

How realistic is your retirement

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April 2025



For many of us, retirement is more than just the end of long workdays – it's the start of an exciting new chapter. It's a time to finally concentrate on what truly brings us joy, whether that's travelling, spending quality time with loved ones, pursuing hobbies or simply relishing the freedom to set our own pace. Perhaps you've even imagined the day you'll step away from work and move into this new phase of life. You might already have a specific age in mind, eagerly counting down the years.

But here's the question that often sneaks in alongside those dreams: How realistic is your vision? The truth is that deciding when to retire and being financially ready to sustain that dream are two very different things. While your ideal retirement might feel close, understanding how to truly achieve it requires asking the right questions and planning well in advance.

PICTURE THE RETIREMENT YOU WANT

The first step in deciding when you can afford to retire is imagining how you want to spend your time. Retirement isn't the same for everyone, as personal dreams and situations differ. For some, retirement might mean travelling the globe or moving abroad. Others might choose simpler pleasures, like dedicating more time to family or finally adopting that long-anticipated hobby.

A popular retirement trend is taking a phased approach, where people gradually decrease their working hours. This could mean part-time work or consultancy roles, allowing you to transition into retirement at your own pace. Once you've outlined your vision, the next step is to estimate how much it will cost to turn it into reality.

CALCULATE YOUR RETIREMENT EXPENSES

The cost of retirement will largely depend on your plans and your regular expenses. These expenses are often split into two categories – essentials and non-essentials. Essentials include bills, taxes, mortgages, rent, insurance and groceries, as well as gifts for special occasions like birthdays and Christmas.

On the other hand, non-essential spending is where the fun begins – holidays, dining out, hobbies and other luxuries that make life enjoyable. Keep in mind that your spending isn't likely to remain the same throughout retirement. Early on, when you're active and adventurous, costs might be higher. Over time, as your pace of life slows, expenses may decrease before potentially increasing again if care becomes necessary.

UNDERSTAND HOW MUCH YOU'LL NEED

Once you have a clear picture of your anticipated expenses, you can calculate the pension you'll need to meet them. This involves factoring in variables such as life expectancy, inflation, tax and investment growth. Creating this projection is a sophisticated process, which is why many rely on financial experts to assist.

For instance, professional advisers can model different scenarios to see how changes impact your retirement. How would retiring earlier or delaying it by a few years affect your finances? Should you take tax-free cash from your pension now or leave it invested? Working out these details ensures your income can support the lifestyle you envision.

ASSESS WHERE YOU STAND

The next step is to compare your financial requirements with your existing assets. If your savings align with your goals, then congratulations – you're well on your way to retirement! At this stage, focus shifts to accessing your money wisely. This involves decisions about drawdown strategies, tax management and investment continuations for sustainable income.

However, if you find a disparity between your goals and savings, don't panic! There are options to strengthen your financial position. Increasing your pension contributions, even for a few more years, can make a significant difference. Thanks to tax relief, these contributions grow more effectively.

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EXPLORE ALTERNATIVE INCOME SOURCES

Continuing to work part-time past your planned retirement age also extends your savings window. Additionally, look into other savings and investments, such as ISAs. Though they don't provide tax relief on contributions, withdrawals are tax-free, which makes them a valuable source for supplementary income.

Also, don't overlook the State Pension. For those eligible, it currently provides £221.20 per week at the full rate, which can go a long way towards covering basic living costs. Taking a comprehensive inventory of all your financial resources will provide clarity on the feasibility of your retirement plans.

SEEK PROFESSIONAL GUIDANCE

Retirement planning entails tackling intricate questions and bringing together various financial elements. It isn't always easy to achieve this on your own, and professional financial advice is indispensable. Together, we will simplify the process step by step so you are equipped, confident and prepared for what lies ahead.

By exploring ways to close any savings gap and optimising your wealth strategy, you will be empowered to make informed decisions with confidence. The ultimate reward is peace of mind, knowing you have structured your finances around your future, enabling you to step into retirement free from unnecessary stress.

TIME TO TAKE THE FIRST STEP TOWARDS YOUR FUTURE?

Don't leave your financial future to chance. Whether your dream retirement is just around the corner or still years away, planning is everything. With the guidance of financial experts, you can make decisions tailored to your ambitions. If you'd like to explore your options or need advice on refining your plans, get in touch today. Your retirement, your way – make it a reality.

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