

Decision Time



How to Make the Right Pension Decisions

Matthew Tumbridge is an adviser with Julian Harris Financial Consultants, authorised & regulated by the Financial Conduct Authority. FCA Nos. 153566. Registered office: Julian Harris House, Musgrove, Ashford, Kent, TN23 7UN.

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Making Pension Decisions Doesn't Need to be Daunting



People think of pensions as copper-bottomed, gold-plated, safety nets. Which they used to be.

Yet in recent times many people who are close to, or have just retired, are shocked to see that their pension fund (or 'pot') has dropped.

These days most people need to see pensions as investments that need managing.

Which sounds daunting, but the good news is there are lots of 'pension freedoms' that allow you to take control of your future.

If you have a few years until retirement, you can still turbocharge your results.

If you have just retired, now is the time to get a plan and understand what the right decisions are for you, to ensure you are still able to enjoy a comfortable way of life in 10, 20 and even 30 years time, despite inflation.

This guide aims to help you make the right decisions.



Matthew Tumbridge, DipFA LiBF

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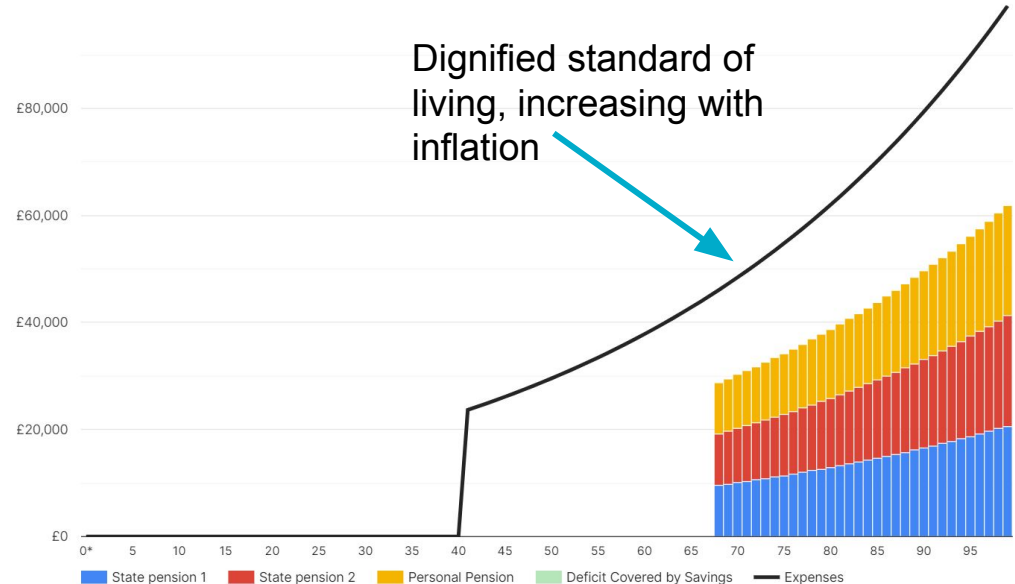
How Much Will You Need?

It always surprises me that people open pensions, invest in property - or crazy 'investments' - **but don't know how much money they will need when they retire.**

It's not easy to work out, there's inflation and changes in lifestyle as you get older to consider, but an independent financial adviser can build you a surprisingly accurate forecast.

Here is my 3 step process for doing this....

1. **Start with your fundamental living costs** - food, heating, clothes, basic transport. And apply inflation. This gives us the target black line on the graph.



