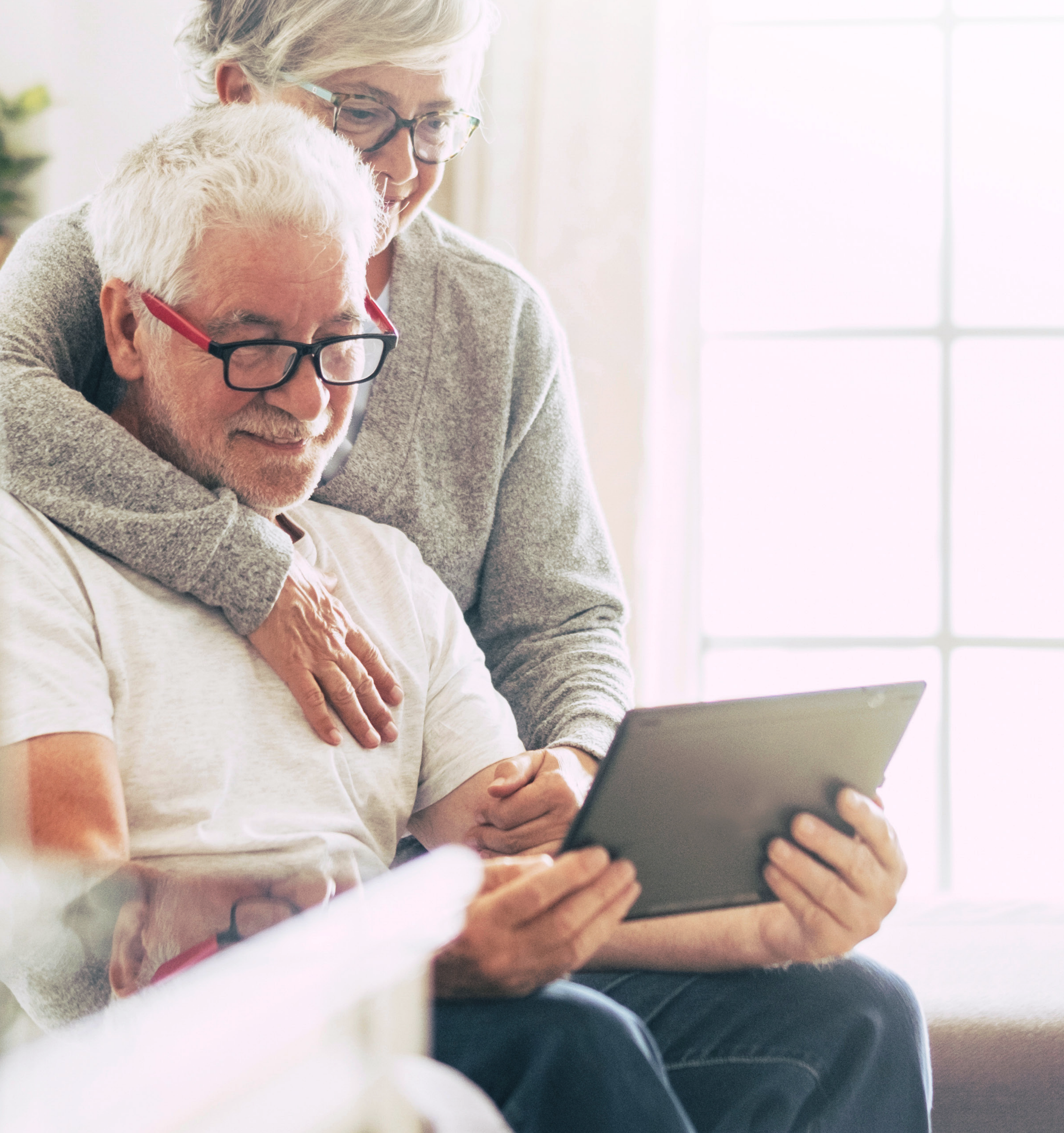
SUCCESSION WEALTH

A Guide to Later Life Planning and Care



SUCCESSION
WEALTH

Welcome to Succession Wealth

Plan for the future, plan for success.

