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Preparing your finances for retirement

Could market volatility and inflation mean you have to delay retirement?

It's never too early to start planning for retirement. But if you're nearing retirement, it's especially important to have a plan in place in case market volatility or inflation impacts your desired retirement timeline.

Some people assume that they will be able to retire on time, regardless of what the stock market or inflation rates are doing. However, this is often not the case. Market volatility and inflation as we've seen over recent months can have a significant impact on the cost of living in retirement, and they can also affect how long your savings will last.

With a little planning and forethought, you can make sure that you're prepared for whatever the future may hold so that market volatility and inflation do not derail your retirement plans.

DO YOU UNDERSTAND WHAT YOU HAVE?

It's important to understand what you have and where your income will come from, so that you can make the most of it in retirement. Your retirement income can come from a variety of sources, not just your pension savings or any income you'll receive from final salary-type pensions (also known as 'defined benefit' pensions).

Other sources of retirement income could include: the State Pension, which will give you a welcome top-up when you're eligible – currently age 66, although this will rise in the future; annuities (a guaranteed income for life, usually bought with pension savings); drawdown (where you keep your pension invested and take an income from it, while the investment continues to grow); workplace pensions (such as a company or occupational scheme).

You might also have Individual Savings Accounts (ISAs), other savings and investments, or rental income from property you let out.

IS THIS ENOUGH FOR THE FUTURE YOU WANT?

Once you know what you have, think about what you'll need in the years to come and how long that may have to last. Remember that retirement could be three to four decades. That's why it's important to have a plan in place that can cover your costs, no matter how long you live.

You need to consider when thinking about your future needs that, over time, the cost of living tends to go up. In order to keep up with inflation, you'll need your savings and investments to grow at a similar rate. This way, your money will be able to buy just as much in the future as it does today.

One of the biggest risk factors in retirement is outliving your money. This is especially true if you don't have a pension to supplement your income. That's why it's important to make sure your savings will last as long as you need them to.

EXPLORE ALL YOUR OPTIONS

Even if you've seen the value of your pensions and investments fall that doesn't necessarily mean that you'll have to delay your retirement altogether. The good news is that there are steps you can take to help ensure that your retirement savings will last as long as you need them to.
These include diversifying your investments, staying invested for the long term and being mindful of expenses. You could also consider flexi-retirement, which means staying with your current company with reduced hours, or take a new part-time job, meaning you're less reliant on your pension for income.

You could take less from your pension savings and investments until their value recovers and use other savings instead to bridge the gap. Also, if you have any income from final salary pensions, you'll receive a guaranteed amount each year. And this will generally increase each year too, as will your State Pension once you start receiving this. ■

IT'S GOOD TO TALK – WE'LL HELP YOU UNDERSTAND YOUR OPTIONS

If you're nearing retirement age and are concerned about how market volatility and inflation could impact your retirement, we can help you understand and offer guidance on how to adjust your plans accordingly. For more information, please contact us.