INSIGHT

ISSUE 28
A WEALTH OF ADVICE

BUDGET CHANGES TO PENSIONS – TAX SAVINGS FOR HIGH EARNERS!

DON'T LEAVE YOUR FINANCIAL PLANNING TO THE END OF THE TAX YEAR

YES, YOU CAN RETIRE FROM BEING A TEACHER!

THE STATE PENSION AGE COULD INCREASE SOONER THAN PLANNED

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WELCOME

Welcome to our latest issue of Insight – A Wealth of Advice

As we begin the new tax year we encourage you to avoid the 'mad March rush' and give your financial planning a head start, and what better way to do so than following the first 'normal' budget we've had for a while. In terms of financial planning opportunities following the Chancellor's announcement, we have seen a potential shake up, yet again, to pensions savings, learn more about these in this edition.

Also included in this edition of Insight:

Multi-Manager Investment – why diversification matters! Fund manager, Richard Cole, explains why a blend of portfolio styles may offer more balanced portfolio performance.

Yes, you can retire from being a teacher! We were delighted to help one of our clients, a teacher, understand her pension savings and inform her she could retire 3 years earlier than she thought.

Why inheritance tax (IHT) is an issue for more than just the "wealthy"? IHT receipts continue to rise and is not only paid by the very rich. There are steps you can take to mitigate this for your family.

We hope you enjoy this issue of our magazine. If there are any topics you would like us to cover in a future edition of Insight please get in touch. If you would prefer to download a digital copy or subscribe to new issues electronically, please visit - www.armstrongwatson.info/Insight

PAUL DICKSON

CHIEF EXECUTIVE AND MANAGING PARTNER
ARMSTRONG WATSON LLP

BUDGET CHANGES TO PENSIONS – TAX SAVINGS FOR HIGH EARNERS!

We have seen so many changes around pensions over recent years it can sometimes seem hard to keep up! The only constant has been to continually review your own circumstances in the run up to, and then in retirement - and getting advice from pension experts has never been so important!

Before the budget there is always much speculation around tax relief on contributions, tax-free cash from pension pots and the age you can access your pension. In this budget it came as a big surprise that none of this really featured but instead there was a boost for higher earners wanting to save for retirement..

The Annual Allowance

Millions of people save into a pension and in doing so they benefit from paying no Income or Capital Gains taxes on the money as it grows. To provide an incentive to save for retirement, the Government provides 20% tax relief on personal contributions, but higher and additional rate tax payers benefit the most as they can obtain additional tax relief at their higher rates, not just at the basic rate.

For higher earners, the good news from the budget is that from April the annual allowance – the amount that can be contributed into a money purchase pension scheme/personal pension/SIPP - has risen from £40,000 to £60,000. However, you must have earnings equivalent to be able to make this contribution.

Individuals will also continue to be able to carry forward unused Annual Allowances from the 3 previous tax years, again this needs careful planning as there are rules around this which must be adhered to.

This should be welcome news to NHS employees who have been hit by annual tax charges on exceeding the current annual allowance calculation in their defined benefit (DB) NHS scheme, but we will wait to see if this has the Chancellor's desired effect of retaining staff within those senior roles.

The Lifetime Allowance (LTA)

The LTA, the total amount that individuals can accumulate in their pension savings before paying extra tax, was previously frozen at £1,073,100 until April 2026. However, in this announcement the Chancellor said the Lifetime Allowance charge will be scrapped to encourage people to stay in work longer, and will become law in the Finance Bill.

In the meantime, from 6th April, the lifetime allowance tax charge – the tax you pay if you breach the current limit at the point you access your pension – is being removed.

This potentially eliminates the barrier to look at alternative tax savings vehicles if you to reach this upper limit, but again you are restricted by the annual allowance contribution limit detailed above.

Money Purchase Annual Allowance (MPAA)

Also, from 6th April 2023, the Money Purchase Annual Allowance will increase to £10,000, up from £4,000 currently. If you start to take money from a defined contribution pension pot, this the amount that can be contributed to your defined contribution pensions while still receiving tax relief.