Succession Wealth is a national financial advice firm, which delivers independent advice to clients throughout the UK.

When you choose to work with us, our Wealth Planners will provide an exceptional personal service tailored to your unique financial needs and aspirations.

We view assisting you on your wealth journey as a privilege. The relationships we build last longer than a lifetime, and we are proud to advise across generations.

This guide is designed to highlight considerations when planning how to spend your post-working years, focusing specifically on the later years of your retirement. Considering what's important to you and what you want your later years to look like sooner rather than later can help you build long-lasting financial security.

Your Future

When you think about your future, how far ahead do you plan? Perhaps you've thought about what your life will look like in 10 years, but have you considered your later years?

While retirement planning is common, it's often the early years of retirement that people focus on. However, your needs and lifestyle wishes can change drastically over a retirement that could last decades. It's just as important to think about how you'll spend your later years as those first years when you are still celebrating retirement.

Planning for later-life financial security means being proactive. The decisions you make in early retirement, and even before that, can have a profound impact on your later years. Considering what's important to you and what you want your later years to look like sooner rather than later can help you build long-lasting financial security.

3 reasons to make later-life planning part of your financial plan

1

Life expectancy has increased

Modern medicine means today's retirees are likely to live longer than their parents or grandparents. That means you'll probably be spending more time in retirement and need to plan accordingly. What would happen if you only planned for a 20-year retirement, but lived for 10 years beyond this?

Planning with your life expectancy in mind is crucial. According to the Office for National Statistics, a 66-year-old man has an average life expectancy of 85 years. But you can't simply plan your finances to last this long – it's an average and many retirees will live longer than this.

In fact, a 66-year-old man has a 1 in 4 chance of celebrating his 92nd birthday, and a 1 in 10 chance of reaching 96. Planning as far as the average age of life expectancy could mean you spend more than a decade with uncertain finances.

For a 66-year-old woman, the average life expectancy is 87, with a 1 in 4 chance of reaching 94 and a 1 in 10 chance of reaching 98. [1]

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Most people need some level of care

Rising life expectancy is a positive, but it also means that more people will need some level of support as they get older. That may be family simply giving you a helping hand with day-to-day tasks, but it could also mean needing to use professional care services. In many cases, individuals are required to pay for care themselves, either wholly or partly. As a result, it's important that these potential costs are factored into your long-term plan.

According to Carehome, almost half a million people are living in care homes across the UK, and as the number of people reaching their 80s and 90s increases, it's likely this figure will rise. [2]

3

Having confidence in your future

Knowing that you have a financial plan that covers your later years and have a safety net if the unexpected happens, means you can enjoy living in the present. You shouldn't underestimate the benefit of having confidence in your future. It can help you get the most out of life and focus on what's really important to you.

[1] Office for National Statistics | Life Expectancy Calculator
[2]16th April 2024 | Carehome.co.uk | Care home stats: number of settings, population & workforce

How can you create financial security in later years?

With retirement lasting longer for many people, effectively managing finances to reflect this becomes crucial. You'll have a longer period where you're not earning money but need to rely on the assets that you've built up during your working life.

For many, this starts with a pension. Your pension is a tax-efficient way to save for retirement, so it makes sense that pensions are at the centre of retirement planning.

Pension Freedoms have given retirees more choice, but one of the challenges they now face is making sure their pension lasts throughout retirement. If your plan sets out your retirement lasting for 20 years, but you lived
for a further 10, how would you continue to maintain your lifestyle?

A recent study by Nucleus Commercial Finance shows that 60% of adults (3 in 5) are not confident that they will have enough money for a comfortable retirement.[3]

So, how do you ensure that your pension will last for the rest of your life? The first thing to do is make sure you consider life expectancy when planning for retirement. How you factor this into your finances will depend on how you decide to access your pension.

Annuity:
An annuity is one of the simplest ways to create long-term security. An annuity is a product you purchase with a lump sum, usually from your pension, which then provides an income for the rest of your life. You can opt for an annuity where the income is linked to inflation.

