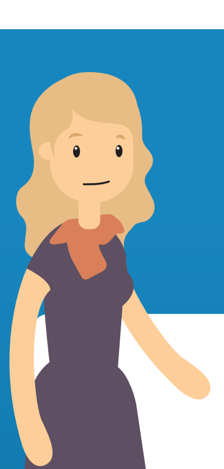
Clifton Nash
FINANCIAL PLANNERS

Is it enough?

A helpful guide from Clifton Nash Financial Planners

How much cash do you need to stop working and do what you want to do?



40% of pensioners 'to run out of money by 75'

Forty per cent of pensioners will have used up their pension pots by the age of 75, and face poverty in the last 10 years of their lives, an analysis of pension freedoms has found.

The 96-page Social Market Foundation report, Golden Years? What Freedom and Choice Will Mean for UK Pensioners, compared what Australian and US pensioners with their pensions.

25% of pensioners aged 70 ran out of cash in Australia

vidual's ability to self-manage his longevity risk could be "knocked off course" by market events. It said: "Even in the best-performing markets in the past century, those withdrawing 4 per cent would have been exposed to some risk of pension pot exhaustion during a 30-year period of retirement."

Nigel Keohane, one of the report's authors and SMF's director of research, said: "Our research into the real-life experiences in Australia and the US

of long-term risks facing pensioners and the state, whether that is exhausting a pension pot early, a low standard of living in later life, or taxpayers picking up the bill for more means-tested benefits.

"If we really want to know how pension freedom is progressing and avoid such detrimental consequences, we need to introduce an early-warning system to monitor retirement decisions, understand the long-term implictions and ensure consumers receive the right support."

FINANCIAL ADVISOR
FA
Financial Adviser
Magazine
November 2015

Is it enough?

When can you stop work and what do you want to do next?

Imagine this scenario –
(if indeed you're not thinking about it already):

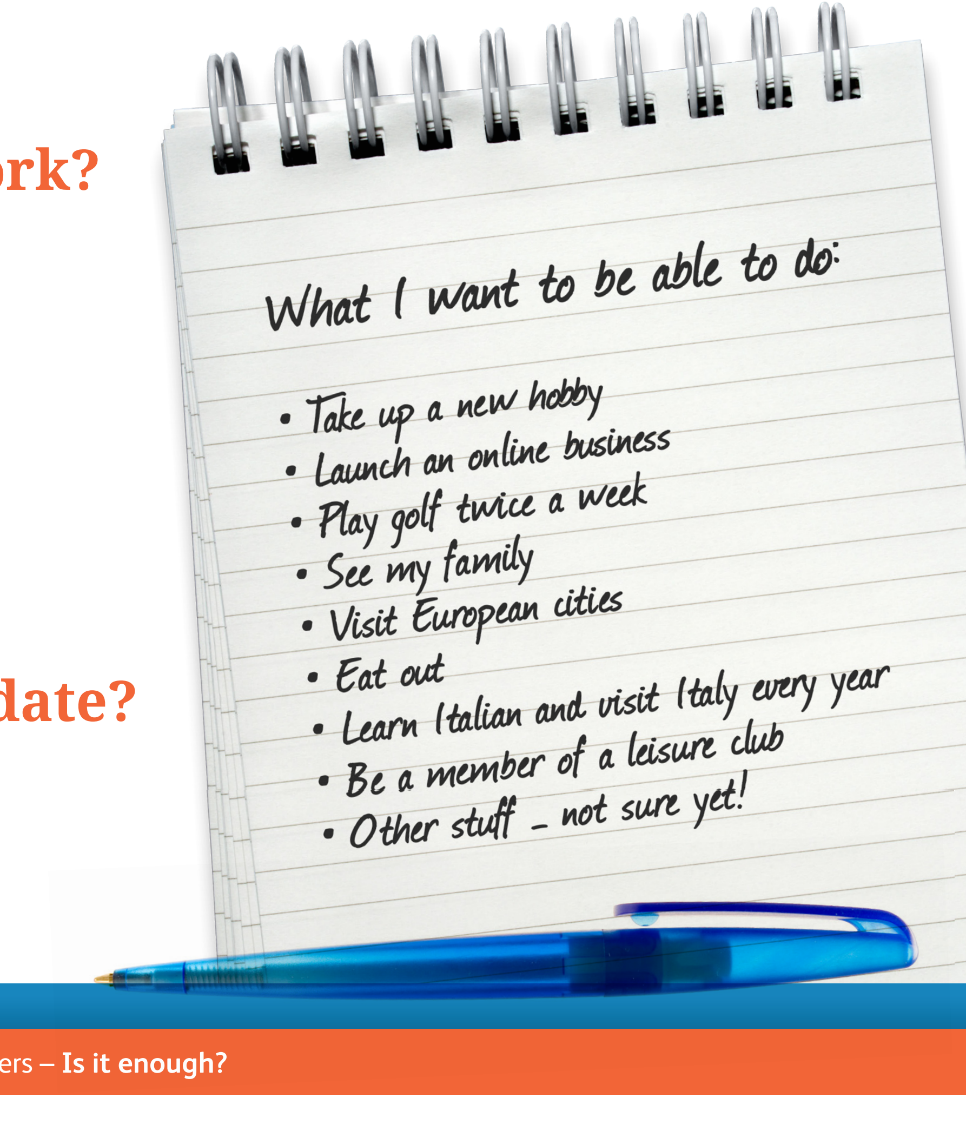
The days of coping with the kids' commitments, balancing the books, working till weary and managing the mortgage-millstone…
HAVE ALL GONE.

