



On Track For The Future

Preparing for retirement

Updated: 5 September 2022

welcome to brighter



Whilst what retirement actually means these days is changed from a generation ago, if you are closer to your planned full or partial retirement age, then this article looks at some of the things you might want to think about as you prepare and plan.

On Track For The Future

Preparing For Retirement

It's a common misconception that preparing for your retirement begins, and ends, with your finances. Retirement has fundamentally and dramatically changed from traditional perceptions.

The broad shift away from Defined Benefit pensions, the removal of the default retirement age, the inclusion of Age Discrimination in legislation and the expansion of financial freedoms - all these systemic changes have taken place against a backdrop of generally increasing longevity and healthier ageing, and far greater opportunities for leisure, personal development, communication, and indeed for the nature and concept of "work" itself.

And for an individual that means you need to change the way you think about preparing for your retirement.

Rather than starting from "How much will I have to spend in retirement?" start instead from "How do I want to spend my retirement?". The key here is that there will be a lot of decisions you are going to need to make about what to do with your pension(s), any savings and investments and so on. And making those decisions without considering what you actually want to do with your money in retirement might lead you to make less than optimal decisions. Take a simplified example: a person might be intending to take the maximum 25% tax-free lump sum when they put their pension into payment, not out of an identified need for it but because it's "what people do" with a pension.

But have they actually thought about what they want to do with that money? Do they actually need a lump sum if, for example, they've already paid off their mortgage and don't anticipate having any large one-time expenses they need to cover from their pension pot? Would financing the retirement they actually want to have be better served by leaving that lump sum in their pension, and maybe buying a larger annuity to increase their regular and guaranteed pension income?

Proper preparation for retirement requires thinking about what you would like to be doing, who with, where, and how much it will cost, and what form that cost takes – for example will you have regular spending: regular holidays abroad, season tickets, regular trips to the theatre, club or gym memberships and so on? Or will you have expensive "one-off" purchases like new equipment to help you pursue an interest you love, or to pay for a once-in-a-lifetime super holiday?

Considering the lifestyle **you** want to lead in retirement first and only then taking decisions around your finances so that you can afford that retirement will help you to optimise **your** retirement outcome.



Important notices:

References to Mercer shall be construed to include Mercer Limited and/or its associated companies.

© 2022 Mercer Limited. All rights reserved.

This document is intended for general information only. It does not contain investment, financial, legal, tax or any other advice and should not be relied upon for this purpose. It is not tailored to your particular personal and/or financial position. If you require advice based on your specific circumstances, you should contact a professional adviser.

This document is based on our current understanding of legislation, taxation and HMRC practice which may change in the future. The value of investments can go down as well as up, so you could get back less than you invest. Past performance does not guarantee future results. The effects of inflation will reduce the future spending power of money.

Note that the government is continuing to introduce further measures to support individuals and families with the cost of living, through a number of financial initiatives. This document summarises, or provides links to further information available up to 30 August 2022.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party. For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No. 984275. Registered Office: 1 Tower Place West, London, EC3R 5BU.

welcome to

brighter



Mercer Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275. Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU