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# Maximising your investments in your 50s

## Time to evaluate whether you need to modify your objectives or saving strategies?

As you enter your 50s, retirement is no longer a distant dream but a rapidly approaching reality. Ensuring that your investments work diligently to secure the lifestyle you envision for your golden years is crucial. By optimising your financial strategy now, you can confidently retire according to your personal goals and aspirations.

Defining your retirement savings target may have been on your financial to-do list for some time. However, delving deeper and establishing a more precise goal is essential. Determining the amount you need to save for retirement involves considering your desired retirement age, post-retirement activities, expected investment returns and inflation rates.

Obtaining professional financial advice will provide valuable insight into the longevity of your retirement savings', helping you evaluate whether you need to modify your objectives or saving strategies. By refining your retirement goals, you can work towards a concrete target and ensure a comfortable and secure future.

### EVALUATE YOUR INVESTMENT STRATEGY IN YOUR 50S

In your 50s, as you approach retirement, it's crucial to reassess your investment portfolio to ensure the proper balance between risk and reward. The level of risk suitable for you will depend on your retirement funding plan and target retirement date.

If you plan to purchase an annuity in a few years, it may be wise to gradually shift your pension fund from equities to lower-risk assets like cash. This helps avoid a potential stock market downturn that could deplete your pension just before you need to buy an annuity.

On the other hand, if you intend to finance your retirement through income drawdown and additional savings and investments, moving to cash too early might result in your money running out sooner than expected. Maintaining some exposure to equities allows your portfolio the chance for long-term growth. Remember that your retirement could last for several decades, during which inflation will decrease the real value of your savings and

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diminish your money's purchasing power.

One way to counter rising prices is to stay invested in the stock market, as history demonstrates that it performs better than cash and outpaces inflation over extended periods. Diversifying your investments across various asset classes can help your portfolio withstand market fluctuations.

Obtaining professional financial advice will help you determine the ideal asset mix for your situation, considering your investment horizon and risk tolerance.

## APPROACHING RETIREMENT

Nearly one million (990,000) pre-retirees, those aged over 55 and still in work, are considering annuities for the first time in preparation for their retirement, according to new research[1].

One in six people approaching retirement but still working (16%) are looking at annuities due to improved rates against the backdrop of rising living costs. This is in addition to the 828,000 (14%) of working over-55s who had always planned to buy an annuity in retirement[2].

## BOOST YOUR RETIREMENT SAVINGS WITH PENSION TAX RELIEF

Pensions are a powerful tool for saving for retirement, especially when you're in your 50s. One of the main reasons for this is the tax relief you receive on personal pension contributions. This tax relief can significantly enhance your retirement savings, making it essential to focus on your pension as you approach retirement.

When you make a pension contribution, the government provides tax relief, essentially free money. For example, a £1,000 pension contribution would only currently cost you: £800 if you're a basic rate taxpayer; £600 if you're a higher rate taxpayer; and £550 if you're an additional rate taxpayer (assuming you have at least £1,000 of income in the higher/additional rate bands). This tax relief can help you grow your retirement savings more quickly and efficiently.

You can make tax-relievable personal contributions of up to 100% of your UK relevant earnings or £3,600 if more up to age 75. The annual allowance is currently £60,000 and this applies to contributions from all sources including any employer contributions. If the annual allowance is exceeded, you will be liable for a tax charge on the excess. However, your pension annual allowance could be lower than this if you have a very high income.

If you wish to save more than your annual allowance, you may be able to utilise unused allowances from the previous three tax years under carry-forward rules. This option allows you to maximise your pension contributions and use the tax relief available.

Focusing on your pension and taking advantage of tax relief is a smart strategy for those in their 50s looking to boost their retirement savings. Understanding the benefits of pension tax relief and maximising your contributions can ensure a more financially secure future during your retirement years.

## MAXIMISE YOUR TAX ALLOWANCES

As an investor, there are numerous tax allowances you can take advantage of to maximise your financial benefits. One such allowance is the Individual Savings Account (ISA), which currently allows you to invest up to £20,000 per year (tax year 2023/24) and enjoy tax-efficient income and growth.

With the flexibility to withdraw from ISAs without paying tax, they serve as a valuable income source for those retiring before age 55 (the current normal minimum pension age (NMPA) and contribute to a tax-efficient retirement income portfolio. Starting from April 6 2028, the NMPA will increase to 57. This change may affect you differently depending on your birth date.

Other essential allowances to explore include the personal savings allowance, dividend allowance and capital gains tax exemption. These allowances currently allow you to earn tax-free interest up to £1,000, depending on your marginal Income Tax rate. Additionally, you can receive tax-free dividends up to £1,000 (the allowance is set to reduce to £500 in April 2024) and enjoy tax-free investment gains up to £6,000 for the 2023/24 tax year (the allowance is set to reduce to £3,000 in April 2024).

Obtaining professional financial advice will help you optimise your allowances and structure your portfolio for maximum tax efficiency. By leveraging these allowances, you can make the most of your investments and secure a comfortable financial future. ■

## ARE YOU LOOKING FOR GUIDANCE TO NAVIGATE THE WORLD OF INVESTMENTS?

Investing your money is an effective way to reach your long-term goals and aspirations. By investing your money, you could earn a higher return than if you were to save it in a low-interest savings account. This means that your money could grow substantially over time, giving you a better chance of achieving your financial goals. For more information, please get in touch with us.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.