Tapered annual allowance

The tapered annual allowance further limits the amount of tax relief high earners can claim on their pension savings by reducing their annual allowance to as low as £4,000 currently. This limit has now increased to £10,000.

The adjusted income threshold for the Tapered Annual Allowance will also be increased from £240,000 to £260,000 earnings.

Has Contributing to a Pension become even more important?

We believe these changes will provide new opportunities for people to really plan for a comfortable future in retirement. Getting advice from our pension experts can help you maximise your allowances and guide you through the differing investment options and styles according to the risk you are prepared to take. Going it alone could have expensive consequences – read here our article on the value of good advice.

Please get in touch if you would like to discuss your plans for retirement with a member of our financial planning team.

JUSTIN ROURKE
HEAD OF ADVICE – PENRITH

MILLIONS OF PEOPLE SAVE INTO A PENSION AND IN DOING SO THEY BENEFIT FROM PAYING NO INCOME OR CAPITAL GAINS TAXES ON THE MONEY AS IT GROWS.

DON'T LEAVE YOUR FINANCIAL PLANNING TO THE END OF THE TAX YEAR

Although the current tax year doesn't end until 5 April 2024, effective financial planning shouldn't be a mad March rush. Starting your financial planning early in the year will give you a head start.

Often, as the end of the tax year is approaching, there are many financial commentators and institutions writing/advertising about how you should make sure you don't lose your valuable tax allowances. The reasons being that they allow you to reduce your tax bill or use up an allowance that may otherwise be lost after the end of the tax year.

However, those who have chosen to engage the support of a financial planner, are much more likely to be in a position where they have looked and planned ahead, rather than waiting until the final weeks of the tax year to make last minute decisions

There are a number of areas of financial planning to consider that can benefit you both now and in the longer term, all of which are worthy of consideration. Key areas to look at include:

- Pension contributions – maximising your allowance in the current tax year and in previous years to avoid losing any unused allowances
- ISA Allowances – maximising your annual tax-free allowance - currently £20,000 per person per year. It is lost if you don't use it
- Capital Gains Tax – effectively using up any allowances and reliefs from your portfolios
- Inheritance Tax – using up small exemption allowances but also making gifts and disposals in the current tax year
- Income tax planning – reducing your income tax bill for high earners and those who receive child tax credit
- Marriage Allowance - allows you to transfer a portion of your Personal Allowance to your husband, wife, or civil partner.

Each area needs careful thought as both financial and tax planning is subject to individual circumstances and all the options and allowances mentioned are not suitable for everyone. They should also be considered as part of someone's overall financial plan and strategy i.e., part of a joined up and well thought through approach.

To try and "cram it in" to the final few weeks of the tax year could mean that something is not considered and could potentially work against your overall goals and objectives.

Aside from making full use of available allowances and reliefs there are other advantages to planning ahead, for example, by using your ISA allowance or making your pension contributions earlier you could benefit from extra potential growth, as well as receiving an element of your tax relief earlier on your pension and any pension contributions. Of course, there's also the benefit of spreading your contributions over a tax year instead of in one lump sum at the end, when it might not be affordable to you at that time.

Planning ahead is essentially what financial planning is all about, but by working with a trusted adviser, you also benefit from being kept up to date on the latest position on all aspects of relevant tax legislation which can then be signposted for both current and also future consideration.

Armstrong Watson have both Financial Planning and Tax Consultancy expertise in place "all under one roof". This allows us to provide both a bespoke and joined up service for our clients when and where specific needs arise. Please note, some of the areas such as making pension contributions are provided by our Financial Planning Consultants, whereas other areas such as capital gains tax advice are services offered by our Tax Consultants within this article. Advice on IHT issues could be provided by a mixture of the two services.

