Financial Planning
BECAUSE THE WORLD IS...

Guide to

Financial Planning for a Longer Retirement

How rising life expectancy impacts your retirement plans

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Financial Planning for a Longer Retirement

How rising life expectancy impacts your retirement plans

When you think about your future, how far ahead do you plan? Perhaps you've envisioned your life ten years from now, but have you considered what your later years might look like?

While retirement planning is common, it often focuses on the early years of retirement, when you're still celebrating newfound freedom. However, your needs and lifestyle can change significantly over the decades that follow.

Planning for financial security in your later years is just as important as preparing for early retirement milestones. Being proactive now can make all the difference. The choices you make today, whether in early retirement or even before, can profoundly shape your quality of life in the years ahead.

Building financial security that lasts

With life expectancy on the rise, many people can expect to spend 20 or even 30 years in retirement. This extended period requires careful financial planning to maintain a high quality of life throughout. As we age, the likelihood of needing some level of care increases, which can impose a significant financial burden if not planned for adequately.

By considering what matters most to you and envisioning your later years sooner rather than later, you can lay the foundation for long-lasting financial security.

Did you know?

- From 2022 to 2024, life expectancy at age 65 years in the UK was 21.2 years for females and 18.7 years for males; this is an increase of 17 weeks from 20.8 years for females and 21 weeks from 18.3 years for males since 2019 to 2021. Planning for a longer retirement is no longer optional; it's essential. Source: National life tables – life expectancy in the UK: 2022 to 2024.
- Around 542,000 older people in England received local authority long-term care in 2022/23, against an older population of about 11 million, implying roughly 5% coverage, before private and informal care are counted. Source: Age UK, 26 September 2024.

Proactive decisions for peace of mind

Taking a proactive approach to your later-life finances can provide invaluable peace of mind. Early decisions, such as investing in long-term care insurance or setting up a trust, can help reduce future stress.

Regularly reviewing and adjusting your financial plan to reflect changes in health, inflation, and personal circumstances is essential. A comprehensive plan

can also help you maintain your independence for longer. This should include considerations for healthcare, living arrangements, and lifestyle choices that support your overall wellbeing.

Practical tip:

- Schedule an annual financial review to ensure your retirement plan remains aligned with your goals and circumstances. This is especially important if you experience significant life changes, such as a health diagnosis or a shift in family dynamics.

Confidence in your future

With retirement lasting longer for many, managing your finances effectively is crucial. You'll face an extended period when you're no longer earning and instead rely on the assets you've built during your working years. For most, this starts with a pension.

Pensions are a tax-efficient way to save for retirement and often form the cornerstone of retirement planning. However, with greater flexibility introduced by Pension Freedoms, retirees now face the challenge of ensuring their pension lasts throughout retirement. Confidence in your future comes from knowing you've planned thoroughly.

Making your pension last

Imagine planning for a 20-year retirement, only to live another decade beyond it. How would you maintain your lifestyle? Many retirees worry about running out of money in their later years. To ensure your pension lasts a lifetime, it's essential to consider life expectancy and how you'll access it.

Ways to access your pension

There are several ways to access your pension, each with its own benefits and drawbacks:

Annuities: Provide a guaranteed income for life, but may offer lower returns.
Income Drawdown: Offers flexibility but comes with the risk of depleting your funds prematurely.
Lump Sums: Allow access to larger amounts for specific needs but require careful management to avoid running out of funds.

Did You Know?

- Inflation may reduce the purchasing power of your pension over time. Explore options like inflation-linked annuities or investment strategies aimed at keeping pace with or exceeding inflation.

Understanding the State Pension

For the 2026/27 tax year, the full rate of the new State Pension will be £241.30 per week, or about £12,547.60 per year. To qualify, you'll need at least ten years of National Insurance contributions, with 35 years required to receive the full amount. In some cases, you can top up your National Insurance record to maximise your entitlement.

Practical tip:

- Use the government's State Pension forecast tool to check your entitlement and spot any gaps in your National Insurance record. This can help you plan effectively and avoid surprises.

Exploring Pension Credit

Pension Credit is a means-tested benefit that supports low-

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income pensioners. For 2026/27, Guarantee Credit tops up weekly income to £238.00 for single people and £363.25 for couples. This benefit can unlock additional support, including free TV licences for those over 75, rent assistance, and council tax discounts.

Did you know?

- Many pensioners miss out on Pension Credit simply because they don't apply. Even if you think you're ineligible, it's worth checking; you might be surprised.

Creating a comprehensive retirement plan

A sound retirement plan takes into account all income sources, including pensions, investments, savings, and even part-time work, alongside expected expenses, healthcare costs, and major expenditures.

Regularly reviewing and adjusting your plan helps you stay on track to meet your goals. Seeking professional financial advice will help you maximise your assets and tailor your strategy to your unique needs.

Diversifying income streams

While pensions are central to retirement planning, other assets, when appropriate, can play a vital role in securing financial stability:

Savings: Cash ISAs and emergency funds provide stability and peace of mind.

Investments: A diversified portfolio can generate returns but requires careful management to mitigate market risks.

Property: Downsizing or equity release can unlock the value of your home, supplementing your retirement income.

Practical tip:

- Consider adopting a "bucket strategy" for your retirement savings. Divide your assets into short-, medium-, and long-term buckets to manage liquidity, growth, and income needs effectively.

Planning for long-term care

Long-term care is an increasingly important consideration.

Whether it's occasional assistance or 24-hour residential care, understanding your needs and how to finance them is crucial.

Options include personal savings, pensions, property sales, or long-term care insurance. Planning ahead and setting up a Lasting Power of Attorney ensures your wishes are respected if you're unable to make decisions.

Did you know?

- The average cost of self-funded residential care in the UK is around £67,000 per year, while nursing care is roughly £80,000 per year, depending on region and level of support. In England, NHS-funded nursing care is paid separately at a standard rate, which can help offset part of the cost for people in nursing homes. Source data: carehome.co.uk 20.04.26.

Balancing financial stability and flexibility

Achieving financial stability in retirement requires a holistic approach. By strategically combining pensions, savings, investments, and property, you can build a resilient income strategy. Regularly reviewing and adapting your plan ensures you're prepared for whatever the future holds. ■

Ready to secure your future?

If you're concerned about funding your later years or planning for a family member, now is the time to act. With our professional financial advice, we can help you navigate your options and implement a strategy tailored to your needs. Don't wait. Start planning today to secure your financial future - we look forward to hearing from you.

Prepared to explore securing your financial future and achieving peace of mind in later life?

The decisions you make today will play a crucial role in shaping your financial stability and overall wellbeing in the years to come.

Contact us today to arrange your consultation and build the retirement you deserve.

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