Fifties, Family Flown the Nest and Thinking About Your Future?

How to Take Control of Your Money So You Can Take Control of Your Future.

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Foreword - Beyond 'Now'

They say that good things come to those who wait. For most of us this simply isn't true. When it comes to planning for an enjoyable life when you retire I'd even say it's a big fat lie.

If you're in your fifties now is a critical time. You are probably still working but children have flown, or are about to fly the nest and you are starting to look to the future and consider what is next for you.

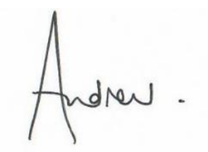
There are things you want to see, do and achieve that working and family life may have prevented. You also want to know that you will have enough money to live your desired lifestyle without money worries, for the rest of your life.

Whether you realize it or not, you are approaching a crossroads. One road is marked 'let's just see how things turn out'. The other is 'the road to where you want to be.'

The first is the easy path. You will naturally drift along that one without making any choices. The second path is more challenging and more certain. It starts with understanding where you are and leads clearly to where you want to be. This guide uses several stories to help you better understand how your own journey might look.

And it isn't all about money. Financial security is just an enabler for the life you want. Relationships, activities and a sense of purpose are equally important ingredients of a successful retirement.

I hope you'll find the guide enjoyable, informative and even a bit challenging. More than anything I hope it will inspire you to take a realistic view of your current financial position, and to start doing the things today that will make all the difference to your tomorrow.



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Meet Robert[1]

Robert is approaching his mid-fifties and has been working hard ever since he left school at the age of 16.

A career that started as an apprentice has evolved to the point he is in a financially rewarding and in demand IT Change management contractor for a well-known UK utility services business.

This success, however, means that difficult choices need to be made; his working week is spent away from his wife and son and requires him to leave home at the crack of dawn and spend countless hours in the car to commute on one of Britain's worst stretches of motorways. There is a price to this demanding lifestyle which is emotional and physical and means that Robert has one eye on the future.

The good news for Robert is that he has always been a diligent saver, he is at the point where retirement in a few years is a financial reality. This is despite his son being over ten years away from the end of his education and financial independence, and having two daughters who have been through University and are starting their careers with the financial pressures that brings.

Robert has always been clear on his priorities. He's been happy to spend money on anything that is consistent with those priorities. He's avoided spending on anything that isn't. Family holidays and children, absolutely! Flash cars and an expensive wardrobe, absolutely not!

Robert was at the point that he wanted clarity on his financial situation:

- What is the earliest he could he afford to stop working if he chooses to?
- What would the implications of weddings and related financial support for his children be on his and his wife's financial security?
- What sort of lifestyle could they afford in retirement? Would it support regular travel?

[1] *Not his real name due to the personal nature of his situation.*

- Is his money structured in the most effective way so that he is not giving away too much in tax and charges?
- Is he taking an appropriate degree of investment risk given his pending retirement?

By following the steps contained in this guide Robert now has clarity about his financial future which gives him choices and more importantly, feelings of control and freedom.

What about You?

Perhaps Robert's situation resonates with you?

Are you at the point where children have flown, or are about to fly the nest? Are you beginning to think about what comes next for you?

Have you, like Robert, spent thirty to forty years working hard and are now looking towards life after work?

Perhaps, you too have sacrificed pleasures and experiences while you raised your family and are now considering when you will start ticking off your bucket list?

Here are the questions that you've probably started to ask yourself:

- 'How much is enough?
- 'How much money do we need to retire?'
- 'What do we have?'
- 'Where's our retirement income going to come from?'

It may not always feel like it but you are fortunate. You have choices you can make. You have the freedom, opportunity and financial security to shape your future - if you choose to use it.

The Successfully Retired

What can we learn from those who have successfully retired already?

