*How to plan for your retirement;*

*A guide for the Gamekeepers Welfare Trust*

This guide has been created exclusively for GWT by Independent Financial Advisor Mary Hemingway, Registered Individual for Truly Independent FCA: 513655. All regulation and tax calculations shown in the guide are true as at July 2020.

This guide does not constitute Financial Advice.

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# *Planning for Retirement in 3 Steps*

Retirement will look different to each person individually, some may want a life of no work where they can spend time on the golf course, others (including many like you) it is stopping being a Gamekeeper, Stalker or Ghillie as your main job and perhaps moving to a more casual way of working and living in the country.

No matter your expectations of retirement one thing that you must do as early as possible is plan for it financially. This guide is designed to help you do that in 3 simple steps with an example at the end.

**Step 1- What does your ideal retirement look like?**

Set aside some time to think about what you want in retirement. Discuss this with your partner if possible as this is a life stage you will hopefully share. Answer questions like:

- Where do we want to live?
- Do I want to keep working on a casual basis? (Beating/Picking up/Loading/Stalking etc)
- Do we want extra money to enjoy things like holidays?
- When do I want this to happen?

Next you need to work out how much income you need to support this lifestyle. A great starting point is your current monthly expenditure; you should begin by working that out and adding up anything that will be an ongoing cost in retirement, don't forget to add in any extras you currently receive as part of your employment like rent, utilities, phone, council tax, dog food etc.

Come to a figure and add 20% to account for tax and fluctuations in prices and you will have a rough amount to aim for on a monthly or annual basis. It's always best to overestimate your expenditure!

**Step 2- Where are you now?**

This is the perfect time to take stock of your financial position. How much you hold in savings and possibly investments is very important. Check any outstanding debts and how long you have until they are repaid too. Think about what you do with your income and any excess, for example tips in the shooting season.

If you expect to continue working casually in retirement, how much do you realistically think you will earn? Remember this isn't guaranteed so it would be good to also think about a back up to this income.

You and your employer should be contributing to a workplace pension and you may also have pensions from previous estates. You may not have paid them much thought at the time but they will be crucial in achieving the retirement you want. If you have lost track of your pensions you can trace them down for free here: https://www.gov.uk/find-pension-contact-details

You should also get a forecast of your State Pension to see what income you should be entitled to when you reach state pension age : https://www.gov.uk/check-state-pension

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It is important you keep track of your pensions and make sure they hold an up to date address for you. For further information please visit the 'Understanding your pension' section of this guide.

**Step 3- How do I bridge the gap?**

Take your retirement plan from step 1 and compare it to your reality in step 2. You may find your dream retirement easily achievable with what you have in place already but most people find they have a shortfall between the income they need and assets and savings they have.

There are many ways to bridge this gap but it is always best to start as early as possible! It will be much easier if you have worked this out and begun addressing a shortfall in your 30s rather than your 60s, but whenever you start your retirement planning there are many options available.

One way many people who live in tied accommodation save for the future is by buying a property to rent out while they are still working. The rental income could be used to pay a mortgage on the property, then when you come to retire (you will hopefully own the house outright by this stage) you can either move into it yourself or sell it and buy somewhere else.

For more information on buying a property and saving for a deposit you should read the 'Buying a Property' guide.

Saving excess income while you are working is a great way to fund your retirement but it is vital you save into the right place. Pensions are the most common way of saving towards retirement because they are essentially just a long term savings account with added tax benefits. You can save regularly into a pension or put in lump sums which are then invested for you to access after you turn 55. Other ways of saving such as Lifetime ISAs are also available.

For more information on Pensions and Lifetime ISAs you should read 'Understanding your Pension' section of this guide.

## ***Where to get help***

As you can see, there are many different options for financially supporting your retirement. The good news is you don't have to reach these decisions alone, there are many experts who are available to help you:

| Who? | How can they help? | Get in Touch |
|---|---|---|
| Money Advice Service | Free and impartial guidance for all money matters. Lots of useful guides and calculators. | 0800 138 7777<br>www.moneyadviceservice.org.uk |
| Pensionwise | Offer a free meeting for over 50s to discuss your pension options. They cannot provide advice but they will help you understand what you have and your available next steps. | www.pensionwise.gov.uk |
| Unbiased.co.uk | A register of Financial Advisers local to you. | www.unbiased.co.uk |
| Mary Hemingway | Mary is an Independent Financial Advisor who can give you bespoke advice and solutions for your retirement planning. | Mary.hemingway@trulyonline.co.uk<br>07703671431<br>www.mary-hemingway.trulyifa.co.uk/ |

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The GAMEKEEPERS WELFARE TRUST is able to consider providing welfare grants to those retired who have derived the majority of their income employed as a gamekeeper and this applies to the gamekeeper and his/her dependents including widows/widowers. Grants include top up rents, and deposits, as well as essentials i.e. heating, or health related aids and needs. Annual grants are also provided to those eligible for benefits. Application forms can be downloaded from the GWT website www.thegamekeeperswelfaretrust.com or by contacting Jamie's Helpline 0300 1233088, office: 01677 470180 or by emailing help@thegamekeeperswelfaretrust.com

**Do I need a Financial Advice?**

Many people successfully plan and achieve their desired retirement on their own; there are lots of good quality free resources available to individuals. Some of them are listed above but thorough research from impartial sources is a must before making any decisions.

A Financial Advisor is regulated by the Financial Conduct Authority and is qualified and regulated to give you personal advice on your pensions and investments. They do this by conducting thorough research into your situation and goals, then using their knowledge and experience to provide you with a bespoke solution, they will then implement the plan with you and keep regular contact to keep it on track.

Financial Advisor's often offer a free initial meeting to discuss your requirements and should always make their costs very clear to you before starting any work.

Here is a useful article on choosing and Advisor:
https://www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser

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## *Understanding your pensions*

This part of the guide will give you an overview of pensions, what you need to look for and how to make them work for you! This guide is exclusively about 'Defined Contribution' pensions, if you have a Defined Benefit (often called Final Salary or Career Average Pensions) you should seek the advice of a Specialist.

The Basics:

- A pension is a type of long term investment often used to fund your retirement.
- You make regular or one off payments into a 'pot' which you then use to fund your retirement.
- Pensions Freedom rules were introduced in 2012 meaning that you can access a pension flexibly from the age of 55.
- Pensions are very tax efficient! You receive tax relief when contributing and 25% tax free when you withdraw.
- Your money is invested into financial markets, you can choose where to invest or go with a default option. This means your money will rise and fall in value but hopefully grow over the long term.
- Workplace pensions mean free money! Your boss has to pay in for you and the pension is yours to keep if you move employer.

A workplace pension is something your employer MUST provide if you are between 22 and State Pension Age, earning more than £10,000 a year. You may still be able to pay in to a workplace pension if you don't meet these criteria.

For example if you have a salary of £25,000 your monthly pension contribution may look like this:

You will be automatically put into a workplace pension if you meet the criteria above but you will be given the option to 'opt-out'. It is only advisable to opt out if you are unable to afford paying your regular contributions and even then your contributions should be resumed as soon as possible.

Even if you are a few months away from retirement you will miss out on employer contributions if you do not join the scheme!

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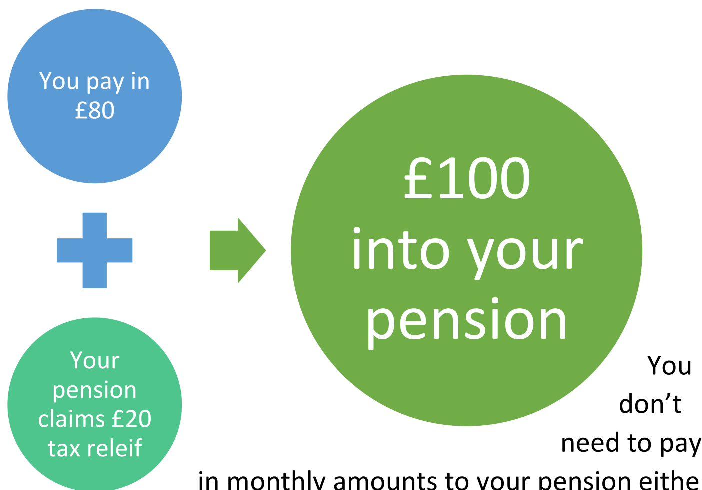
*Personal Pensions*

The main difference with a personal pension is how you pay into it; because you make a contribution from your net earnings (take home pay) you get tax relief inside the pension in the form of a rebate. Something like this:




An instant boost of 20% to your initial investment makes personal pension contributions very attractive. If you are a higher rate tax payer then this tax relief is increased to 40%.

Even non tax payers can benefit from this relief, they can pay up to £2,880 into a pension a year and have this increased to £3,600 with tax relief.

You don't need to pay in monthly amounts to your pension either. If you find you have extra money, in the shooting or fishing season for example, you could apply to pay in lump sums. So if you wanted to pay in £800 you would automatically have this boosted to £1,000 with tax relief.

If you haven't accessed a pension yet you are able to pay up to £40,000 in one year, or your taxable earnings (whichever is lower).

A Personal Pension also gives you greater freedom in choosing your pension provider. Whereas a workplace pension is usually chosen by your employer. If you are considering opening a personal pension you should consider the following:

- Does the pension provider have a good track record for providing pensions to people like me?
- How can I make payments in? Can it be on an ad-hoc basis or does it need to be monthly?
- What are the charges? Most pensions charge a % fee taken straight from the pension, the higher the cost the more it erodes your retirement fund.
- Are the investment options suitable for me?
- Are there any penalties if I decide to move my pension in future?

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## *Investing your pension*

The next feature that make pensions attractive is growth potential. Your pension is invested on your behalf, you can be as involved in this process as you want to be, if you don't want to be involved or you aren't confident then your pension provider will invest you into their default option which should be a diverse investment, probably with a medium risk level.

'Investment' is a very broad term for an asset that you buy in order to obtain an income or in the hopes that it will increase in value in the future. This can be broken down further into asset classes like equity (stock and shares in Companies), bonds (loans to Companies), property (usually commercial enterprises like office blocks), GILTS (loans to Government) etc.

Stocks and shares are one of the riskiest asset classes, they can be very volatile but they also offer the biggest chance of high growth. On the other end assets like GILTS are seen to be very low risk because the Government can always repay them, but they generally have quite a low and fixed growth rate. The key is to have a mixture of everything so when one asset falls in value there will be another that rises.

**Remember: Investments are not guaranteed meaning you can get back less than you put in.**

You don't need to pick each individual investment either, most available investments within pensions are in the form of funds which are a diverse collection of investments spread out over lots of companies, geographies, business sectors and asset classes. A diverse investment will be more resilient if a certain part of it falls in value- Don't put all your eggs in one basket works for your pension too!

Your own attitude to risk and reward is very important when investing. The more risk you take the higher the potential reward but you could lose a lot too! The level of risk you take will depend on a few key things:

- How long will the money be invested for?
- What other savings do I have to fall back on?
- Am I likely to build more savings in the future?
- Have I lost money on investments in the past?
- Am I confident in understanding investments and risk?

If you have a long timescale until you retire, at least 10 years, then you could potentially ride out any volatility in your investment. So if it falls after 5 years then it doesn't impact you too much and it will hopefully have recovered in another 5 years.

Overtime your pension investment should show steady growth even if it goes up and down on a daily basis. This is where the power of Compound growth comes to play in boosting your pension savings. Compound growth simply means that investment growth is reinvested and receives further growth

If you have a pension pot of £10,000 and it averages 5% growth a year, in 10 years it will be £16,470!

## *How do I access a Pension?*

There are lots of ways to access the money you have built in a pension, since 2012 Pensions Freedom rules have given savers even more flexibility but this can come at a price if you choose the wrong option!

A very common form of pension access is called Drawdown, this enables you to take an income or lump sums from your pension pot. You receive 25% of this totally tax free and the rest is taxable at your normal rate. You can start and stop income at any time from age 55 which makes it a popular option for people with other forms of income, like part time work. However, if you withdraw at too high a level your fund may run out leaving you without an income. Calculating a sustainable income from your pension is essential.

A very rough guide could be the '4% rule'. This is a rule of thumb where it should be sustainable for you to withdraw 4% of your fund every year as an income without eroding the pension completely. As it remains invested while you are withdrawing the hope is that the investment growth funds the 4% you are taking. If you have a pension of £100,000 then an income of £4,000 a year should be ok in the long run. This is not guaranteed though!

A drawdown pension can also be left to a loved one in the event of your death, so if you don't manage to spend it all then it won't go to waste.

Buying an annuity used to be the default option for pensioners. This is where you use the value of your pension to buy a guaranteed income for the rest of your life. For example you could exchange your £100,000 pension pot for a £5,000 a year income from the age of 60. This could be a good option if you like certainty of income and some pensions can offer very attractive annuity rates! One potential drawback of this option is the gamble- if you die at 70 you will have only received £50,000 worth of income.

An annuity is said to 'die with you' which means that it will stop on death unless you intentionally take out a spouses benefit which will pay a reduced income to your partner until they die.

These are two main ways to access a pension but there are many more options too, when the time comes to withdraw money it is usually best to seek advice from a trusted source.

Not all pensions will offer every kind of access and some will have different retirement ages too but you can always look into moving a pension to a provider that can facilitate the access option you need.

Some pensions have very valuable guarantees which should be discussed with a specialist before considering transfer. Your pension provider should tell you if you have any of these benefits.

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## *Pension FAQs*

**Is it best to combine my pensions into one?**

You should be absolutely certain that you fully understand any implications of transferring a pension and that you are choosing the best destination too. You may be penalised for transferring a pension or you may be subject to higher charges. Financial Advice is often beneficial as Advisors can work out if a transfer if in your best interests and where your pensions should be.

**I only have a small pension, can I just take it as a lump sum?**

Yes you can, but is this a good idea? 25% of the pension will be tax free, the rest is taxed as income. For example if you have earned £25,000 in a year and you have a £10,000 pension you want to take as a lump sum: £2,500 will be tax free but £7,500 you will pay 20% tax on meaning you only actually receive £8,500. The other question is, how will this impact your retirement planning? Will you need this money later on?

**Are there any alternatives to Pensions?**

A Lifetime ISA (LISA) is one possible alternative. If you are between 18 and 39 you can open a LISA and save up to £4,000 a year which gains a 25% top up from the government. You can use this fund to purchase your first house or you can access it after the age of 60 to fund your retirement. You can read more about them here: https://www.moneysavingexpert.com/savings/lifetime-isas/

**What happens to my workplace pension when I leave my job?**

It will stay put until you move it elsewhere! Your old employer has no access or control over the pension, it may stay part of the umbrella workplace scheme or it may have to change to a personal pension but essentially it is your pot of savings to do what you want with. It's important to keep track of all the little bits of pension from old estates as they can soon add up!

You can track down old pensions here: https://www.gov.uk/find-pension-contact-details

**What happens to a pension when I die?**

This depends on how old you are and what stage your pension is in (drawdown etc). Generally speaking you can nominate one or several people to receive your pension pot or income when you die. Most people would nominate their partner or perhaps split it between their children. A pension is usually classed as outside of your estate for inheritance tax purposes but you should check this with an Advisor.

**Can I access a pension before I turn 55?**

Usually no, unless there is a protected early retirement age. The exception to this is if you are terminally ill you may be able to access the pension with an explanation from your doctor that your life expectancy is limited.

**How much should I be paying in?**

Simply, as much as you can afford. Do not lose sight of needing accessible savings for shorter term goals but remember your retirement will be about a third of your life where you need income without working. The bigger your pension pot the better, and the earlier you start saving the more it benefits from compound growth. Using an online calculator like this could act as a guide: https://www.moneyadviceservice.org.uk/en/tools/pension-calculator

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## *Retirement Planning Example*

Jack is a 40 year old Gamekeeper, he has worked on the same estate for 5 years and lives with his wife Rachel and 2 children aged 9 and 13. He's been a Keeper all his life and started working when he was 16, he has worked on 4 estates in total but hopes to stay on this one for the long term.

Jack and Rachel feel they would like to retire from working full time at age 67, Jack feels the physical aspect of the job may mean he has to finish a bit earlier, maybe around 60. By this point the children will have moved out (hopefully!) and he can have a more relaxed lifestyle where he can still work on neighbouring shoots casually during the shooting season.

This is their estimated retirement expenditure:

| | MONTHLY AMOUNT | HOW WAS THIS CALCULATED? |
|---|---|---|
| **ALL CURRENT BILLS INC FOOD** | £780 | Current monthly outgoings |
| **RENT** | £600 | Typical local rent |
| **COUNCIL TAX** | £120 | See local council tax tables |
| **DOG FOOD AND VETS** | £50 | Budget a monthly amount for Vets bills to avoid large amounts, or you could use this to insure your dogs. |
| **PHONE AND BROADBAND** | £50 | Currently paid by employer |
| | =£1,600 | |
| **+ 20%** | =£1,920 | This accounts for tax on your income and some price fluctuations |

£1,920 a month is £23,040 a year. Using an annual amount will help you budget when you have a potentially seasonal income.