That's right – it happens. Then you'll start to think about you.

- What do you want to do next?
- When can you stop what you do now?
- What's your date?
- What lifestyle are you planning?

When can I stop work?

Do you know your date?



What I want to be able to do:

- Take up a new hobby
- Launch an online business
- Play golf twice a week
- See my family
- Visit European cities
- Eat out
- Learn Italian and visit Italy every year
- Be a member of a leisure club
- Other stuff – not sure yet!

How to work out

what you've GOT | what you NEED | & what to do ABOUT IT

?

1 Calculate what you spend now (EXPENDITURE)

Make a list of your monthly outgoings. Split them into two parts:

ESSENTIALS
mortgage /rent
food
utility bills

DISCRETIONARY
holidays
eating out

2 Work out what you'll need in the future (EXPENDITURE)

− Go back to your list of your outgoings and **remove** those that you won't be paying when you stop work. This could be things like **mortgages** or **child maintenance**, for example.

+ Now **add** in extra outgoings to cover activities and interests that you may want to pursue when you stop working. Include things like **holidays, golf/sport, family** and anything else you may want to do, like **starting a new business** or **giving money to children or grandchildren.**

Inflation is a critical consideration, so you'll need to take a view on what you think inflation might average and factor that into your calculations over the years between now and your retirement and beyond, to give you an accurate predicted spend.

3 Examine your assets (INCOME)

Traditionally our pension pots were used to buy an annuity which provided an income for life. That is still the case for many people and if you are one of them you will be able to obtain a figure from your pension provider which will help you calculate what your pension might be worth in the future.

One factor to consider is whether you will you use your tax-free lump sum to pay of your mortgage or other debt

if so | *if not*

you'll need to work this into your calculation taking this amount from your residual pot so you may need to adjust your figures. When you've done this, use one of the online PAYE calculators (remember income from pensions is taxable) to work out what your actual income might be.

Apart from your pension you may have other assets. These might include:

ISA | **shares** | **property** | **a business** | **cash/savings**

All of these have a potential to contribute to your income. We help our clients use their various assets to create incomes at different stages, to minimise tax implications and maximise revenue.

You may want to consider how you can use your assets to their best advantage. This could include, for example, the sale or rent of a property or sale of a business. Work out how much income these might be likely to generate. **Ongoing income is a key desirable** so if you can use your assets to create ongoing revenue, that will make a contribution to covering your monthly outgoings.

We help our clients do just that, working out when each income stream could start and finish.

You need to consider how assets might grow (or not) over the years between now and when you will realise them.