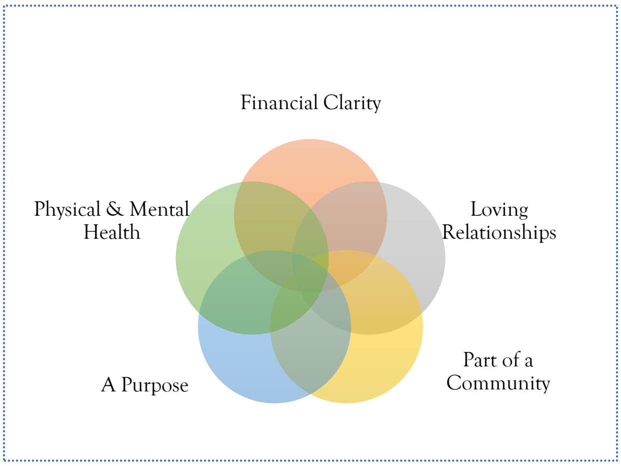
I've spent countless hours talking to people on the verge of retirement or having already retired. I can tell you that there are common characteristics that separate the successfully retired from the unsuccessfully retired.

The successfully retired:

- Spend their days purposefully. They have activities that challenge them and keep them fulfilled.
- They keep fit and eat well.
- They have maintained loving relationships despite being part of a demographic that has seen the divorce rate rise when the national average is falling. The secret, they say, is to respect each other's space and enjoy activities that they do together and activities that they do separately.
- They have a sense of community and enjoy the company of likeminded friends.
- They have the peace of mind that comes with knowing they have enough money.
- For them, retirement is a phase of life full of joy.
- They happily spend money where it is consistent with their priorities and values but are more frugal in other areas.

The unsuccessfully retired:

- Didn't plan for life after work.
- They didn't take time to find new activities to occupy them so find days hard to fill.
- They try to keep in touch with friends still working but find they're too busy to talk.
- They don't try to meet new people so have a limited social network.
- They didn't plan their finances so worry about running out of money before they run out of life.



- For them retirement is getting through the day rather than getting from it.

- Clinical depression and divorce are unexpected and unintended consequences. According to a report by Age UK, depression can affect around 1 in 4 people over 65 in England. And the rate of 'silver separation' is increasing, despite the overall divorce rate falling in the UK.

Fortunately, if you are in your fifties, while financial independence might not be an immediate possibility, it's not too late. You can still put in place plans that will make you part of the successfully retired rather than the unsuccessfully retired.

"But wait, if I stop work I don't know what I'll do. I'll just be bored!" I hear you cry.

I often hear this exclamation. But believe it is only a perception. People just haven't taken time to think about what a fulfilling and active retirement might look like.

The successfully retired also tell me that they've never been busier and don't know where the time goes. If you need inspiration these two blog posts will help ('101 Things to Avoid Boredom in Retirement' and 'Things to do in Exeter in Retirement (or anyway)' *If you are reading elsewhere in the country your local city or town will almost certainly have equivalent organisations.*

Do You Know Reg & Jackie?

Reg & Jackie, the parents of a very good friend of mine, enjoyed successful careers. They are the archetypal Baby Boomers; good jobs, Final Salary pension for Reg, a home that had risen considerably in value. They had enough surplus cash from their retirement savings to buy a holiday home in Portugal.

As they started retirement things were going great; lots of free time, trips to Portugal whenever they wished and grandchildren to dote on. That was until Reg developed early onset dementia. Confusion and memory loss were laughed off as 'senior moments' until they became more frequent and more protracted. Travel became impossible and eventually Reg had to move into a care home. The costs of this used up most of his pension income, leaving Jackie with a lot of life left but not as much money. In the end, she had to sell their dream holiday home to raise funds and because she doesn't have anyone to share it with.

Reg and Jackie's story is not uncommon; if it is not a mental illness it might be a stroke, heart attack or cancer cutting short retirement dreams. While they can't be controlled (beyond a healthy and active lifestyle) other's misfortune can act as a lesson for the rest of us to make the most of the time we have on this planet.

In her book, The Top 5 Regrets of the Dying, former palliative nurse, Bronnie Ware explains how her patients, in the last days of their lives, would express regret at not making the most of their lives. *"I wish I'd had the courage to be truer to myself"*, *"I wish hadn't worked so hard"* and *"I wish I'd stayed in touch with my friends"* are three that are particularly applicable in this context.