Flexi-access drawdown:
With flexi-access drawdown, you take a flexible income from your pension while the remainder is usually invested. This provides your pension savings with an opportunity to continue growing even in retirement. Investment returns can help your pension go further. However, you will need to be mindful of your pension value falling as well as rising depending on performance.

Taking lump sums:
You're also able to withdraw lump sums from your pension as and when you choose to, once you reach pension age (55 but increasing to 57 by 2028). Much like flexi-access drawdown, the remainder will usually be invested. You need to understand any tax implications before you opt for this.

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What will the State Pension provide?

The State Pension is a set amount that normally goes up every year. The amount you receive depends on how many years of National Insurance Contributions you have made or been credited with and your State Pension Age.

The State Pension rises each year, helping to maintain your spending power. You can use the Government's State Pension forecast to see how much you could get and when.

[3] 14th November 2024 | Money Age| Three in five people not confident for comfortable retirement, study finds

Using your other assets to create income security in retirement

While pensions are essential for retirement planning, you may also have other assets you want to use when retirement planning or to have as a safety net if needed.

These may include:

Savings:

After a lifetime of saving, it can be difficult to switch your mindset to start depleting your savings. However, money placed in Cash Individual Savings Accounts (Cash ISAs), or other savings accounts can give you more confidence in your retirement plan and help ensure you're financially secure in your later years.

Investments:

If you have an investment portfolio outside of your pension, this can also be used to provide an income. You can either start using your investments or build a portfolio that will deliver an income. Keep in mind though, you can't guarantee an income from investments and market volatility can mean values rise as well as fall.

Property:

Property is often one of the largest assets a retiree may hold thanks to property prices. It's an asset you can also include as part of your retirement plan. Traditionally, retirees would downsize to release some equity from their homes. However, there are other alternatives, including equity release, that you may want to explore.

For many, pension planning means pulling together different income sources to create security in retirement. A financial plan can help you understand how your assets can work together to offer you peace of mind.

Another option to fund care costs is an immediate needs annuity. An immediate needs annuity is designed to cover the shortfall between your income and the cost of your care for the rest of your life. The income is tax-free and paid directly to the care provider.

Typically the price of a plan will depend on a number of factors including your age, current annuity rates and the level of income you need. You can find out more about an immediate needs annuity on the Government website: www.moneyhelper.org.uk

You should always get professional advice before making a decision on if an immediate needs annuity is right for you.

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Retirement risk: Inflation

One of the challenges of planning for a longer retirement is the impact inflation will have on your spending power.

Inflation refers to the rising cost of living. While the impact can seem minimal year-to-year, it can be significant over a 30-year-long retirement. If you don't consider inflation when retiring, it can mean your income buys far less than you expected in your later years, potentially affecting your lifestyle.

The Bank of England's inflation calculator highlights the impact inflation can have on retirees. A 1990 retiree who decided they needed an income of £20,000 in 2024 would need an income of more than £48,000 simply to maintain the same standard of living they had at the beginning of their retirement. Failing to factor in inflation could mean you're financially vulnerable in later retirement.[4]

[4] November 2024 | Bank of England Inflation Calculator

Why care should be something you think about

Needing to rely on someone else or care services isn't something anyone wants to think about. But as life expectancy increases, more people rely on some form of care.

As we age, considering care becomes increasingly important for several reasons. First and foremost, planning for care ensures that you can maintain your quality of life and independence. As health needs change, having a clear understanding of available options—whether it's in-home care, assisted living, or community resources—can help navigate your choices effectively. Taking a proactive approach not only alleviates stress for both you and your loved ones but also fosters a sense of control over your own life, which is vital for emotional well-being.

Moreover, thinking about care in advance allows for better financial planning. Healthcare costs can escalate quickly, and understanding the potential expenses associated with different care options can help individuals and families make informed decisions. Ultimately, prioritising care considerations is not just about managing health; it's about embracing a holistic approach to aging that values dignity, autonomy, and peace of mind.