> **STARTING YOUR FINANCIAL PLANNING EARLY IN THE YEAR WILL GIVE YOU A HEAD START.**

MARCUS DODDS

CHARTERED FINANCIAL PLANNING CONSULTANT

- CARLISLE

MULTI-MANAGER INVESTING – WHY DIVERSIFICATION MATTERS

When investing, clients can buy securities directly, or they can purchase professionally managed investment funds. In this article Richard Cole, Fund Manager at Future Money, explores the differences between Multi-Asset and Multi-Manager fund investing, the challenges and opportunities in both structures and the role diversification can play in managing risk.

RICHARD COLE
FUND MANAGER – FUTURE MONEY LTD

Important Information

Please note that the contents are based on the author's opinion and are not intended as investment advice. Any research is for information only, does not constitute financial advice or necessarily reflect the views of the author and is subject to change.
Past performance is not a reliable indicator of future performance. The value of investments and the income derived from them can fall as well as rise and investors may get back less than they invested.

Multi-Manager

A multi-manager portfolio invests in a range of underlying funds which are each run by different fund managers. This provides exposure to multiple asset classes and investment styles, with the aim of building an efficient portfolio using specialist managers at each stage of portfolio construction.

Multi-Asset

In contrast to multi-manager portfolios, multi-asset funds consist of a single fund management team which buys securities directly from across global markets. This approach can help to reduce costs as sector specialist fund managers are not used but may lead to lower levels of diversification than present in multi-manager portfolios. Multi-asset funds are often seen with higher levels of both stock specific and style specific concentration.

House View vs Range of Views

While broad diversification is possible in multi-asset portfolios, with just one fund management team in charge, there can often be a strong 'house-view' present with a dominant investment style. In multi-manager portfolios, a range of investment styles can be accessed by selecting specialist managers with differing processes.

Style Bias

Some of the most popular funds of recent years have been multi-asset funds with strong biases towards a style of investing known as 'growth'. This is where companies with high growth in revenue are favoured, regardless of current valuation levels.

Growth Well Justified

With a concentrated portfolio it is possible to generate large returns when market conditions are favourable. This situation occurred for many growth type investments in the years surrounding the pandemic, where low interest rates helped justify inflated valuations for those exciting companies which look set to change the world.

Turbo-Charged

Growth investing was already in vogue in the late 2010s as interest rates were already at low levels. Yet, with the onset of the pandemic, this trend was turbo-charged as central banks moved aggressively to further cut rates and to expand Quantitative Easing, making borrowing even cheaper and high valuations easier to justify for fast growing companies. With such a surge in performance, many of the multi-asset funds focused on growth investments performed extremely well, while many more diversified multi-manager funds delivered relatively modest gains in comparison.

Risk Emerges

This shows that multi-asset funds may be expected to outperform multi-manager funds if their style aligns with current trends. Yet, this outperformance is only likely to persist as long as a turning point is not reached in the mentality of markets. It is here where the risk in a concentrated approach emerges.

Growth Style Reached a Peak

Such a turning point was reached in late 2021 when central banks gave their first indications that interest rates would have to rise as inflation, which had been steadily growing through the year, was now on a path which needed intervention. This proved to be the peak for many portfolios wedded to the growth investment style.

Value Style Flourishes

While 2020 and much of 2021 were very strong for some multi-asset funds, many of these highest fliers experienced similarly heavy losses through 2022. During this period of increasing interest rates, growth investments floundered, while the contrasting style of 'value' fared much better. Value focused investors aim to find assets trading on low valuations, and are less concerned with future growth rates.

Clear with Hindsight

When an investment fund is focused on just one strategy it is likely to experience periods of both particularity good and bad returns. This can be profitable where an investor knows when to invest and when to withdraw, but it is often the case that turning points in markets are only clear with hindsight.

Timing is Crucial

What's more, with human nature and efficient investing not always in step, investors can find themselves drawn to an investment which has recently performed strongly. Many of the multi-asset funds which performed so well during 2020 and 2021 drew in large numbers of clients over this period. This meant that many of those investors unfortunately entered after the large gains had been achieved and before the large losses occurred. A concentrated portfolio can be more sensitive to the timing of investment than a more diversified one.

