Retirement Planning For Baby Boomers

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By

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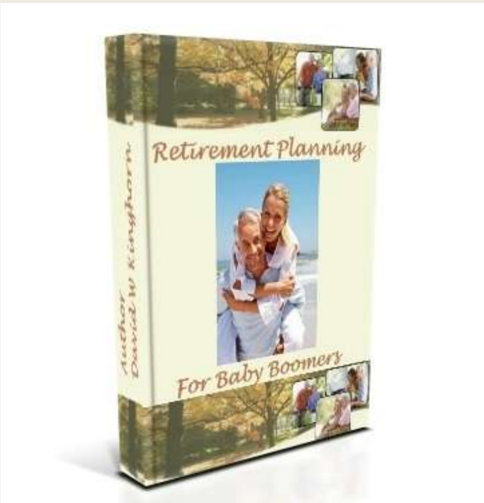

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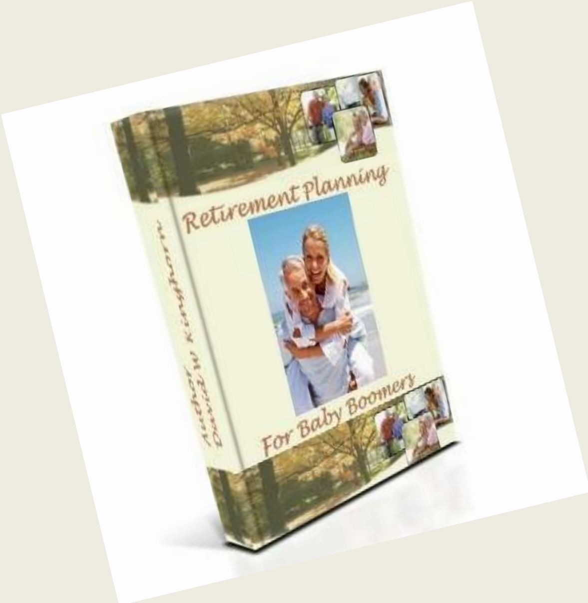

Retirement Planning
For Baby Boomers

60Plus the New You

Okay! You've worked your little cotton socks off for as long as you can remember. FINALLY you have some time and money to spend on yourself… so what now?

Retirement Planning! This is one of the few important questions I had to ask myself, and if you fall into this “retirement” bracket for the over 60’s.

You might be asking yourself the same questions too...

They say that after a long life of honest labour, retiring is meant to be a relaxing and enjoyable time, a time when you are able to spend more time with your friends, family and loved ones.

However this may not always be the case. As, I’ve spoken to many people my age from the "baby boomers era” and they seem to find themselves financially stressed or don’t know what to do during their retirement.

Things that can negatively impact their quality of life, which is obviously not a good thing!

So with this in mind!

I’ve set out to create this e-book in a bid to help all of you (*and me*) the baby boomers out there with your retirement planning needs.

So let’s get stuck in and start with;

Benefits

Bear in mind the age when you claim your State Pension need not necessarily be the date you retire. The age when you could start drawing your State Pension used to be 65 for men and 60 for women, but that is changing as we are all living longer.

These days you can take the money and keep working, or you can delay taking the state pension and pick up enhanced benefits later.

Unfortunately if you opt to go early, you won’t get the State pension until you reach the official retirement age (except in certain limited circumstances) - and your benefits might be reduced if you haven't paid the required number of qualifying years' National Insurance contributions.

Men born before 6 April 1945 usually need 44 qualifying years, but men born on or after that date need only 30.

Women born before 6 April 1950 usually need 39 qualifying years. If you were born on or after 6 April 1950 it drops to 30 years.

One small bonus of working past State Pension age is that you no longer pay National Insurance.

At present the State Pension age for men born before 6 December 1953 is 65 and for women born after 5 April 1950 but before 6 December 1953, its between 60 and 65.

However that is gradually altering to ensure women catch up with men by November 2018. After that it will start to increase to reach 66 for both sexes by October 2020.