Former financial planner and author of 'Enough? How Much Money Do You Need for the Rest of Your Life?' Paul Armson, compares retirement to a two-week holiday. When you finish work on the Friday the two weeks seem to stretch off into the distance. As it does when you wake up on that first morning. The first week passes leisurely and even on the middle Saturday you relax in the knowledge that there is a whole second week to go. But suddenly, it's gone. In the blink of an eye week two has passed and you are at the airport and then out of nowhere back in traffic on the way to work. What happened to that second week?

Retirement is like the second week. Talking to those who are retired time just disappears; days turn into weeks, weeks into months and months into years. I say this not to depress you but to urge you into making the most of the time you have. Take the opportunity to fulfil those wishes, achieve the dreams and tick off the priorities (and I don't mean clearing out the guttering or repointing the driveway).

Can we also agree on the term 'retirement'?

Retirement is an industrial revolution construction when factory bosses would employ people until they were no longer physically able to work. Retirement was a single event and would be a short period of time until lower lifespans took their toll.

These days 'retirement' can be construed negatively; one is no longer a 'business owner', 'professional' or any such title that carries status. One is, instead, simply a 'retiree' or a 'retired person'.

Retirement is no longer a single event; finish work on Friday, retired on Monday. The trend is towards a phased retirement with gradually reducing working weeks, sabbaticals, job changes or 'test retirements' before a return to work.

Nowadays retirement also has the potential to be as long as working life, which brings additional challenges: money has to last longer and mental illnesses such as dementia are more likely.

5 Actions to Join the Successfully Retired

To join the ranks of the successfully retired the sooner you start planning the better. You can't turn back the hands of time but you can make the most of the time you have now.

Here are five actions that will give you a great chance of joining the successfully retired and having a next phase of life that is fulfilling and joyful.

1. Take a Time Out

The first thing to do is give yourself a time out and consider the following questions. Treat yourself to a glass of wine while you do it.

- What is important to you?
- What gives you energy?
- What gives you a sense of fulfilment?
- What does work give you that retirement will not (and vice-versa)?
- What are you missing out on by continuing to work?
- What have you always wanted to do, but sacrificed for your career and family and is now possible?
- When you draw your last breath what will you regret not having done?

- What have you observed from others you know who have retired? Who has done it well and who hasn't? Why do you think that is?
- What does your ideal week look like? How does it compare to your current reality?
- Who do you want to benefit from your money? Is it just yourselves? Or children and others too?

Financial planners like to talk about 'goals' and 'objectives' - cold, management jargon. In the real world we have *wishes, dreams and priorities.* Taking what you have discovered from the above what are your wishes, dreams and priorities?

You only get one shot at this thing called Life. So we need to make the most of it. The first half of your retirement is likely to be when you have the greatest amount of freedom, opportunity and choice.

What about your partner?

Talk everything through with your partner. Their responses may be different to yours. This doesn't have to be a problem if it is acknowledged and planned for. The successfully retired enjoy activities together *and* apart. The problem is if you don't talk about it and assume you both want the same things until it comes as a surprise.

You may prefer to carry on working. If that is where you are most happy and fulfilled, great! It is better to have taken the time to confirm this to yourself, especially if it gets you to the point where you are working through choice rather than necessity.

2. Review Your Current Financial Reality

Your current financial position is the basis for your plan to achieve your ideal financial future. It is a sense check to understand what you have and to identify any gaps.

A financial review can also highlight where your spending is inconsistent with your priorities. As mentioned in Robert's case, he knew what was important to him and what wasn't and allocated his expenditure accordingly. Wanting to spend time travelling the world but buying £3,000 watches is not a consistent expenditure strategy.

