THE 3 VITAL FACTS YOU NEED TO KNOW ABOUT A TEACHER'S RETIREMENT

Teachers' Retirement Agency

Experts in Teachers' Retirement Seminars for over 20 years

"Attending a TRA 'Planning for Retirement' seminar is essential for those teachers considering retirement."

Jennifer Beckles,
Times Educational Supplement

"An absolutely wonderful, inspiring day - I wish I had heard about this earlier. I was very worried about my retirement but now I am really looking forward to completing all my dreams."

Judy Vale,
Retired Teacher & School Governor

"The Teachers Retirement Agency gave a clear and comprehensive view of the Teachers' Pension Scheme that was very well received by colleagues… this is an inset experience that all teachers would be advised to undertake."

David Eggleston,
Deputy Principal, Wakefield Girls High School

WELCOME

Do you have all the answers to your retirement, investment and protection questions?

While looking forward to all the great things you wish to do during your retirement, as you approach retirement this is a good time to take stock of your savings and ensure that you have a steady income during your retirement to sustain your lifestyle.

There's always a danger that we'll underestimate how much we are going to need so that we can do what we want to do, when we want to do it. Most of us probably feel we could also do with a little more money during our working years. Will that change so much when you stop working?

BIG QUESTIONS

As you approach retirement, your thoughts will naturally turn to some of the big questions that will arise:

"What will I do with my time?"

"Can I afford to retire?"

"How much will I receive from the Teachers' Pension Scheme?"

KEEP UP WITH ALL THE CHANGES

There will of course be a whole host of other questions relating to your own personal situation that you will want answers to. It can be difficult to keep up with all the changes to the Teachers' Pension Scheme and the State Pension, and you need to make sure that the choices you make will be the most beneficial for the rest of your life.

For most, retirement is the day you have been working up to for all of your working life. You've been frantically paying into your pension scheme. You've been ticking the days off your calendar. You've secretly smiled at all your colleagues who are going to still be working while you are sunning yourself on a beach somewhere.

WHEN THE BIG DAY ARRIVES

You've been waiting with bated breath until the big day arrives and then you suddenly find yourself with so much spare time that you don't know what to do with yourself. You may take up a new hobby that you have been planning, or go on that long-awaited and deserved holiday, but are you going to be able to do these things every day – for the rest of your life?

There are many things that you need to consider as you approach the big day, and our "Planning for Retirement" seminar has been specifically designed to help guide you through those tremendously important decisions. We will present you with ideas that show you how to manage your new-found time, navigate the procedures required to receive your pension, give you tips on maximising your financial situation and help you plan to live the retirement you deserve. After all, you've waited all your life for this moment!

WANT TO RESERVE A PLACE ON OUR NEXT SEMINAR?

This short booklet covers three of the key topics we feature on our "Planning for Retirement" seminar, which has been described by Jennifer Beckles of the Times Educational Supplement as "essential for those teachers considering retirement". If we have given you food for thought and you would like further information on these or any of the other topics we cover, simply reserve a place on our next seminar – it could be one of the best decisions you make.

FOR MOST, RETIREMENT IS THE DAY YOU HAVE BEEN WORKING UP TO FOR ALL OF YOUR WORKING LIFE.

FACT 1

TEACHERS CAN'T BENEFIT FROM ALL THESE PENSION CHANGES…OR CAN THEY?

Benefiting from the new rules to potentially save money in the most tax-efficient way

Budget 2014 saw the Chancellor, George Osborne, announce the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921, introducing new flexibility to the pensions system. Those in the teaching profession may feel that they have been hard done by as their scheme is excluded from this new-found flexibility, as are all Public Sector schemes.

Not that anyone is suggesting that it would be right to transfer out of the scheme for most people anyway, losing all of the security and index-linked benefits that are attached, but nobody likes to feel that they have missed out on an opportunity.

However, the opportunity to benefit from the new rules and to potentially save money in the most tax-efficient manner available is still available to most of you. Access to 'Money Purchase' Pensions, such as the Prudential AVC scheme, Stakeholder Pensions and Personal Pensions, gives you the potential to create a second pension fund with the full flexibility that has been discussed and take advantage of the generous tax reliefs on offer.