Softening the Ups and Downs

Multi-Manager portfolios have the ability to select investment funds with a range of investment styles, including both value and growth investments. This allows them to have lower levels of concentration and therefore the potential to experience less extreme ups and downs in their performance.

Why Diversification Matters

While many diversified multi-manager portfolios, including those run by Future Money, did not experience gains to the same extent as some growth focused multi-asset portfolios through 2020 and 2021, when going through the negative markets of late 2021 and 2022, the losses were also much smaller. In Future Money's opinion, this is why diversification matters. A blend of styles within a portfolio may miss the highest of highs, but if it also misses the lowest of lows a more balanced, less turbulent performance profile can be achieved.

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INSIGHT INTO INSIGHT

Thank you to everyone who participated in our recent survey and shared their views on what they like most about Insight magazine, what they'd like to change and ideas to explore in future editions.

We received some fantastic feedback and will look to implement some new ideas in upcoming editions. It was also encouraging to hear from readers what they enjoy reading in the magazines and the topics and themes that resonate most.

A number of respondents were keen to learn more about how effective financial advice has positively impacted the lives of recipients, and we will certainly be looking to share more client stories in future publications. Readers also suggested new formatting for our digital version of the magazine and we will be looking at different ideas to make our online editions more accessible.

RYAN ANDERSON PRESENTING LES WEIGHTMAN WITH THE £250 AMAZON VOUCHER PRIZE

As promised, one lucky respondent would be selected at random to receive a special thank you for taking part, and we are delighted to say that Hexham client, Les Weightman, was the lucky winner of the £250 Amazon voucher prize. Congratulations Les!

We hope you look forward to watching Insight develop over the coming months and, as always, if you have any questions, suggestions or ideas for content you'd like us to include, please drop us a line at **help@armstrongwatson.co.uk** and we'd be very happy to hear your thoughts.

INTRODUCING OUR FINANCIAL PLANNERS

This is the first in a series of articles introducing our Financial Planning Consultants. Here we interview Steven Conchie who has been supporting clients across Dumfries.

STEVEN CONCHIE

FINANCIAL PLANNING CONSULTANT - DUMFRIES

> "THE PAST IS BEHIND, LEARN FROM IT. THE FUTURE IS AHEAD, PREPARE FOR IT. THE PRESENT IS HERE, LIVE IT."

Describe a typical working day...

I believe in looking at a client's goals and objectives from a top-down perspective. To start, I ask my clients 'if you won the lottery what would your retirement look like?' and 'what's on your bucket list?'. This can range from holidays of a lifetime, home improvements, to the car they have always wanted, but every client is different, and many want to ensure they pass something on to their children.

Recently I met with a couple who felt they had to live a conservative retirement to protect their hard-earned savings, and were very insistent that they had to scrimp and save to ensure their assets would last. Using cashflow modelling, I was able to illustrate how they can use their assets to tick off travel ambitions they thought were out of their reach, whilst maintaining their standard of living throughout their retirement, and ultimately leaving something for their children. When they saw this broken down visually in charts and graphs, this, along with the reassurance that we would revisit the plan each year, gave them the confidence to begin to live the retirement they had dreamed of.

What do you enjoy most about providing financial advice?

Having worked in several branches of a large bank in Dumfries & Galloway for many years, I really enjoyed seeing the customers coming in and getting to know them. It made me sad to see branches gradually close following the financial crisis of 2008, and the decline of the face-to-face interaction and advice many customers received within those branches. Many customers relied upon these interactions, particularly in small towns, and it was a real loss to those communities.

This encouraged me to gain my professional qualifications to become an Independent Financial Adviser and be there to help local people with all their financial needs, but crucially, face-to-face. I have a real passion for cashflow modelling to help illustrate a client's life events and goals are still on track. I think it's really useful to be able to see a visual timeline and I like to do this – weatherman-style - interactively, with my clients on the big screen tv. This provides reassurance and makes it easy to understand.

What's the best piece of advice anyone has ever given you?

The past is behind, learn from it. The future is ahead, prepare for it. The present is here, live it.

When you're not supporting and advising clients what do you enjoy doing in your spare time?