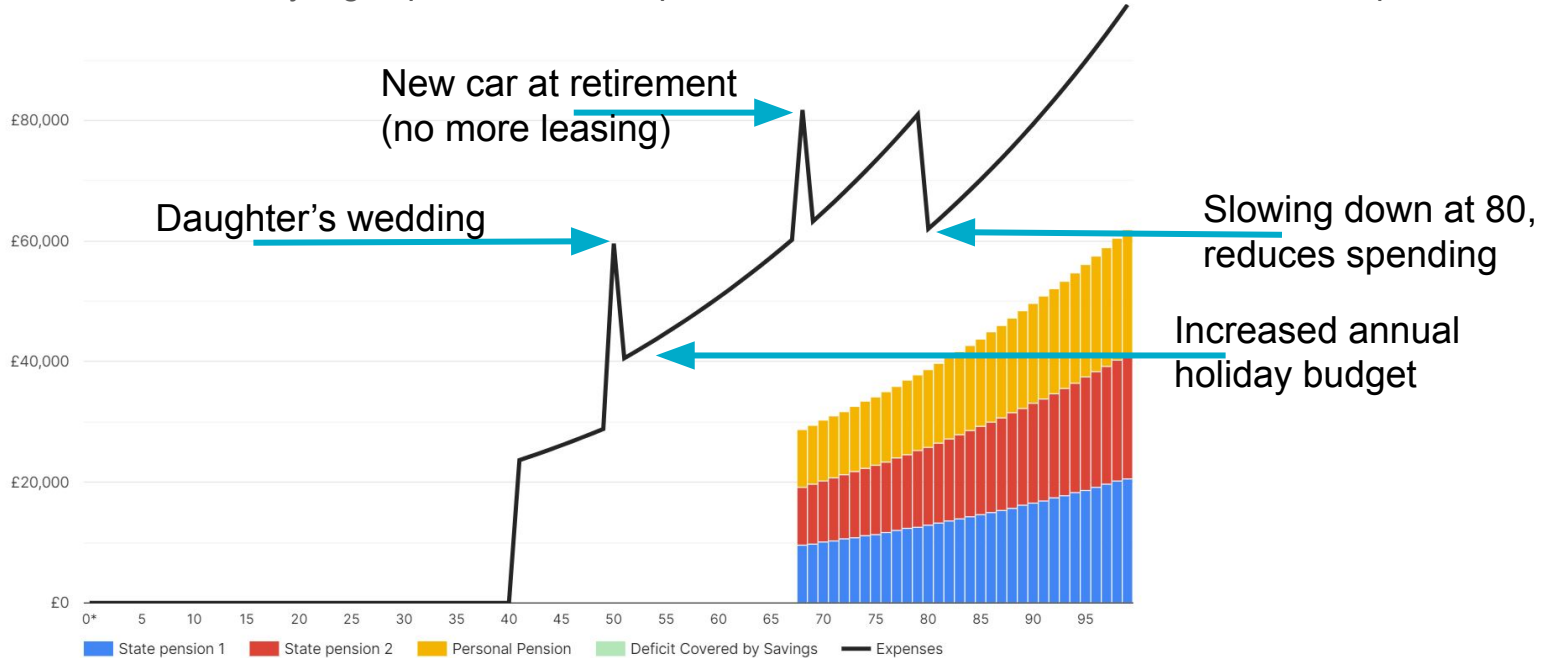
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How Much Will You Need?

2. Add in goals, like travel, and likely big expenses, like a replacement car...which all move the black line up



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How Best to Get There?

3. Work out how to fund these goals.

We can look at all sorts of variables:

- Working longer, part time or full time
- Saving and investing in personal pensions or ISAs
- Careful use of tax allowances
 - Pension tax relief should be weighed against ISA income being tax free
- Using pension freedoms to:
 - Take 25% tax free lump sum
 - Consolidate other pensions and invest better
 - Buy an annuity for some fundamental costs