In the long term, savings accounts may struggle to keep up with inflation. If this happens, it would mean that people who rely on savings accounts could see the real value of their money reduce over time.

Property and equities (shares) and investments that are wrappers for shares – like pensions and bonds – aim to outpace inflation (although this is not guaranteed) making them popular choices for investors.

However you choose to estimate the growth of your assets, please be conservative – **it's the safest way.**

Our financial modelling tool helps clients take a realistic view of asset growth, as well as inflation over time periods.

4 Determine your SHORTFALL or EXCESS

By taking your retirement expenditure from your retirement income

retirement expenditure − ***retirement income*** = ***shortfall/ excess***

you will arrive at a plus or minus figure, depending on whether you have a shortfall or excess.

Many at this point discover they have a shortfall.
Don't be too disappointed if this applies to you.
Acting early can help matters greatly.

5 Take ACTION

Typical ways to mitigate a shortfall include:

1 Increase your investment contributions.

2 Review your asset portfolio. Consider your other assets and create a "retirement plan" using all of them, rather than focussing purely on your pension. Utilising assets in a phased way can help you to cover short term gaps.

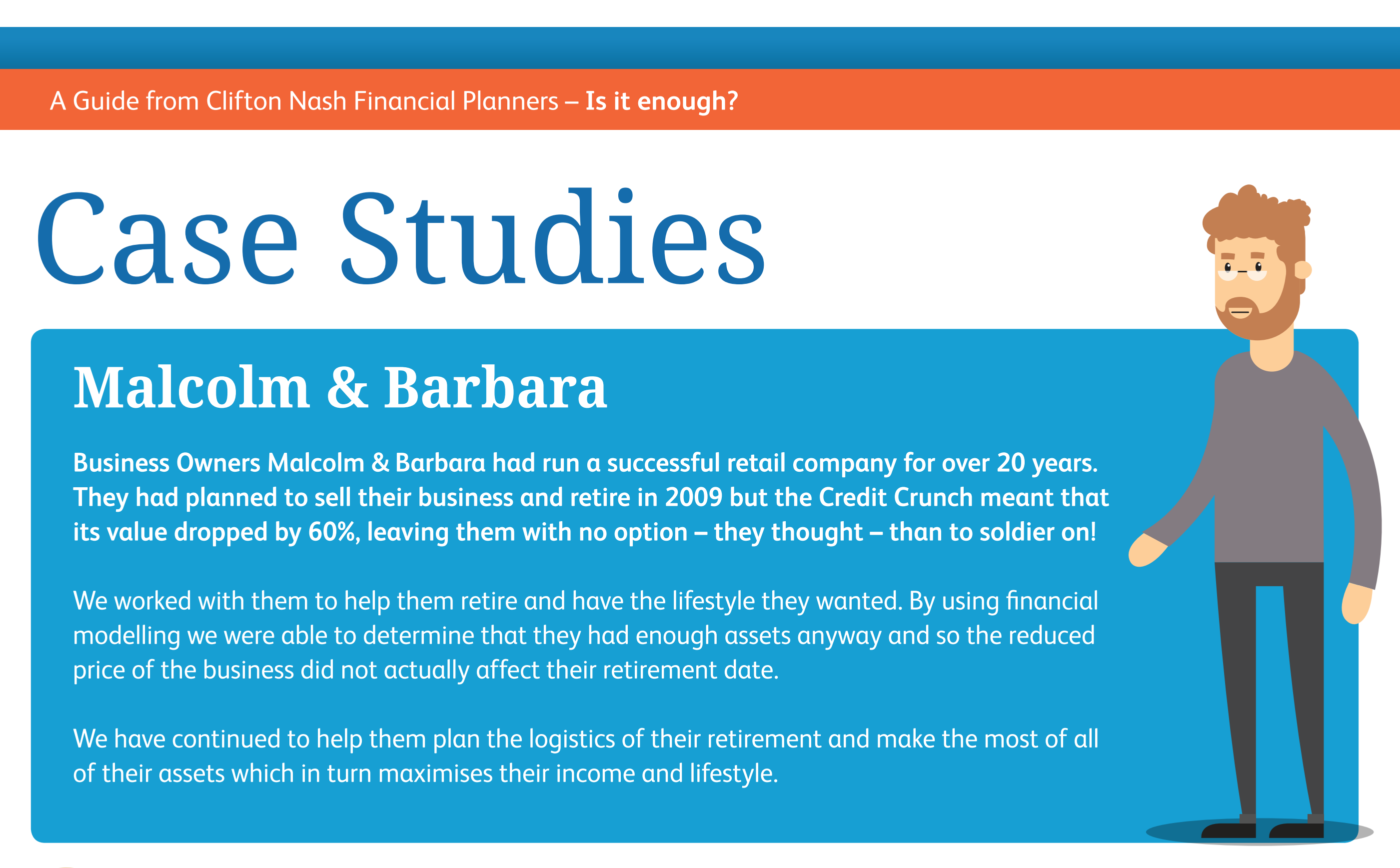
3 Think about phased part-time work or consultancy work.