If something has 4 wheels and a steering wheel, then it has my attention! I have always had a love of cars since before I could talk and this has only grown as I have got older. Whether it's going to Knockhill, Oulton Park or other tracks, I love to follow the British Touring Car Championship. This is something I share with my son and ultimately led to him racing go-karts all over the UK. My role is chief mechanic, and we've picked up a few trophies and championships along the way. When I'm not on the karting track, you're likely to find me swapping the spanners for a paint brush and enjoying a bit of DIY in our new family home, and when time allows, we like to eat out and holiday when we can.

You're about to retire on an unlimited budget what's the first thing you'd do?

The first thing would have to be to accomplish a lifelong dream and buy an Aston Martin DB5 which I consider the most beautiful car ever built - but without the ejector seat! It has a charm, that in my opinion, no modern car will ever rival, and would be the perfect companion for one of my other dreams, which is to tour Europe driving through France to Saint Tropez, then on to Monaco, Milan and finish off with a tour through the San Bernardino Pass in Switzerland.

If there was one financial tip you could offer readers what would it be?

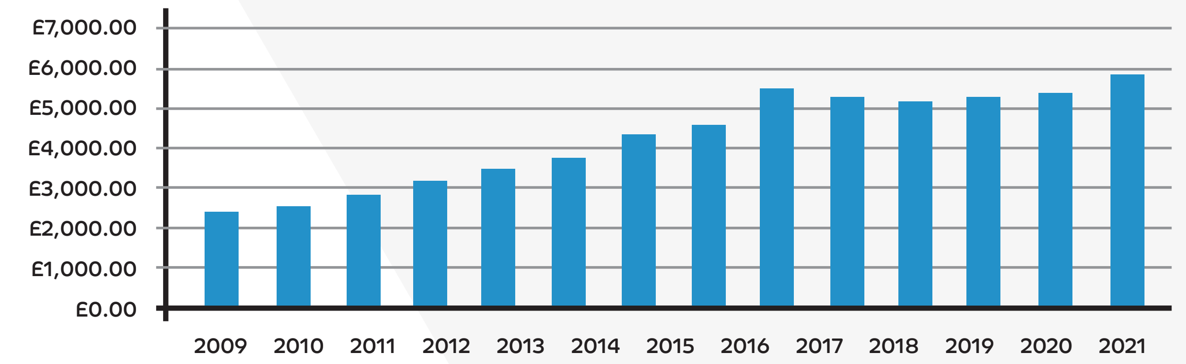
I have always been a firm advocate of financial education and believe this should start at a young age. Teaching children the benefit of saving early in life really helps them in the future not to over-commit and to understand the importance of budgeting. I'm a strong believer that this early lesson helps encourage the "young ones" to become savers and not borrowers, and ultimately helps towards a more secure adult life.

WHY INHERITANCE TAX (IHT) IS AN ISSUE FOR MORE THAN JUST 'THE WEALTHY'?

If you thought inheritance tax was now simply for extremely wealthy people to worry about, think again. IHT receipts have increased as a share of GDP since 2009-10, mainly due to rises in asset prices. Residential property makes up the largest share of most estates and average house prices* have risen by more than 40 per cent in that period. In 2022-23 The Office For Budget Responsibility (OBR) has forecast that IHT will raise £6.7 billion and could be £7.8 billion by 2027/28.

*Source: https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/

INLAND REVENUE: INHERITANCE TAX RECEIPTS



The Nil Rate Band will increase to help keep me out of IHT won't it?

The nil rate band is the threshold above which IHT is payable, however, it has now been frozen at £325,000 since 2010/11 and will now remain frozen until April 2026. The nil rate band initially increased to £325,000 way back in April 2009 and who would have thought it would remain at this level for 18 years? The Residence Nil Rate Band was introduced in April 2017 at £100,000 and increased three times to £175,000 but has also been frozen until 2026. As estate values, supported by increased property prices and/or investment returns, continue to rise we will clearly see yet more people caught by the IHT net over the coming years, unless they take legitimate steps to help mitigate this, through careful financial planning.