TAX RELIEF AT YOUR HIGHEST MARGINAL RATE

Any contributions made to a pension fund will attract tax relief at your highest marginal rate of income tax. So if you are a 40% (higher-rate taxpayer), the taxman effectively pays 40% of your contribution; so £1,000 paid in only costs you £600, but you have a pension pot worth £1,000 (less any charges involved). At retirement, you can have 25% of the pot back as tax-free cash (called the 'Pension Commencement Lump Sum') – that would be around £250 in this example – so the real cost to you has only been £350. However, you still have a pension pot worth £750 – that's the £1,000 you started with less the £250 tax-free cash taken out. You can then access the remainder of the pot and only pay tax at the marginal rate that you are paying at that time.

Many teachers who are higher-rate taxpayers when they are working may become basic-rate (20%) taxpayers when they retire. So the £750 left in the pot – if taken out in the correct way – will only attract 20% tax – that's £150, leaving you with £600 – that's a profit of £250 or 25% on every £1,000 paid in! No wonder some financial advisers will tell you that there is nothing you can sensibly do with your money that beats these returns.

ACT SOONER RATHER THAN LATER

As with everything, it is not necessarily right for every teacher. Consideration must be given to your tax position, your existing pension funds and your own objectives, but if you are one of the many that could benefit from this system, you need to act soon.

WANT TO REGISTER FOR A TRA PLANNING FOR RETIREMENT COURSE?

To find out more, register for one of the TRA Planning for Retirement Courses and take advantage of the no obligation consultation that goes with it. It may just be the best possible use of your money!

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FACT 2

WHEN CAUTIOUS PORTFOLIOS ARE NO LONGER CAUTIOUS

Why it makes perfect sense not to risk everything when the time comes to retirement

Many teachers we meet are relatively cautious in their approach to investment, especially at or near retirement. Having worked all your life to build financial security, it makes perfect sense not to risk everything when the time comes to retire. But what does 'relatively cautious' actually mean?

Some people seem to think that they never actually take any risk with their money, simply placing it in the highest rate deposit account they can find. But this does not mean that there is no risk. Most deposits, over time, will simply devalue as the true rate of inflation slowly erodes the buying power of the capital. The internet is full of examples of this, showing historical and future costs of everything from day-to-day commodities to more expensive items such as properties and cars. It demonstrates, quite clearly, how people simply become worse off year on year, although they believe they are avoiding risk. Money on deposit does not carry the risk of devaluing, it carries the almost certainty of that happening!

SO WHAT'S THE SOLUTION?

Is it to take all of your money and invest in world stock markets, knowing that values of shares can fall as well as rise? This type of investment strategy would also carry too much risk. The answer may lie in a 'Balanced Portfolio'. There are various areas where monies can be held – some are familiar to us, such as bank accounts and shares; some less so, such as Government Gilts and Commercial Property holdings.

These 'asset classes' are broad terms for many different types of holdings, ranging from the extremely adventurous to the more sedate and secure. No singular asset class will rise in value at all stages over time – some go up, whilst others go down, depending on the world economy and the stage of the economic cycle. Blending these asset classes correctly – and managing them over time – is the key to long-term financial success.

Many people hold investments that they believe to be cautious by definition, such as Government Gilts. However, too much exposure to any type of asset without the correct allocation, balance and counter investments can easily make a cautious style investment very adventurous as economic cycles move on; an example of this is interest rates rising. The correct asset allocation, regularly reviewed and adjusted, is the key to helping people meet their own financial objectives and to protecting wealth.

WANT TO HEAR OUR EXPERIENCED GUEST SPEAKERS EXPLAIN THE CRITERIA TO SECURE A FINANCIALLY SUCCESSFUL RETIREMENT?

The first step to building wealth starts with a disciplined decision to pay yourself first, then compounds with a disciplined investment approach. To gain a broader understanding of this key area that will form part of your wealth creation plans, please contact us to attend one of our Pre-Retirement courses. You will hear our experienced guest speakers explain the criteria to secure a financially successful retirement.

