



SFIA
29 High Street
Marlow, Bucks SL7 1AU

Tel: 0845 458 3690
Fax: 0333 444 1550
Web: www.sfia.uk
Email: enquiries@sfia.co.uk

Maximising your income levels in retirement

Why having a target in mind clearly makes a difference to fund this stage of your life

A report has highlighted the positive impact planning and professional financial advice can have on income levels in our retirement. The first Retirement Income Uncovered report from Old Mutual Wealth found that retirees who hadn't set themselves an income target to aim for in retirement had an average income of £17,500 per year. However, those who saw a financial adviser at least once have an average income in retirement of £20,800.

ADVICE MATTERS

In addition, receiving regular professional financial advice from an adviser doubles the likelihood that a person will have a target, and those who had a target and saw an adviser have an average income of £26,000 a year, a 49% increase compared to those who did neither.

The report looked into the level and source of retirement income for people already retired from full-time work, plus those over 50 approaching this crucial part of their financial lives. This provided a concise picture of current and changing sources of retirement income, changing attitudes to work in retirement, and also levels of satisfaction and understanding of the different sources of retirement income.

RETIREMENT REALITY

- We expect retirement to last for 21 years
- 41% of retirees receive less than £15,000 per year
- There is a £7,000 gap between men's and women's average income in retirement

PLANNING PAYS

- Those who had a target income in mind before they retired have an additional £157,500 income over the course of an average retirement
- Retirees who used a financial adviser are more than twice as likely to have a target income in retirement – with an average income of £26,000
- One in four approaching retirement has a target income, compared to one in five current retirees





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THE CHANGING FACE OF RETIREMENT

- Those approaching retirement are 25% less dependent on a final salary pension compared with retired people
- Those who have a retirement income goal are 63% more likely to be satisfied with their retirement income than those who do not

OTHER INCOME SOURCES

In addition, the report examines how other income sources are expected to make a greater contribution to the income of those yet to retire. As expected, access to, and reliance on, final salary pension schemes is on the wane, and while property downsizing contributes an average of just 2% of income for those currently retired, this rises to a 15% expected contribution for those yet to retire.

WHERE IS YOUR INCOME GOING TO COME FROM?

What is very clear is that retirement income is changing, and people are preparing to use many different sources to fund this stage of their lives. Thinking about where your income is going to come from and having a target in mind clearly makes a difference to your outcome in retirement. So does obtaining professional financial advice. More people yet to retire are setting goals that will make them better off in retirement, and advice clearly pays. For further information, please contact us – we look forward to hearing from you.

Source data:

Old Mutual Wealth partnered with YouGov to conduct research into the attitudes and behaviours of those currently in retirement or approaching retirement.

The research was carried out via an online survey among YouGov's consumer panel.

The sample consisted of 1,536 UK adults aged between 50 and 75. The sample was split up into five brackets (50-54, 55-59, 60-64, 65-69 and 70+) with a target quota of 300 participants in the research from each age bracket.

YouGov invited a nationally representative sample to take part within each age bracket.

Fieldwork was carried out between 4 July and 10 July 2014.

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