There are ways to mitigate IHT for your family

There are currently many ways, with careful financial planning, IHT can be reduced, offset or eradicated altogether. Potential considerations could involve simply giving your money away to reduce your estate such as lifetime gifts or through regular surplus income, using life assurance policies to protect any tax liabilities, through to setting up trusts to shelter your assets.

Solutions do not, however, have to involve a reduction in your lifetime benefit of funds or assets, it is a case of determining what is the right solution for each individual and family.

At the very least make a will

Many people often procrastinate when it comes to writing a will. We would therefore encourage everyone to make a will as soon as possible. According to research by Canada Life 3 in 5 adults in the UK don't have a will.

Making a will so you decide who gets what of your assets. If you don't clarify your wishes in a will, the state will take over and distribute your estate according to a formula set out in the rules of intestacy. The results are not always what you would expect and can also potentially create unnecessary tax consequences.

What steps can I take?

For the majority of people there are a various approaches that can be taken to mitigate a future IHT liability. These range from making gifts (large or small), putting money in to trust or even insuring the IHT liability. Of course, you could choose to ignore it. If there is tax to pay later on so be it. On the other hand you could spend enough money so that nothing is left which may be more difficult said than done!

The rules, however, around IHT can be complex, and the amount of tax, and even the overall rate that will be paid, will depend on how your finances are structured during your lifetime, how you dispose of your assets and to whom you leave them. Seeking independent tax and financial advice can help you pass your assets to the people you want to benefit and potentially mitigate some or all of the IHT liability.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. We provide bespoke tax planning, financial planning and wealth management all under one roof. Please note, advice on IHT related matters could be provided by a mixture of both our financial planning and tax specialists.

KERRY CHALONER
FINANCIAL PLANNING CONSULTANT
- NORTHALLERTON

YES, YOU CAN RETIRE FROM BEING A TEACHER!

One of the best things about my role as a Financial Planning Consultant is being able to make clients' dreams a reality, and whilst in some cases it is advising on new products and planning, in many cases it's about clarifying and reorganising what a client already has.

In a recent meeting with a new client, I was delighted to give her the news 'Yes, you can retire.'

As a long-serving teacher my client was still 4 years short of the 'normal' retirement date on a particular scheme, which would usually be 60. We discussed her existing income and expenditure, and what her spending plans would be in retirement, as clearly this is very important.

My client confirmed in an almost embarrassed manner, that she had no idea how pensions worked as they are not really easy to understand. I comforted her and explained that that's what I was there for – to explain these things in a way she could understand fully.

The Teachers' Pension Scheme

As the Teachers' Pension Scheme calculates pension income based upon age and earnings, we agreed that if she did retire it would benefit her to do it after her next birthday to qualify for a further uplift in income.

I went on to explain that due to the length of service, she would be a member of the 'old' scheme and the pension would be based upon an average of her 3 'best' year's salary.

We looked at the Teachers' Pension Scheme website to see what her income would be at her normal retirement age of 60, and also the impact of taking her pension 3 years earlier – which in this case was a reduction of roughly £2,000 per year. Her income at age 60 was going to be sufficient for her ongoing needs, however the lower pension would leave her short.

I explained that with the Teachers' Pension there is a tax-free lump sum which would also be £5,000 lower, if taken earlier than the normal retirement date.

The Agreed Plan

A final plan was agreed that would allow my client to retire by Christmas 2020 – 3 years before normal retirement age - which she was very pleased with. Further discussion led onto a conversation about how the period between December 2020 and September 2023 would be funded, as roughly £60,000 was going to be required over that period.

We talked about her personal savings which could cover the expenditure needed between now and normal retirement and discussed that this was actually held at her high street bank earning her 'next to nothing.' I therefore advised that if she could maximise her pension contributions prior to retiring, to make use of all tax relief available, she could contribute to the Teachers' Pension, effectively purchasing additional years but in this particular case we agreed an alternative option of contributing to an additional personal pension.