FACT 3

WHERE THERE'S A WILL, THERE'S A WAY

Make sure the ultimate beneficiaries of your Will receive their inheritance

Almost two thirds of the UK population have not made a Will, and of the one third who have, the majority generally opt for a simple 'Mirror Will' concept, leaving assets to their surviving spouse or partner and then passing on to their children, where applicable. Although legal and valid, this type of Will has no effect in trying to protect wealth, nor does it ensure that the ultimate beneficiaries of the Will are going to receive their inheritance.

Let's look at some examples of how this could go terribly wrong:

1. Bill and Mary are married to each other, having both been married previously. They have no children together but both have a child from their previous marriages. On death, they would like their assets to pass to each other but then, ultimately, onto their respective children. Bill's Will leaves everything to Mary, but if she predeceases, it all goes to his child. Mary's Will does the same. Bill dies – everything goes to Mary. Mary then dies – as Bill has predeceased, everything now follows Mary's Will and goes to her child, with nothing going to Bill's. Not exactly the outcome they had planned!

2. Mr. and Mrs. Brown married late in life. They had both made Wills several years before they married one another and had not yet made new ones. The main beneficiary under Mrs. Brown's Will was her son, while Mr. Brown's Will left his assets to his friends. Both Wills were revoked by marriage so both died intestate. Mrs. Brown died first and Mr. Brown became entitled to her whole estate on her intestacy. Mr. Brown subsequently died leaving surviving relatives with whom he had had no contact for years, who were then entitled to all the couple's assets!

'MISSING OUT' ON A POTENTIAL INHERITANCE

In both of the above examples, the final outcome was not the one that was desired. This is because the use of the Will was not given sufficient prominence and simply treated as 'something that needed to be done – whenever'. Sadly, this approach is all too common, and we frequently meet people who have 'missed out' on a potential inheritance because estates were not correctly structured. The sad fact is that the solution would not have been difficult to plan for.

A Will incorporating a Discretionary Trust could have prevented both of the above scenarios and built in certainty as to who the ultimate beneficiaries would be. It is still possible to ensure that the surviving spouse is properly cared for while still controlling where the assets finally reach. It is not 'control from beyond the grave', but is as close as is humanly possible!

PROTECTING ASSETS IN OTHER SCENARIOS

Discretionary Trust Wills can also assist in protecting assets in other scenarios, including minimising the financial implications of Long-Term Care and shielding assets in the event of bankruptcy. Historically, this type of Will was essential to protect assets against Inheritance Tax, and although not the case at present, nobody knows how future legislation may change.

So if they are so effective, why do more people not use one? It's simple: they don't know about them! This is not the type of Will that you can buy off the shelf; they need to be prepared professionally with full regard to your own personal circumstances and requirements. Despite being far more effective than a simple 'Mirror Will', they are not significantly more expensive and the peace of mind that they can bring is priceless.

Incidentally, if we have not prompted you to take action regarding what happens when you die, remember that it is also essential to ensure that your affairs are taken care of correctly whilst you are still alive, in the event of your incapacity. Lasting Powers of Attorney ensure that your affairs can continue to be dealt with in case of physical or mental decline; the absence of these vital documents may cause untold stress and financial cost on those closest to you, should they be required.

WANT TO FIND OUT MORE ABOUT THIS COMPLEX YET CRUCIAL AREA?

Find out more about this complex yet crucial area by attending one of the TRA 'Planning for Retirement' seminars and talking to one of the qualified Financial Planners. A small investment in time and money can have significant long-term benefits to you and your family.

Almost two thirds of the UK population have not made a Will, and of the one third who have, the majority generally opt for a simple 'Mirror Will' concept, leaving assets to their surviving spouse or partner and then passing on to their children, where applicable.

To find out more about our highly acclaimed seminars, please contact us or visit our website - we look forward to hearing from you.

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Would you like expert advice but are unable to attend a seminar? If so we can help. Please get in touch to find out more.

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