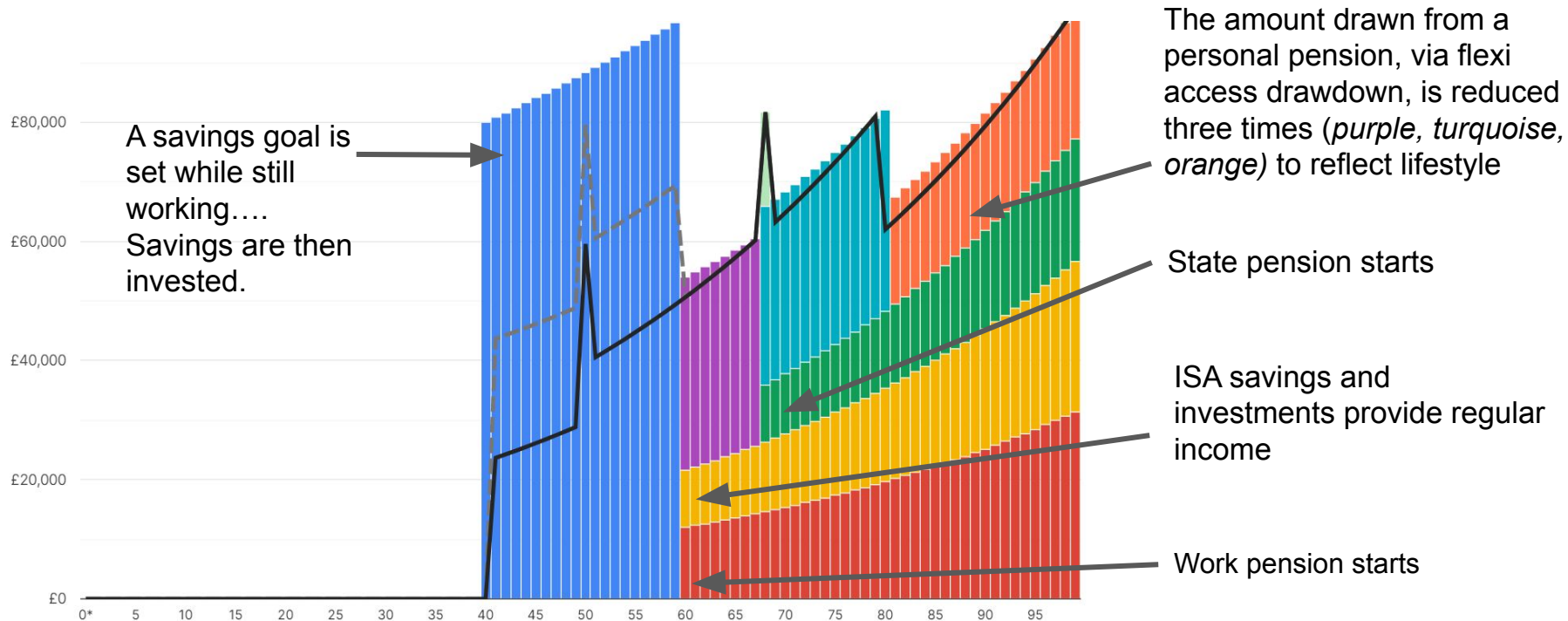
Here's how our example looks when finished...

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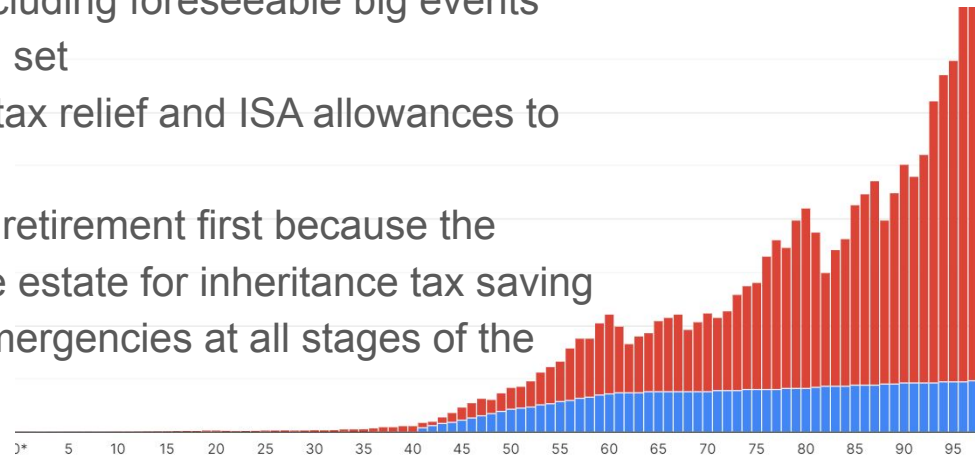
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How Best to Get There?

In our example on the previous page, the following has been achieved:

1. Early retirement at 60 has been set as a goal
2. Inflation is costed into the plan
3. The desired lifestyle has been costed including foreseeable big events
4. A savings and investment goal has been set
5. The savings use both personal pension tax relief and ISA allowances to balance flexibility and tax benefits
6. The ISA and savings have been used in retirement first because the personal pension can remain outside the estate for inheritance tax saving
7. There are spare funds for unforeseen emergencies at all stages of the journey



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Why Everyone Needs Advice



[Click here to book a call today](#)

I believe most people can be better off if they take control of as many of their pensions and retirement savings as they can.

