GoodWill
Financial Services

READY TO RETIRE

This case study follows Andy and Carol, both 60 years old and beginning to contemplate their retirement options. Andy works as an automotive engineer, while Carol is a receptionist. With pensions accumulated over their working lives, they initially planned to retire at age 65. However, they recently discovered that their state pension age is actually 67. Determined to retire earlier, they approached us through a recommendation from one of Carol's colleagues to determine if it is feasible to retire at 65 instead.

Current Financial Situation

Andy and Carol have diligently built up their pensions throughout their working lives. However, there have been times where Carol didn't work due to children, and times they didn't pay into their pensions to help make ends meet. Learning that their state pension age is 67 instead of 65 came as a surprise. They wonder if they could make up the shortfall they would have for two years before the state pension starts.

Financial Analysis and Strategies

They found out about their state retirement age as they requested state pension forecasts which they'd heard about on a radio program about money. From this they could see that they would be entitled to the full state pension but not until they reached 67.

To assess the viability of early retirement, a comprehensive cashflow analysis was conducted. This analysis considers their current pensions, income requirements (based on essential and non-essential expenditure), existing savings, and desired retirement age. We always explain that this is only a guide as past performance is not a guarantee of future performance.

Upon reviewing the cashflow analysis, we discovered that there was a small shortfall in funds that could potentially hinder Andy and Carol's ability to afford their desired retirement lifestyle.

There are only a handful of things that can be done to improve your retirement income namely, save more, take less income in retirement, retire later, or take increased risk in the hope of increased gains. Some people also opt to take what they hope will be a less stressful job or reduce their working hours. We discuss these options with the couple to ascertain their preferences.

Retirement Savings Adjustments

Andy and Carol decide that they would be happy to do a bit of everything but not continue any work. They increase their savings in their pensions and Carol also invests a small lump sum she had accumulated. They do this by cutting down on some of their spending. This is partly to save money but also to help them see if they can cope when they come to retirement. They also decide to push their retirement on a year. This gives them one extra year of contributions and only one year to take income before their state pension starts. They decide against taking more risk with their investments as they are comfortable with their level of risk and the impact the other changes are expected to have.

Regular Reviews

Periodic reviews of their financial plan will enable Andy and Carol to monitor their progress, reassess their retirement goals, and make any necessary adjustments to ensure they remain on track. It is difficult to know what income you will need in retirement; most of us only retire once after all! Revisiting their plan after they've retired allows them to have a more informed picture of their needs giving them reassurance and peace of mind.

Conclusion

This case study illustrates Andy and Carol's determination to retire at age 65, despite the realisation that their state pension age is 67. Through a thorough cashflow analysis, expense reduction, and increased pension contributions, they can bridge the financial shortfall and achieve a compromise on their retirement goal.