Jack and Rachel then use this information along with their State Pension forecast to draw a very basic cashflow forecast and identify their annual shortfall:

They decide they would like to fund this shortfall from their pension savings and work out they will need around £121,000 in the 'pot' to support an annual income of £4,840 using the '4% rule'.

Jack has £5,000 in his workplace pension. Using an online pension calculator they work out Jack should be investing £175 a month to his pension until he is 60. His salary is £25,000 so his workplace pension is having £125 a month added by Jack and his employer.

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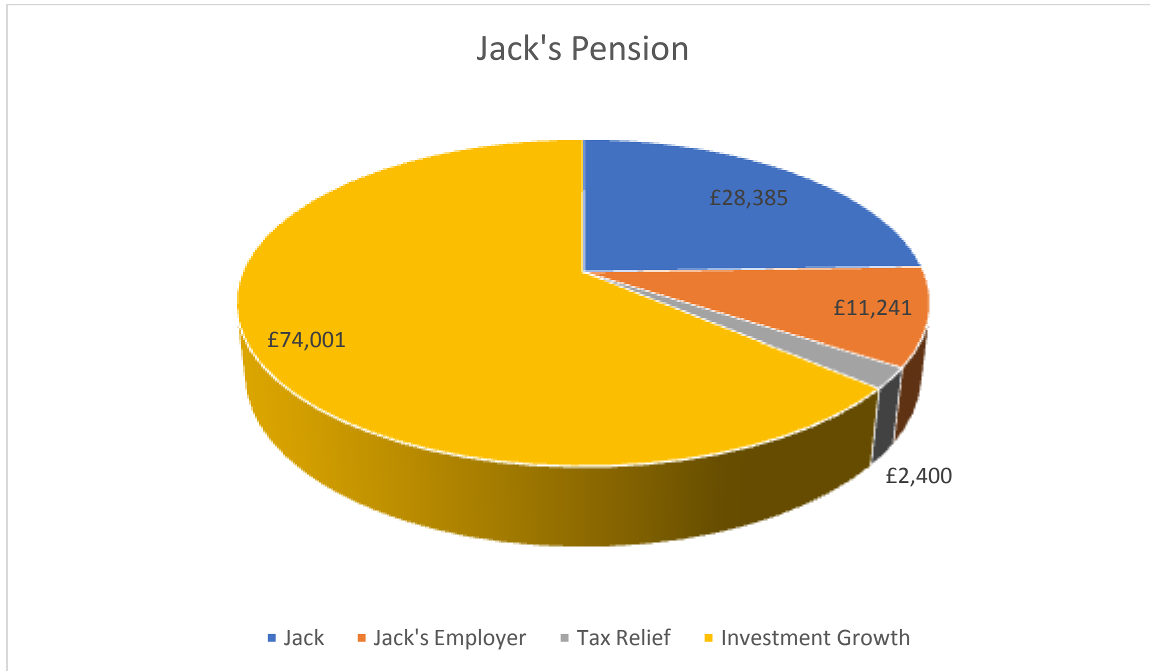
Jack sets up a personal pension, waits until the shooting season when they have a little extra money and makes a lump sum contribution of £480. This is 'topped up' by tax relief to £600 and means he is paying the equivalent of £175 a month into pensions. He plans to do this every year.

If his pension grows steadily for 20 years he should be on track to hit his £121,000 target at 60 but there's no harm in adding a little more, this is why he decided to wait until the shooting season so he can contribute more if he has it available.

Now for the really satisfying bit! When he reaches £121,000 at age 60 we can calculate how his pension is made up:




This clearly shows how compound interest builds up in a pension and illustrates why they can be fantastic tools for saving long term. This chart shows how the pension looks with an annual growth rate of 4%, which should be achievable in the long term by taking a medium level of risk- although this isn't guaranteed.

From this example you can see that planning early is very important!

*We hope you have found this guide helpful in preparing financially for retirement. Please do not hesitate to get in touch if you have any concerns or you would like further information.*

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