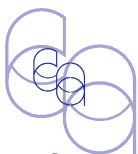


2016/17  
GUIDE TO...

# Retirement Planning



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# YOUR GUIDE TO... Retirement Planning

**Retirement isn't what it used to be. In many ways it is better: people are living longer and enjoying healthier and more active retirement years.**

**On the financial side, however, trends are not as positive. For a combination of reasons, the goal of a financially secure retirement is becoming increasingly difficult to achieve. This guide highlights some of the issues you need to consider if you wish to enjoy the comfortable retirement you deserve.**

While being able to retire may not be your most important financial objective now, sooner or later it will be at the top of your agenda.

The earlier you focus on your retirement needs and plan for meeting them, the more time you will allow yourself to invest and the more time your investments will have to grow.

## **A pensions shortfall?**

Many people are heading towards retirement with inadequate savings, and many even have significant debts. Meanwhile, retirement periods are becoming longer. Government figures suggest that life expectancy at age 65 has now reached the highest ever levels for both men and women.

For many, the whole picture adds up to a pensions shortfall. However, we can help you take steps to ensure that your retirement is as financially secure and comfortable as possible.

## **Key points to discuss with us include:**

- Working out how much you need to save to create a 'retirement pot' capable of securing the comfortable retirement you desire
- Tax-advantaged saving for your retirement
- Using your business to help fund your retirement.

There are various options for retirement funding available – see right for some of the most common.

# Principal Pension Planning

## The state pension

Eligibility for a state pension depends on an individual's NIC record. Individuals who reach state pension age after 6 April 2016 will receive a flat-rate pension, worth potentially no less than £155.65 per week. Those who reached state pension age before 6 April 2016 will continue to claim their basic state pension (plus any additional state pension that they may be entitled to).

Nearly everyone reaching state pension age in the next few years will be subject to complex transitional provisions which take account of their contribution record prior to 6 April 2016. It is therefore important to obtain a pension forecast to know where you stand - an online version is in its testing stage at [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension). This page provides details of other ways of obtaining a forecast.

## Employer pension schemes

There are two kinds of company pension scheme, into which you and your employer may make contributions. A **defined benefit scheme** pays a retirement income related to the amount of your earnings, while a **defined contribution scheme** instead reflects the amount invested and the underlying investment fund performance. In both cases, you will have access to tax-free cash as well as to the actual pension. You should receive annual statements that include valuations of the pension fund and forecasts of the income it might provide at your retirement. All employers will soon need to provide a pension scheme due to auto-enrolment legislation.

## Personal pensions

If you are not in a good employer pension scheme, you should make your own pension arrangements. Your investment will, subject to limits, qualify for tax relief at up to 45%. The limits for 2016/17 are the greater of £3,600 or your UK relevant earnings. There is an over-riding allowance which, for most people, is £40,000. From 6 April 2016 those with adjusted income over £150,000 may have their annual allowance tapered down to a minimum of £10,000. Pension input exceeding the annual allowance may be subject to a tax charge. Where premiums paid in the pension input periods ending in the preceding three years are less than the annual allowance for those years, unused relief may be carried forward.

For both employer and personal pensions, there is a limit on the tax-privileged benefits that can be drawn from the schemes. The value of any authorised benefits paid out in excess of their allowance is subject to a tax charge known as the lifetime allowance charge. The standard lifetime allowance is £1 million in 2016/17.

# Other Planning Options

## Your business

At some point in time, you will dispose of your business interests and invest the proceeds. While this may be some years away, and the business will continue to generate your income for now, at some point you will wish to realise its capital value. Maximising this value and paying the minimum in capital taxes is an important goal.

## Your home

Although they might not be suitable for everyone, there are at least two ways to make your home boost your retirement finances. The first is down-sizing – selling your current home and buying something cheaper to release value now tied up in your property for other purposes.

If you wish to continue living in the same property, 'equity release' might also be something to consider, but only in your later years. Equity release might not suit all families, and you need to discuss all the implications with us and your other financial advisors.

## ISAs

ISAs are available from banks, building societies and a variety of other providers. The maximum annual deposit is £15,240 overall in 2016/17.

All income earned on investments within an ISA is exempt from income tax. However, tax credits on dividends arising within an ISA are no longer repayable. Gains made on ISA investments are exempt from capital gains tax.

From 6 April 2017 the new Lifetime ISA will provide another way of saving for retirement. The accounts will be available to any adult under the age of 40 and individuals will be allowed to save up to £4,000 each year. Savers will receive a 25% bonus from the Government for every pound they put in, up to the age of 50.

## Other sources

Savings insurance policies, property and valuables such as art or collections could all be taken into account when developing a retirement strategy.

**Your retirement strategy will be determined by a number of factors, including: your age; the amount of state pension you will receive; whether you have an employer or personal pension scheme; whether you are self-employed; and how much you can afford to invest. We can help you to plan for a comfortable future – contact us today.**

# Planning Checklist

Why not complete this checklist, and then make arrangements to discuss your retirement plans with us? We can use this as a starting point, to help you create a strategy to realise your retirement aspirations.

## Do you have a retirement plan in place?

- ☐ Yes (date last reviewed: \_\_\_\_\_ )
- ☐ No, but I would like to develop one

## My primary retirement goals are to:

- ☐ Live independently where I want
- ☐ Travel frequently
- ☐ Buy and enjoy the things I want
- ☐ Minimise taxes
- ☐ Help my children and their heirs
- ☐ Pursue hobbies and interests

Other \_\_\_\_\_

## My current retirement resources include:

- ☐ Pension plans
- ☐ ISAs, stocks and shares
- ☐ Insurance policies
- ☐ Savings
- ☐ Art, collections and other valuables

Other assets \_\_\_\_\_

I need help with:

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# Our Services

In addition to the full range of taxation, accounting and auditing services, Cohen Arnold is able to offer you assistance and guidance in all the following areas:

- Financial Due Diligence
- Tax planning and mitigation
- HM Revenue and Customs investigations
- Information Technology and computer consultancy
- Finance raising for both corporate and property acquisitions
- Company formation and administration in all jurisdictions
- Comprehensive charity services
- Business start-up advice
- PAYE and VAT administration services

*This guide is for general information only. No responsibility is taken for any action taken or refrained from in consequence of its contents. Always seek professional advice before acting.*



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