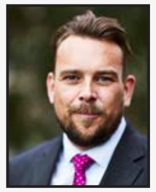
> "A FINAL PLAN WAS AGREED THAT WOULD ALLOW MY CLIENT TO RETIRE BY CHRISTMAS 2020 – 3 YEARS BEFORE NORMAL RETIREMENT AGE."

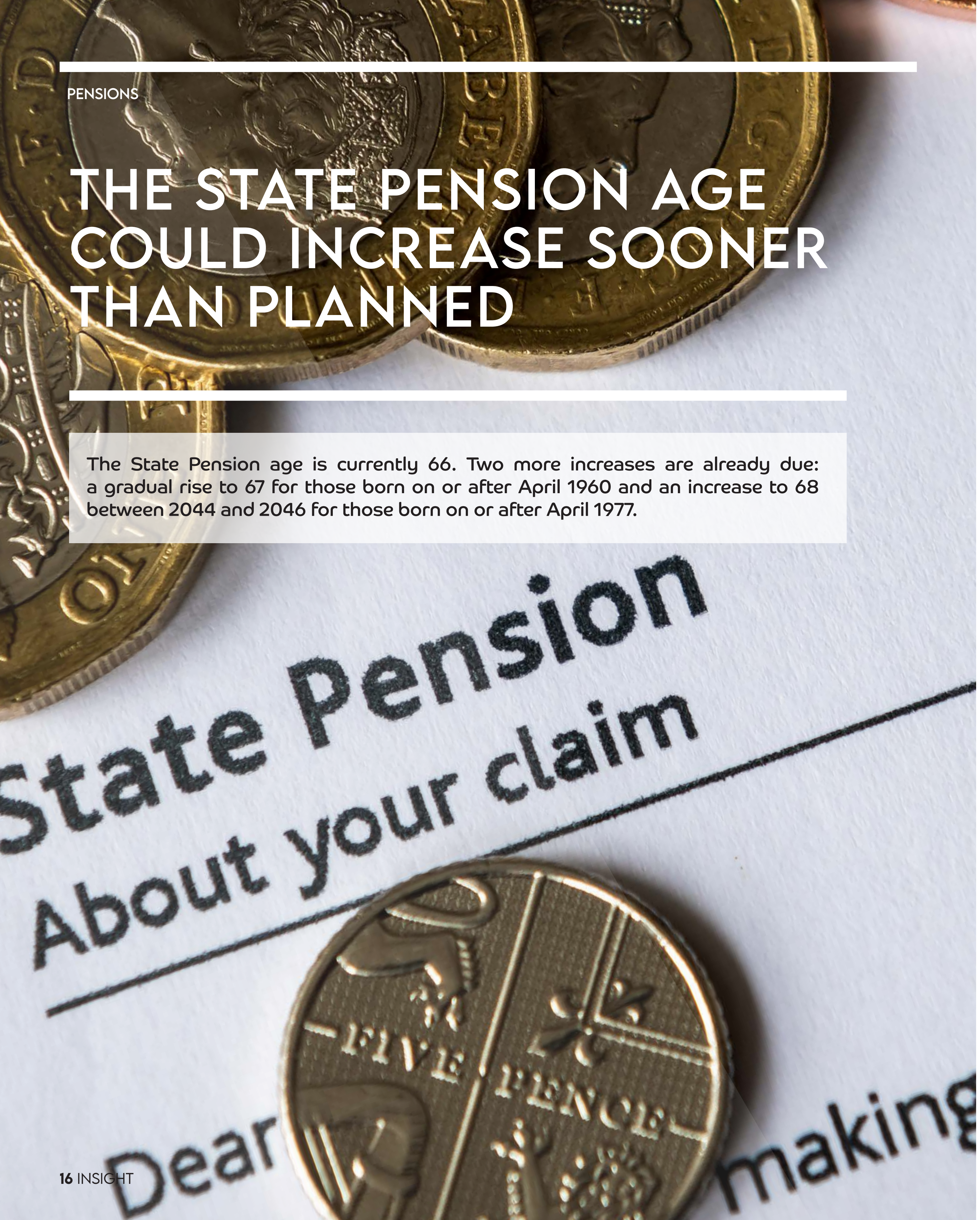
By contributing £64,000 to an additional pension, the pension company could claim immediate tax relief and claim £16,000 'tax back.' In addition she could use the pension contributions to effectively take the client out of higher rate tax, saving them a further £5,000. A £21,000 return on £64,000 over 2 years is a good return in anyone's view!