4 Change your retirement date.

Some people are surprised that when they factor in ALL their assets they are running an excess. Options in this scenario might be retiring earlier, doing something else or financially assisting family members.

6 Review your calculations EVERY 12 MONTHS

This is critical, as circumstances change, investments fluctuate and inflation goes up and down. **The reason we carry out annual reviews with our clients is so that their expectations for retirement date and income is always current.**



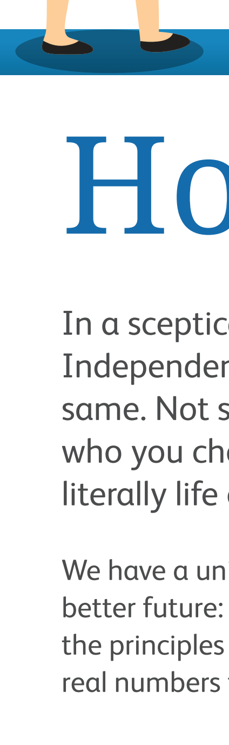
Case Studies

Malcolm & Barbara

Business Owners Malcolm & Barbara had run a successful retail company for over 20 years. They had planned to sell their business and retire in 2009 but the Credit Crunch meant that its value dropped by 60%, leaving them with no option – they thought – than to soldier on!

We worked with them to help them retire and have the lifestyle they wanted. By using financial modelling we were able to determine that they had enough assets anyway and so the reduced price of the business did not actually affect their retirement date.

We have continued to help them plan the logistics of their retirement and make the most of all of their assets which in turn maximises their income and lifestyle.



John & Catherine

John had been a business owner for many years and travelled extensively. Catherine worked for a large company in a full-time role.

The couple anticipated having to wait until they were 65 before retiring. Both wanted to go earlier as Catherine was becoming tired with her job and John - despite enjoying being self-employed - had other things he wanted to do.

We used our Financial Clarity System to calculate the detail around their plans. They were both surprised to find out that Catherine would be able to retire at 58 and John would be able to phase into retirement via a consultancy route from aged 60.

John & Catherine are both delighted and actively planning what they'll be doing very soon!

How we can help

In a sceptical world some people think that all Independent Financial Advisors (IFAs) are the same. Not so. There is a vast difference - and who you choose to help you through what are literally life changing decisions, is critical.

We have a unique approach to helping you build a better future: Using ourFinancial Clarity System and the principles of Lifestyle Financial Planning we use real numbers to look into your financial future. We add in your wish list – holidays, golf, hobbies, family, for example – then we rerun the numbers using our financial modelling tool to look into your financial future. By taking the action today, we can literally change tomorrow: Knowledge is power and knowing your numbers puts us in charge of your financial future. Some Financial Planners just concentrate on solutions and don't really find out about the person they are advising. We build advice around you and we are passionate about helping you build a better future for you and your family.

Contact us to arrange a complimentary discussion to see how we can help you

Cardiff: 02920 892 395
Bristol: 0117 379 0076
Email: enquiries@cliftonnash.co.uk

www.cliftonnash.co.uk

Clifton Nash
FINANCIAL PLANNERS