According to Carehome, almost half a million people are living in care homes in the UK.[2] There are also many more that are receiving some level of support in their own homes, whether from family or a professional.[5]

With the average residential care home costing £60,320[6] a year, it could mean your outgoings are much higher than expected later in retirement.

Even when residential care isn't needed, costs can quickly add up. You may, for instance, need to adapt your home to suit your needs. Or you may benefit from a care worker visiting your home regularly to help you with day-to-day tasks. Even just 10 hours of support a week at £15 per hour adds up to £7,800 a year. That's a sizeable expense to fit into your regular outgoings if it's not something you've thought about before.

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The cost of care

The cost of care varies between regions and the type of care you need.

Currently the average cost of a residential care home in the UK is £60,230 a year, rising to £70,230 when nursing care was included.[6]

[5] June 26th 2024 | Homecare.co.uk | Home care statistics: number of providers, service users & workforce
[6] 13th November 2024 | carehome.co.uk | Care home fees and costs: How much do you pay?

Should you make care part of your retirement plan?

The short answer to this question is yes.

It's true that you might not need any form of care. However, to create a retirement plan that you can rely on and have confidence in, you need to think about what could happen and how to create security if some things don't go according to plan. Not only for yourself, but any family or dependents you may have.

Rules around when you must pay for care vary between England, Scotland, Wales, and Northern Ireland. However, in the majority of cases, those needing care will need to pay for at least part of the cost either out of their accumulated wealth or from their regular income.

Setting aside some assets or creating an income that considers the potential cost of care can create certainty.

There are other reasons for being proactive when it comes to care, including:

You will have more choice:

By setting aside money for care, you'll have more choices open to you if care is needed. That means you may be able to pick a care home that is closer to friends and family or has facilities you'd like to benefit from.
In contrast, if the council is funding your care, you may have limited options that don't suit you.

It can provide greater security:

Applying for care support from local authorities or other organisations can take time. These delays can leave you in a vulnerable position. With a care plan set out, it can help you and your loved ones make any decisions needed quickly.

Thinking about needing care can be difficult. But by making it part of your plan from the outset means you're able to enjoy your retirement knowing that you have taken steps to secure your long-term wellbeing.

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Do you have a Power of Attorney?

Planning for the cost of care and thinking about your wishes aren't the only steps you need to take to ensure security in your later years. A Power of Attorney gives someone you trust the ability to make decisions on your behalf if you're unable to.

This may include decisions like medical care and moving into a care home. Without a Power of Attorney, it can be difficult and costly for loved ones to act in your best interests. Registering a Power of Attorney is just as important as creating a care plan.

If you would like more information, please speak to your Wealth Planner, or get in touch and we can send you our Guide to Lasting Powers of Attorney.

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Making a plan for your care fund

While having a care fund earmarked in case it's needed is important, so is understanding what you want to happen to it if it's not needed. Who would you like to benefit from the fund if it's not used?
This should be reflected in your Will. You may also need to consider the impact it could have on a potential Inheritance Tax (IHT) bill.