- Tax relief on contributions increasing the amount in her new pension. £64,000 becomes £80,000 when basic rate tax relief is added.
- Additional higher rate tax relief via her tax return of roughly £5,000.
- A flexibly accessible personal pension pot to supplement her Teacher's Pension scheme.

This new personal pension pot could then be used to give the client the income needed before the actual Teacher's Pension Scheme begins. Overall, my new client left my office practically skipping, delighted to understand what she had and comforted that she would be able to retire as she'd hoped.

STEVE SHOVLIN
CHARTERED FINANCIAL PLANNING CONSULTANT – CARLISLE





THE STATE PENSION AGE COULD INCREASE SOONER THAN PLANNED

The State Pension age is currently 66. Two more increases are already due: a gradual rise to 67 for those born on or after April 1960 and an increase to 68 between 2044 and 2046 for those born on or after April 1977.

The Government has announced plans to bring this timetable forward. Under the new proposals, which are yet to be approved by Parliament, the State Pension age would instead increase to 68 between 2037 and 2039. The proposals follow a review which examined factors including fiscal sustainability, the economic context, the latest life expectancy data and fairness both to pensioners and taxpayers.

While we don't know exactly when the State Pension age will rise to 68, what we do know is that the rise is inevitable and, for some, it is worth considering how this will affect your retirement plans.

Who will the increase to State Pension age affect?

If you were born:	How the proposals affect you:
On or before 5 April 1970	No change
Between 6 April 1970 and 5 April 1978	Your State Pension age is currently 67. It would increase to between 67 years and 1 month, and 68 years, depending on your date of birth
After 6 April 1978	No change. Your State Pension age remains 68

How could this affect my retirement plans?

The purpose of retirement planning is to give you an idea of what your retirement might look like. It's important though to ensure your plans are flexible and are regularly reviewed to ensure you are on track or if your plans needs to be adjusted to fit any evolving needs or desires.

The State Pension is set to rise by more than 10% in April. For those eligible for the full State Pension this will increase to £203.85 per week or £10,600 per year. For many people, it is an important part of their retirement plans, however, it is still more than £2,000 less than what the Retirement Living Standards suggest will be enough to afford a single person a 'minimum' lifestyle in retirement.

If you have already decided when you would like to retire and want to stick to this timescale, you will need to take into account that you may have to work a year longer or wait a year longer, before you are in receipt of your State Pension.

You may want to save more to help fund that one-year £10,600 shortfall so you can still retire at the age you had planned. Alternatively, you may want to look again at the lifestyle you had planned for retirement – for some this may mean reducing the level of lifestyle planned.

It's also worth considering your health as this will determine how long you may be able to or want to work.

Currently, personal pensions can be accessed 10 years before your state pension is due. If you were considering retiring at 67 but find you are in the group that now cannot receive the State Pension until 68, you might be tempted to access your personal pension earlier. You might have other savings, such as ISAs. However, this could have a knock on effect to your future standard of living in retirement.

Answering the following questions will give you a better idea of how your retirement plans can be shaped.

- Do you know how much is in your pension pot(s)?
- Are you saving enough or can you make extra contributions?
- Do you have any unused contributions in the previous 3 years?
- Do you have multiple pension pots from different employers?
- Are there any gaps to fill in my national insurance record?
- Have you reviewed your investment choices in your pension?

Retirement planning is an evolving process due to lifestyle, health changes and government intervention. Therefore, it might be prudent to engage with a retirement expert who can use cashflow modelling tools to show you the impact of such changes to help you plan for any unexpected roadblocks.

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