A financial review should include:

- Reviewing how much you have in savings and what interest rates you are receiving.
- What Share ISAs and other investments you have. How they are invested and the charges being levied is the minimum information you should have.
- A list of your pension funds. A CV containing many jobs is likely to have accrued a number of different pension pots including, potentially, some valuable Defined Benefit pension schemes. This service can help uncover any schemes you may have lost. Current values, charges, contribution rates, guarantees and penalties are all important to know.
- An up to date value of your home and any other properties you have. This could either involve the services of an estate agent or website such as this.
- Details of any mortgages and other loans and debts you have. This should include outstanding balances, terms, interest rates and early repayment charges.
- Details of protection policies you have including life assurance, critical illness and income protection plans. They may be personal policies or offered as an employee benefit.
- What is the current cost of your lifestyle? What direct debits and standing orders are automatically going out? What larger, ad-hoc payments have you made in the last year that might repeat in the future? (car servicing, holidays, home repairs are all relevant).
- What household income are you receiving?

You can use the tables in the appendices to sense check your current and future expected financial position.

3. Who Knows What Tomorrow Will Bring?

Financial planning involves forecasting into the future which becomes an art as well as science.

Some people take the view, ‘we can’t know what tomorrow will bring so why plan for it?’ The ‘stick the head in the sand’ brigade are most likely to be the ones who will be the unsuccessfully retired.

Of course, we can't predict the future. But we can at least allow for it by making some best guesses and assumptions.

You might not know precisely when you will want to stop working altogether (unless it was yesterday), but you might have an idea of approximately when. It might be in five years, or by the time you are 60, or when the children are settled into their careers.

You might also not know what your ideal retirement lifestyle will look like, and therefore cost, but you can make some meaningful guesses. You might wish to have a big holiday once a year, or spend the first 10 years travelling more extensively before settling into a more home based, lower cost, lifestyle.

By making some educated guesses you are giving yourself permission to be wrong. You can change your wishes as time goes by while acknowledging that there will be costs to allow for. You might travel more than expected - but better to factor it into your plan than be surprised when you must find £20,000 to fund a once in a lifetime trip.

There are also other uncontrollable factors that will have a significant impact on your financial position over time: investment markets rise and fall, inflation has a slow, stealth-like burden on your savings and non index-linked income, governments move the goalposts on tax and investment regulations and your own circumstances and priorities will change.

Accepting and allowing for these 'known unknowns' will make any forecast of your future wealth more meaningful and reliable. Decisions you make now that will have long term consequences (can I afford to retire now?) will be made with more confidence.

Some future changes will be more predictable. Some costs will stop (commuting, the daily coffee and annual new suit). Others will increase (travel, heating and leisure costs). Income changes will be broadly predictable too; salary, bonuses and dividends (maybe) will cease and pension and investment income, where available, will commence. The State Pension will also start at your State Pension age (visit the pension forecast website if you are unsure when your State pension will start or what your entitlement is).

If you are, or have been, a member of a Defined Benefit pension (lucky you) you should receive an annual statement which will give an indication of what the scheme retirement age is and what your annual pension is projected to be.

With private pensions (Stakeholders, Personal Pensions and SIPPs for example) it's harder to estimate an annual income because there are so many variables. These include: how you receive the income (exchange the fund for an annuity or keep it invested and draw capital and income over time) your age, health status, Government Bond yields and your willingness to take investment risk. You can get an indication of prevailing annuity rates from the Money Advice Service or use a 4% annual withdrawal rate as a rule of thumb (although care needs to be taken here, taking 4% pa could still lead to your fund be entirely eroded in your lifetime).

4. So, What Does It All Mean? Understand the Output

Having reviewed your existing financial position and made some guesses about the future you might be thinking, *'so, what does it all mean?'*

It is at this point Financial Planners use sophisticated software to forecast what their clients' financial futures look like based on various 'What If?' scenarios:

- 'What if I stop work now?',
- 'What if I sell my business?'
- 'What if I can't sell my business?'
- 'What if we help our children buy a house?',
- 'What if I die or can't work because of an accident or illness?'
- 'What if I transfer my Defined Benefit Pension to a private pension?'

The main outcomes from this forecasting are twofold:

- To provide clarity on whether income will be sufficient to meet expenditure over time and,
- What effect this will have on liquid wealth.