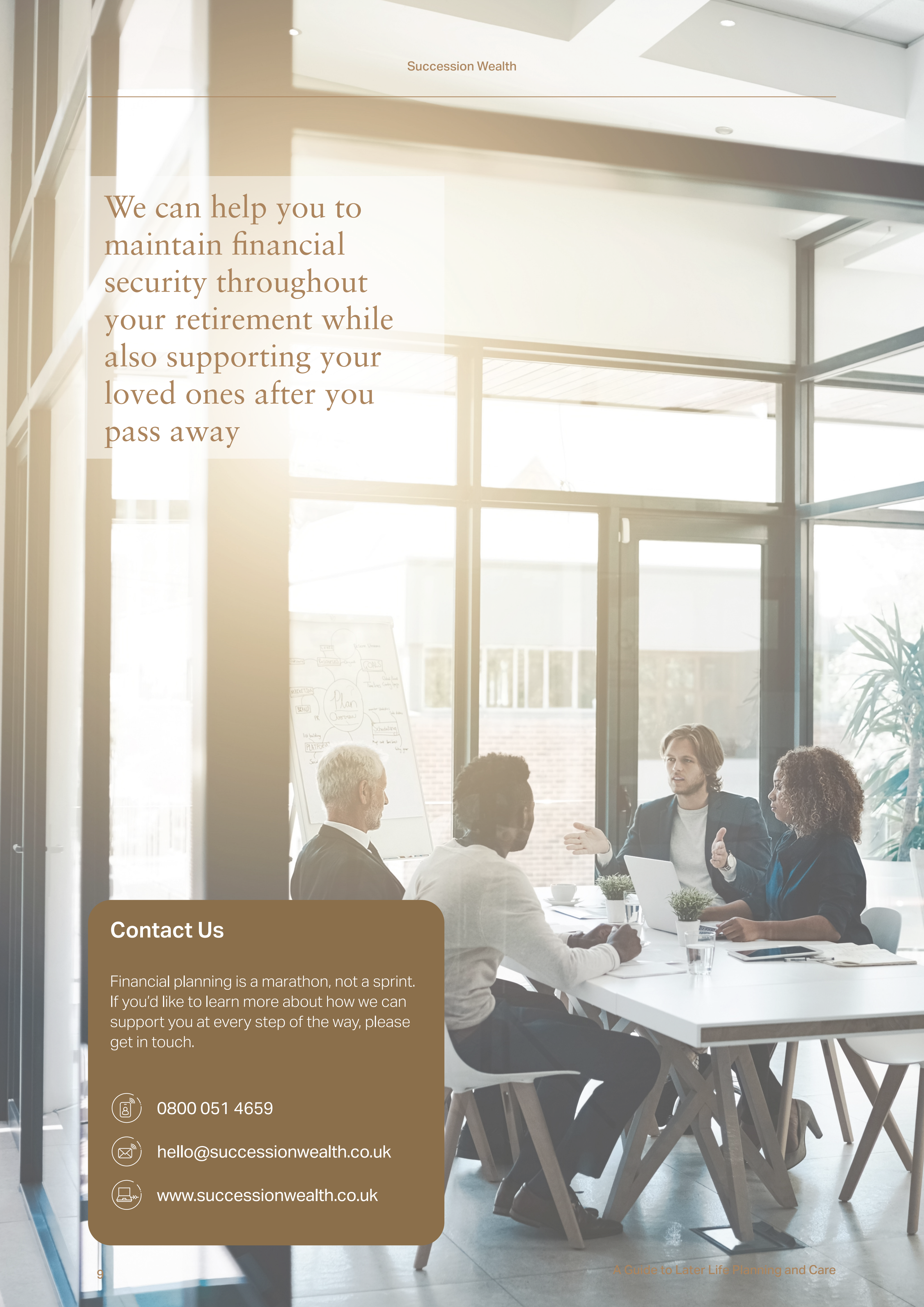
There are often things you can do to reduce an IHT bill while still providing you with long-term security.

If you would like more information, please speak to your Wealth Planner, or get in touch and we can send you our Guide to Inheritance Tax and Gifting.

Making long-term security part of your retirement plan

We understand that it can be difficult to consider how your needs and income will change from the start of retirement to your later years. There's a lot you need to think about and many 'what if?' scenarios to consider, from the impact poor investment performance could have, to what would happen if you needed care.

Long term care planning is a specialist area of financial planning, so when seeking guidance it's vital you speak to a regulated planner who is qualified to offer advice on this subject.



We can help you to maintain financial security throughout your retirement while also supporting your loved ones after you pass away

Contact Us

Financial planning is a marathon, not a sprint. If you'd like to learn more about how we can support you at every step of the way, please get in touch.

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Please Note

This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

The Financial Conduct Authority does not regulate advice on taxation.

The content of this guide was accurate at the time of writing, changes in circumstances, regulation, and legislation after the time of publication may impact on the accuracy of the guide.

The information in this guide is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change and tax implications will be based on your individual circumstances.

The value of your investment(s) and the income derived from it, can go down as well as up and you may not get back the full amount you invested.

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