Further ahead, Parliament had ruled that State Pension age would increase to 67 between 2034 and 2036 and to 68 between 2044 and 2046. But in November 2011 the government released proposals to speed that up, with pension age reaching 67 between 2026 and 2028. This change has yet to be approved by Parliament.

The proposals also suggested the introduction of a mechanism to make sure State Pension age continues to keep pace with increases in life expectancy. However no firm plans have yet been put forward.

You can work out your own State Pension age by using the calculator at http://pensions-service.direct.gov.uk/en/state-pension-age-calculator/home.asp

If you work past your State Pension age and choose to put off claiming it you could earn an extra State Pension of one percent for every five-week period you defer taking the pension, up to 10.4 per cent a year.

Alternatively you could earn a lump sum if you put off taking it continuously for at least one year.

You can check how much State Pension you are likely to get by using use the State Pension profiler to get a quick estimate.

http://www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/StatePensionforecast/DG_10014008.

If your State Pension needs topping up because you don't have enough qualifying years for the full basic State Pension you can buy additional National Insurance contributions.

If you're on a low income then you may be entitled to Pension Credit - an income-related benefit for pensioners living in Great Britain. It is made up of two different parts, Guarantee Credit and Savings Credit.

The first tops up your weekly income to £142.70 if you're single and £217.90 if you have a partner.

You may be entitled to Savings Credit if you are 65 or over and have made some provision towards your retirement such as savings or a second pension. It is worth up to £18.54 a week if you're single or £23.73 a week if you have a partner.

Both credits could be increased if you’re disabled, have caring responsibilities or certain housing costs, such as mortgage interest payments.

There are other state benefits open to people who have reached the state pensionable age and are on limited incomes.

They include:

Cold Weather Payment!

Paid every winter from 1 November and 31 March, when the temperature drops to an average of zero degrees Celsius or below over seven consecutive days, or the forecast predicts an average zero degrees Celsius or below over seven consecutive days.

It is determined by a network of weather stations which gather temperature information to see whether there has been a ‘period of very cold weather’ in any postcode area.

Winter Fuel Payments

Yearly one-off payments are to help eligible people pay for their heating. They are paid to men and women who have reached the minimum age at which a woman can receive a state pension.

OK, so we have got some idea how the Benefit System can help us should we need it.

We will now turn our attention to the very important subject of;

Pension Income

The Grey Pound is big business in the UK economy. The over-50s represent 80 percent of the country's wealth - worth almost £280 billion. And as more of us live longer it's a market that is growing.

Big equity companies like the sectors that attracted older shoppers - such as garden centres - because they are better-insulated against depression. Their customers tended to be mortgage- free and benefiting from a stable income based on traditional, cast-iron pensions.

So it’s down to you to make sure you are getting your share of this bounty.

As your retirement date looms ever closer it's wise to consider just how much income you will have for your future needs. With any luck you will be mortgage-free and probably debt-free too! So an income below your average pay packet could still be enough to live on.

The state pension currently pays a maximum of just over £100 a week, but what you actually get depends on the number of years you've been making National Insurance contributions - and you can't take it before you are 65. (See the section on Benefits)

Things are different if you have your own pension fund or are in a company scheme. The earliest you can take that is 55, but different schemes have different rules, so it's wise to check the details well ahead of the day you actually stop work.

Remember, going early means your provider will have to pay out for longer, so your pension pot will have to be spread further, consequently reducing the monthly payments.

These days most company schemes are transferable as you move through the labour market, but some older schemes might not have that provision, so you could have more than one pension to draw. If you've lost contact with one you stopped paying into years ago, the government runs a Pension Tracing Service. Find it at: http://www.direct.gov.uk/en/Pensionsandretirementplanning/Companyandpersonalpensions/DG_10027189

Work pension schemes come in two forms, either final salary or money purchase.

Final salary involves a complex calculation based on the number of years you were employed and your pay in the last few years of your employment. Many firms are finding them too expensive to sustain and are switching to cheaper money purchase schemes.