In other words, will I have enough money to live the life I wish to?

The Goldilocks Outcomes

The chart below shows three possible outcomes from the financial forecasting analysis on liquid assets over time. The Goldilocks outcomes if you like, because you will either have not enough, too much or be just right.

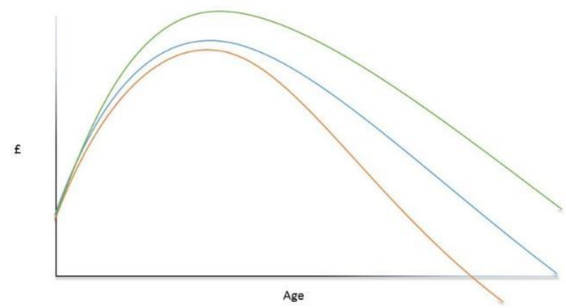


Fig 1

Not having enough is, clearly, not a good place to be because it is forecast that you will run out of money before you run out of life.

The 'Just Right' outcome shows that you can do everything you wish and will have enough money to last your lifetime. Perhaps there will be something to leave to your children if that is important to you.

The 'Too Much' outcome is arguably worst of all. Worse than not having enough? Why? For two reasons:

First, you will have spent your life paying tax: on income, whenever your bought a house, if you sell an asset for a profit, on fuel, on alcohol, tobacco and whenever you buy goods and services - only to potentially have to pay it again on the wealth you leave behind.

Worse than that, if you leave money behind it is money that you could have enjoyed. You could have stopped worked sooner, spent more in retirement, or both.

5. Act

Understanding what the future of your money looks like enables you to make informed decisions. It gives you a strategy to work to and tactics to implement to follow the strategy.

By planning well in advance, if your analysis predicts that you could run out of money in your lifetime you can take corrective action. You could reduce luxury expenditure to save more, take more investment risk, make company pension contributions in lieu of dividend payments or acknowledge that you need to work longer.

If the forecast suggests that you will be just right or have too much you may decide to stop work sooner or begin to transition into retirement. It may give you the confidence to give capital away to children sooner or make luxury purchases that you have been putting off.

You may also identify areas where you can increase household income by reducing tax (by gifting assets to a spouse). You may need to increase life assurance cover because a surviving spouse will be financially exposed on your death, or that your loss of income will have an impact on your long term financial security.

It is also at this point you can decide if existing policies are still appropriate: you may be overpaying in charges, not getting the investment returns you expected or need, or find that you are over insured and so can save money on premiums.

Plans Fail on the First Contact

The army has a saying that all plans fail on the first contact with the enemy. This doesn't mean that there is no point going into battle without a strategy because having no plan is certain to lead to failure.

Rather, it is acknowledging that things change and plans need to adapt accordingly. It is also analogous with a pilot. They take off with a flight plan detailing the direction they will fly, the cruising altitude and speed so that they land in the right airport, at the right time and having used the minimum amount of fuel. They also know that the actual flight data will look very different as they correct to allow for altering wind speeds and directions.

The same goes for your financial plan. If you establish a plan but don't review it you are likely to miss your lifetime priorities. You may run out of money sooner than you thought. Government tax policy will change, pension rules will be amended, stock markets will crash and your car will need replacing sooner than expected. Your circumstances and priorities may even change (a surprise pregnancy in your fifties perhaps?).

Regularly reviewing your plan allows you to adapt the tactics as your circumstances and those of the world around you change.

Over time the educated guesses you make about your future will become tighter and tighter so the forecasting becomes more accurate.

In Summary

Robert's situation might have struck a chord with you. You may have got to the point where the finish line looks tantalisingly close. It's suddenly more important to have clarity on your financial position so you can plan for the next chapter in your life.

To borrow another phrase from the army, "proper pre-planning prevents poor performance" (their phrase is a little coarser but I'll keep it professional). Instead of joining the ranks of the unsuccessfully retired, take time now to understand what your financial future looks like. This will give you clarity and the opportunity to make informed decisions. You'll then reward yourself with the best chance to enjoy a successful retirement. One that is fulfilling, joyful and with the peace of mind that comes with knowing that you have enough.

