CONDIES
WEALTH

Your Retirement Journey

As illustrated in the graphic overleaf, there are various stages of the retirement journey, from the start of your career, to approaching retirement and then into retirement itself.

It's important to keep focussed on your goals when moving through the stages of accumulating a pension pot, to the decumulation stage of using your fund to provide an income throughout your retirement.

Each of these stages requires planning:

- How much should you contribute?
- How much investment risk should you accept?
- How much should you draw as an income?

Condies Wealth Strategies are here to help you through these various steps.

Your Retirement Journey

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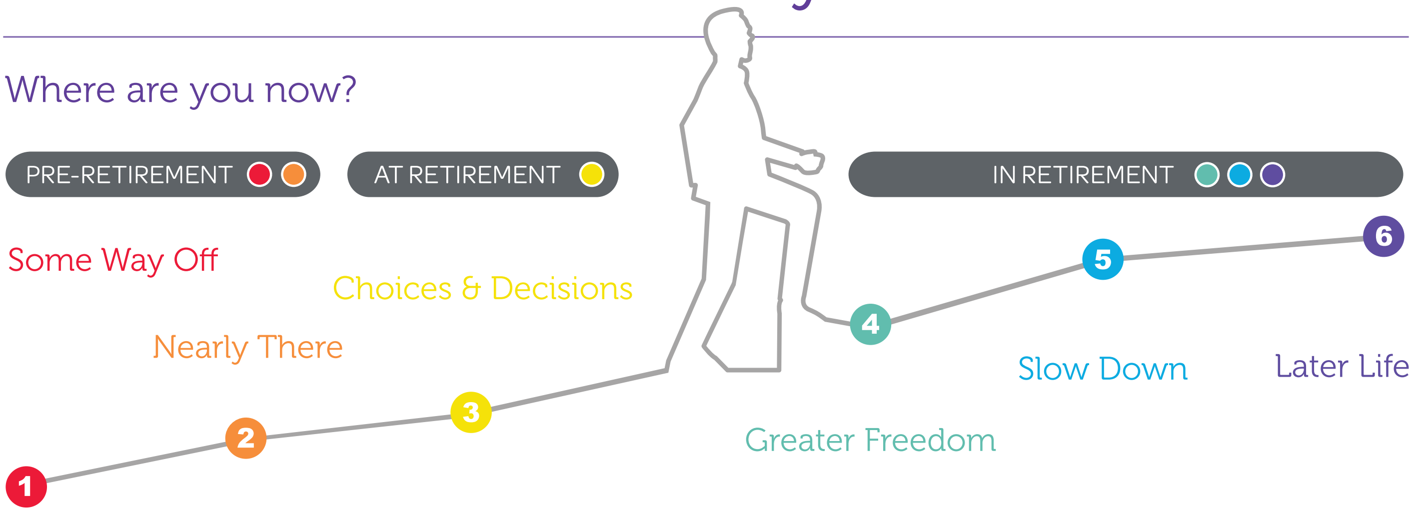
Where are you now?



Tax Planning and Pensions

People don't just contribute to pension funds as a means for retirement planning, they also use it as a tax planning tool. This can be of benefit in a number of ways:

- Tax relief on the contributions (personal)
- Reducing their corporation tax bill (employer contributions)
- Extracting funds from the business
- Inheritance tax planning
- Maximising tax efficiency in retirement

Personal

Paying money into a pension comes with the benefit of tax relief in the year the contribution is made. This is 20% at source, so for example if you contribute £8,000, this is grossed up to £10,000 within the pension fund. Without having taken any investment risk, you have increased your investment by £2,000. If you are a 21% tax payer you can also claim an additional 1% in tax relief. If you are a higher rate or additional rate tax payer, you can also reclaim a further 21% or 26% through your self-assessment tax return. Therefore a higher rate tax payer could benefit from a real net cost of £5,900 while actually making a £10,000 contribution.

There are also other benefits to making personal pension contributions. If you are earning over £50,000, you can lose some (or all) of your child benefit or over £100,000 some or all of your tax-free personal allowance. If you are just over these limits, making a personal contribution can extend your basic rate tax band, meaning that you avoid these losses.

Company

If you are a business owner, rather than making a pension contribution personally, you may want to consider making a contribution from the company as an employer.

Instead of receiving tax relief as per the personal contribution, this is a benefit to the company and the contribution will reduce the company's profits and reduce the corporation tax bill. This is generally more tax efficient than taking extra income (which you will need to pay tax and national insurance on) and then making the contribution personally.

This option can often allow a larger pension contribution, because a personal contribution is capped at your net relevant earnings.

Lifetime and Annual Allowance

The lifetime allowance is the amount that can be drawn from pensions without triggering an extra charge. This is currently £1,030,000, however can be greater if you have applied for certain protections.

There are limits on how much you can currently contribute to pensions and the standard allowance is £40,000 in a tax year; albeit this can be reduced depending on your level of earnings and whether you have already drawn down some pension funds.

It may be possible to use some unused relief, if you haven't maximised your pension contributions in the previous 3 tax years.

What to do next

If you haven't reviewed your pension planning in a while or are not maximising your possible contributions, it would be worth having a review meeting.

In this meeting, we can discuss:

- Are your existing pension pots with the right company?
- Are you pension pots invested effectively?
- Are you making the right level of contributions?
- Are you considering how to use these pots in retirement?

We are happy to have a FREE introductory meeting to discuss these issues and some options that will help you with your pension planning.

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