- **Tax Planning –** Am I tax efficient? How can I improve my current and future tax efficiency?
- **Investment Management –** Are my investments aligned to my financial goals? Are they performing how I need them to?
- **Financial freedom –** Can I afford to pay for things I want in the future?
- **Retirement peace of mind –** Will I have enough money to live the life I want in retirement?
- **Family protection –** Do I have sufficient cover/provisions in place for my family should the worst happen?
- **Later Life Care Needs –** Will I have enough funds to cover any potential long term care needs?
- **Major Life events (Marriage/Divorce etc) –** What are my income/asset projections and analysis in the event of divorce?
- **Estate Planning –** What type of legacy will I leave my beneficiaries, can I give more away whilst I am alive?

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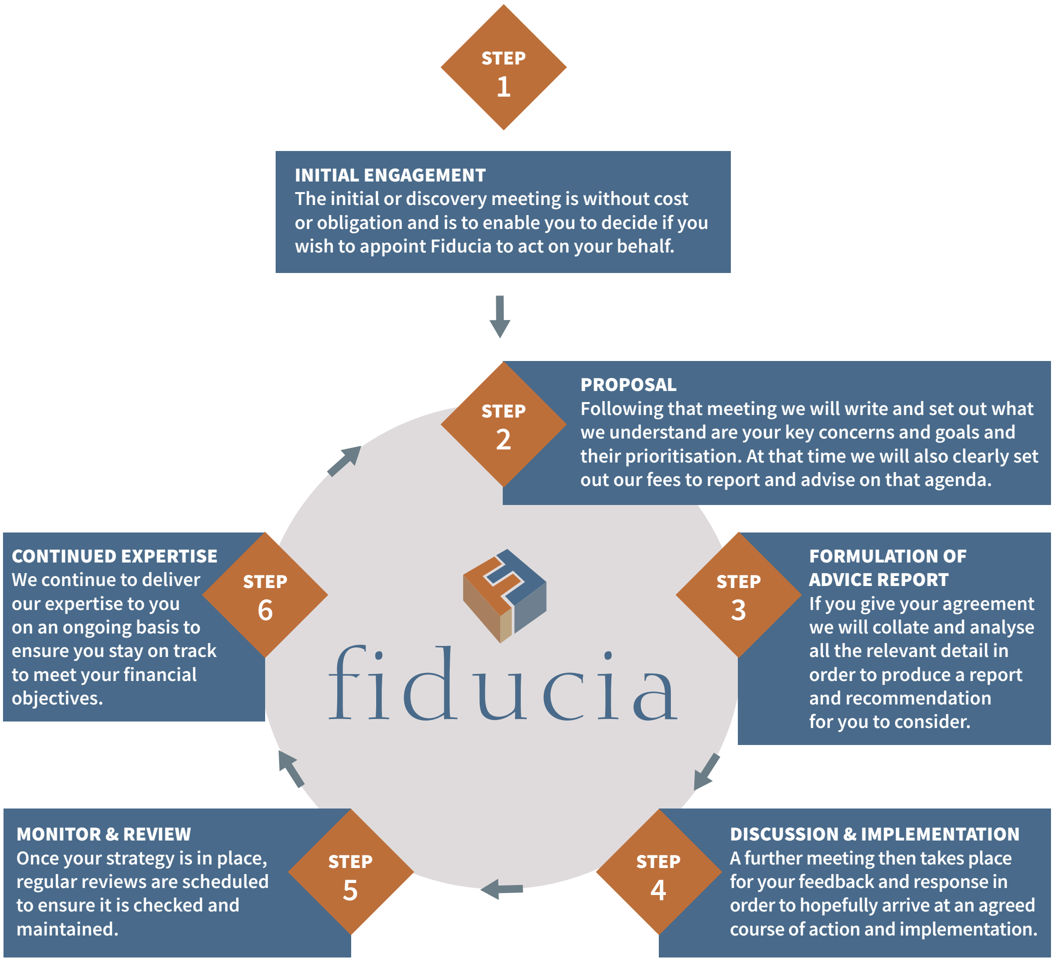
We follow a tried and tested 6 step process to deliver you our later life planning expertise.



Are you ready to start planning for your later life more effectively?

Speak to our team today, arrange your FREE initial discovery meeting and start your journey to achieving your financial goals.

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