You may feel that everything is going great (in which case you probably haven't read this far). Even so, planning for the future will give you control of the actions you take and increase the choices available to you. How great would it feel to know you are working through choice rather than necessity?

Next Steps

Much of what has been covered in the guide can be done yourself but you may feel that you could also benefit from the services of an expert. Someone who has the experience and skills to help you determine your priorities, to put in place the actions to achieve them and to give you clarity of your financial future.

If you would like to receive the financial planning services of a highly qualified and experienced financial Planner please do contact me (andrew@neliganfinancial.co.uk).

If you know anyone else who would benefit from receiving this guide please do pass it to them too.

About the Author

Andrew Neligan is part of a small group of financial planners in the UK who are both Chartered Financial Planners and Certified Financial Planners™.

He has been in the financial services profession since 2001 where he started working in the City for a UK based, global financial services company selling their products to IFAs. In 2008 Andrew decided that his skills and values where more suited to the client side and he joined a highly regarded, family run firm of Chartered Financial Planners in Cranleigh, Surrey.
He was soon invited to the board as Financial Planning Director and helped grow the firm's client base by providing comprehensive, fee based financial planning services.

The birth of their son led Andrew and his wife, Carol, to evaluate their situation and in 2016 they moved back to Devon where Andrew grew up.

The re-location coincided with the establishment of Neligan Financial, which was set up by Andrew to help couples who are within ten years of retirement understand what is important to them while providing clarity on their financial futures so that they may enjoy a successful retirement.

Andrew's vision for the business is to provide his clients with the lifestyle they desire so that he can provide his family with the life he enjoyed growing up in Exeter.

When he is not working with his clients Andrew can either be found with his family enjoying all that the East Devon countryside offers or running, cycling and swimming in it.

Appendix 1 - Net Worth Check

Current Assets & Liabilities

ASSETS		LIABILITIES	
e.g. house	*£300,000*	*e.g. mortgage*	*£100,000*
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
TOTAL ASSETS	£	TOTAL LIABILITIES	£
NET WORTH (Assets – Liabilities)	£		

Expected Windfalls and Ad-hoc Expenditures

Windfalls		Ad-Hoc Expenditure	
e.g. inheritance or business sale	£	*e.g. wedding/house deposit*	£

Appendix 2 – Expenditure & Income in Retirement Check

Expected Expenditure vs Income in Retirement

Expected Expenditure (i.e. desired retirement lifestyle)		Expected Income	
Gas/Electricity/Other Fuel	£	State Pension - Self	£
Council Tax	£	State Pension – Partner	£
Loans/Credit Cards	£	Final Salary Pension - Self	£
Food	£	Final Salary Pension – Partner	£
Alcohol	£	Other Pensions – Self	£
Clothing (self & partner)	£	Other Pensions – Partner	£
Hobbies/Memberships	£	Buy to Let Rent	£
Books/Magazines/CDs	£	Holiday Home – Lettings	£
Subscriptions	£	Investment Income	£
Car – Fuel (+ partner)	£	Savings Income	£
Car – servicing/MOT (+ partner)	£	State Benefits (e.g. Disability Living Allowance)	£
Car – Recovery Subscription (+ partner)	£	*Other expected income…..*	£
Holidays	£		£
Cleaner	£		£
Gardener	£		£
Insurances	£		£

Mobile Phone	£		£
Landline	£		£
TV Licence	£		£
Satellite/Cable	£		£
Internet	£		£
Dry Cleaning	£		£
Pet – Food	£		£
Pet – Insurance/Vet	£		£
Holiday Home Costs	£		£
Eating Out/Socialising	£		£
Life Assurance Premiums	£		£
Presents	£		£
Capital gifts to children/grandchildren	£		£
Miscellaneous Costs	£		£
Other Expected Costs			
Other Expected Costs			
Other Expected Costs			
TOTAL EXPENDITURE	£	TOTAL INCOME	£
EXPECTED NET INCOME (PA)	£		