

CAN I AFFORD TO RETIRE?

This may not apply to you, but with the state pension age tending to move ever further away from us, could a little bit of planning give you reassurance?

As you approach age 60, you'll no doubt be starting to think about your retirement. We all like to think we will be okay but why not take the time to make sure? It's important to consider whether you can afford to retire and have enough income to keep you going through your retirement.

Whether or not you can afford to retire will depend on your individual circumstances, but it will likely be a combination of:

- How much pension you expect to receive each year;
- How much money you expect to spend each year;
- How much money you have in other savings; and
- How long you expect to live for.

HOW MUCH PENSION CAN YOU EXPECT TO RECEIVE EACH YEAR?

LSC Scheme pension

You can request an annual benefit statement, or see an estimate of the annual pension you might receive at retirement if you log on to www.lscpensions.co.uk and choose "Your benefits". The actual amount you'll receive may be higher, depending on annual inflation linked increases between now and your retirement date. You can also see what your pension might look like if you want to consider retiring early by choosing the "Pension Planner" option. Alternatively, contact the Scheme's administration team at lscpensions@hymans.co.uk or call them on **020 7082 6457**.

Other Scheme pensions

It's worth remembering that if you've worked elsewhere, no matter how long ago, you may have other scheme pensions available at retirement; possibly with different retirement ages. You should get in touch with the administrators of these schemes and/or check any annual benefit statements to determine how much pension income you might receive from them and when you can receive it from.

If you don't have any benefit statements or just don't know if you have any other pensions, you can use www.gov.uk/find-pension-contact-details. This is a free pension tracing service, which only needs the name of a previous employer, and can provide trace contact details immediately.

State pension

You'll also want to consider the State Pension; though this won't be as high as you might expect. The LSC scheme was a "contracted out" scheme so you paid lower state pension contributions over the years, but had the benefit of more going into your LSC pension. You may also receive your state pension later than you had anticipated, given the current move for both women and men to age 66 by October 2020.

So you know where you stand, you can check your own State Pension Age at www.gov.uk/state-pension-age and you can check how much you should receive in State Pension at www.tax.service.gov.uk/check-your-state-pension

Finally, it's worth noting that your pension income will be taxable and you should factor this into your retirement planning.

HOW MUCH MONEY DO YOU EXPECT TO SPEND EACH YEAR?

As part of your planning, you should consider how much you might expect to spend each year. This will include basic living costs such as rent/mortgage payments, utility bills, council tax, water bills, and groceries. You might also want to think about travel costs, health costs, broadband, cost of running cars; the list could go on.

Then you have the expensive "choice" items such as holidays, changing the car, health club memberships, eating out, going to the theatre/shows/cinema, shopping trips and home improvements. Finally, you might want to consider your financial planning costs e.g. any insurance policies or saving into an education fund for any grandchildren.

There are a number of financial planning tools you can find online to help you think about what your spending might look like in retirement. One such is at www.moneyadviceservice.org.uk, and click on the retirement tab. It's important to remember that your spending patterns may change over time. So whilst you may spend more on holidays and less on health costs right now, this balance may shift as you get older. Often the increase in health costs can be underestimated.

HOW MUCH MONEY DO YOU HAVE IN OTHER SAVINGS?

If over the years you have managed to put something away for a rainy day, it's worth considering how much money you have in accessible savings such as bank accounts or stocks and shares. If you're expecting to spend more in retirement than you expect to receive from your pension(s), this could be okay if you know you have sufficient savings to fund the gap. However, this will depend on how long you expect to live for, and therefore how long these savings need to last.

HOW LONG DO YOU EXPECT TO LIVE FOR?

Currently in the UK, a 65 year old male is expected on average to live to 86 years of age and a 65 year old woman is expected to live to 89 years of age. Apparently we all tend to underestimate how long we expect to live; men usually underestimate their life expectancy by 5 years and women by as much as 8 years. So, you can see how important it might be to

consider how long you might be expected to live, to be sure that you have enough money throughout your retirement.

WHAT IF I CAN'T AFFORD TO RETIRE AT 60?

Once you have done all your calculations, you may be concerned that in combination with the increasing State Pension Age, you won't be able to afford to retire at age 60. In the LSC pension scheme, once you reach age 60 you have to "retire" and start taking your pension. That said, you can continue working and earning a salary; it will not affect your LSC pension.

You may have come across the term "abatement" which applies to some civil service pensions. Broadly speaking, this means that if you decide to start taking your pension whilst continuing to work and the combined value of your salary and pension is greater than your salary before you retired, your pension will be reduced. The good news is that this doesn't apply to your LSC pension; if you continue to work beyond 60 and take your pension, it will not be subject to abatement.

Some schemes may allow you to delay taking your pension beyond your expected retirement date, and pay you an increase for this. The state pension currently still allows this and increases your pension for each year you defer. However, the LSC Scheme does not offer this, so delaying your LSC pension so that you can work longer will not increase your LSC pension.

WHERE CAN I FIND ADVICE?

You may want to do the research yourself and as a starting point you can get more information from the following agencies:

The Pensions Advisory Service (TPAS), Telephone 0300 123 1047, or online at www.pensionsadvisoryservice.org.uk

Money Advice Service (MAS), online at www.moneyadviceservice.org.uk

Alternatively, you may find it useful speaking to someone to help plan for your retirement. If you do not currently have contact with an authorised Independent Financial Adviser, you can find details of those local to you at www.unbiased.co.uk