But they must have a proper financial plan if that is going to work.

In order to develop **and deliver** a financial plan like the example in this guide, you need to be able to :

1. **Source all-of-market quotes for annuities and pension plans** (Personal, SIPP, Stakeholder)
2. **Design investment portfolios** (whether for pensions or ISAs)
3. **Understand the benefits and risks of all the different products available and put together a plan**

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Pension Fast Facts

1. There are two main types of pension:

Defined benefit pensions where your employer guarantees you a certain income. It's usually best to keep these and just claim the benefit as part of your retirement income.

Defined contribution pensions, where you build up a pension 'pot' with your contributions. Pension Freedoms allow you to do a lot more with these pensions. Eventually all but Government employee will have this kind of pension.

2. All pensions (apart from the Government backed ones) are invested in the stock market.

If you take control of your pensions and invest them, you can choose which parts of the market to invest in. This is not taking more risk, indeed it can better align any risk with your personal goals.

If you leave the investing to a large insurance company, you may get less than full market returns.

But be careful, there are also companies willing to sell you very high risk investments for your pension. I don't recommend that either.

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Pension Fast Facts

4. Self Invested Personal Pensions (SIPPs) are not the only type of pension you can open outside your workplace.

There are also Personal Pensions, where you can control the investments. It's important to know that some Personal Pensions have 100% guaranteed protection, but SIPPS do not.

SIPPs are only protected up to £85,000 by the Financial Services Compensation Scheme. So if something happens to the provider, you could lose the value in the pot over £85,000.

5. It's easy to decide whether to consolidate your pensions.

A financial adviser should provide you with illustrations of any new proposed pension, vs the current pensions.

This will make it clear if there are any benefits to staying or moving.

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Pension Fast Facts

6. Should you buy an annuity, or put your pension into drawdown?

If your basic living costs are not covered by state or defined benefit pensions, then you should always obtain annuity quotes.

You can then compare that to keeping the money invested and withdrawing 4% of your 'pot' per year. The one that gives you the better income is usually the way to go.

If it's a close race then you need to consider that when you die money in pension drawdown can be left to loved ones outside your estate (no inheritance tax). But the annuity will simply expire.

7. Should you take 25% tax free upfront or as you go?

There is a lot to weigh up in this decision, and a cashflow forecast, like the one earlier in this guide, will help.

If it is in a pension you control, leaving the money invested as long possible to meet your long-term needs may be best.

Many people conclude with defined contribution pensions that they want to realise the tax free gain and invest it for their family's long term benefit. Leaving it in the scheme, like an annuity, means it will be lost when you die.

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What my customers say...

We wanted to invest some of our 25% pension lump sum. Matthew designed a portfolio that is clearly better than the ISAs we have had in the past.

Mr and Mrs Bryan, Essex

We are in our 40s and have 3 children. We wanted a plan for our future, what to do with our pension, what to do with our savings. We have a clear plan now for our pensions and investments.

Mr and Mrs Joshi, Hertfordshire

I was saving for buy to let. Then I found Matthew and realised investing was something I could do now and would be less risky, less stressful and just as profitable.

S Johnson, London

I had 8 pensions from my career and I just didn't know where to start. I am very grateful that I now I have a clear plan and am very confident that I can afford my retirement no matter what happens.

D Gulleford

I hit 50 and realised I didn't have a plan. How much do I need? Should I invest in property or pension or what? This plan has given me a laser-like focus on what I need to do over the next 15 years and it's a huge relief.

J Saidman

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Background

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Matthew qualified as a Financial Advisor at the London Institute of Banking and Finance.

He is a whole-of-market independent adviser with the Julian Harris Network, which means he has access to all available pension, investment and insurance products to find the right products for you.

Experience

Julian Harris Adviser Networks have been providing independent, whole of market authorisation, compliance, training and systems support since 1992.

Matthew's 20 years experience in business prior to offering financial advice to "every day consumers" gives him a unique insight into identifying quality investments and how anyone can invest successfully to build a fantastic future.

Quality Advice

Matthew is passionate about providing the same quality financial advice to every day consumers, as to the wealthy; he works with Defaqto to search over 16,500 funds, platforms and products available to UK investors and pensioners to identify suitable opportunities based on individuals personal risk profile.



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