In those, contributions from you and your employer are paid into a fund which is used on retirement to buy you an annuity (a regular income for life) usually from one of the big assurance firms. You can also take up to 25 per cent of your pension pot as a tax-free lump sum which can be very useful for settling outstanding debts to secure a liability-free retirement. Remember though that this will reduce the size of your regular income.

Both the company fund and the subsequent annuity depend on how well the administrators' investments are performing, which explains why in the current recession so many people have seen their retirement plans dashed as stock markets crashed.

If you don't want to buy an annuity straight away, you may be able to opt for a 'drawdown pension' instead! This lets you withdraw part of the capital in your pension fund, leaving the rest still invested in the scheme until you buy an annuity.

Unlike an annuity, the amount you receive is reviewed every three years while you're under age 75, or every year if you're 75 or over.

Since April 2006, you may not have to leave your job to draw a pension. Instead, you may be able to draw all, or some, while still working full or part-time for the same employer. What you can do will depend on the rules of your scheme.

It’s advisable to take expert advice before making a final decision. It could be from your company pension scheme administrator, the independent Pensions Advisory Service (http://www.pensionsadvisoryservice.org.uk) or your own financial advisor.

Unless you have a sound understanding of personal pensions, you should consider getting professional advice on the options available. You can get general information free of charge from many organisations. However, only advisers authorised by the Financial Services Authority (FSA) can offer you pensions advice. They will look at your circumstances and recommend the most suitable product for your needs.

Other sources of cash are open to you to help fund your retirement.

One quite recent innovation is equity release which helps the many older people who are asset-rich, but cash poor. It works by raising money against the locked-in value of your home. You pay nothing back until the property is sold - either after your death or if you go into a care home. The provider takes a percentage ownership in your home and gets that percentage back from the eventual sale price.

Research shows a growing trend for using property assets as a way to generate regular income for day-to-day living rather than for one-off purchases, such as holidays or home improvements. Older people on fixed incomes in particular have been badly hit by inflation and record low interest rates as well as poor returns on pensions thanks to low annuity rates.

But equity release is a big decision. You need to do the deal with a reputable organisation. Some people have found themselves paying a rent for their own home at increasingly exorbitant rates. Eventually they cannot afford the payments and get evicted.

Also it's wise to seek advice if you are already claiming benefits. Income derived from an equity release plan will be taken into account when calculating eligibility for benefits, meaning some people may no longer qualify for income support or council tax benefit. Make sure you check to ensure that the extra income received from equity release outweighs any potential loss.

A simpler move might be to downsize. Moving from a big family home to a smaller property more suited to a couple and in a different area, will release some of that locked-up equity and be much cheaper to run.

Certainly take independent legal and financial advice before deciding to release equity from your home.

It's also worth checking what benefits are open to you. Hard-pressed pensioners are missing out on hundreds of pounds a year in extra income by failing to claim millions of pounds worth of benefits

Figures released by the Department of Works and Pensions show that at around one-third - between 32 and 38 percent - of those entitled to Pension Credits - a means-tested top-up to the basic State pension for retired people - fail to claim. The total income lost is between £2 billion and £2.8 billion a year. Of those who fail to claim, nearly four in five (78 per cent) are homeowners.

Pension Credit currently pays £142.70 for single pensioners and £217.90 a week for couples. It also paves the way for other awards such as council tax benefit.

Many people have worked all their lives and have perhaps never claimed any benefits. They know about the state pension, but may imagine that because they own their own homes, often valued at more than the national average, they are not eligible for any further help from the state.

Guidance can be obtained from the Citizens Advice Bureau, online at direct.gov.uk, or from a professional adviser.

Other state benefits you might be entitled to include:

Carer's allowance

Council tax reductions

Disability benefits

Health benefits

Help with heating costs

Housing benefit

Pension credit

The social fund

It's worth looking to see if you have any old savings accounts with cash tucked away! The Financial Times described a "sea of unclaimed assets sloshing around the financial system," which it very conservatively estimated to be worth £77 billion. Find out if some of that is yours through, http://www.unclaimedassets.co.uk.

Get out of debt

Some of us get into debt when we stop working because our income drops sharply, yet we still have the same expenses to pay. Changes in