5

MEANINGFUL ACADEMY

RETIREMENT PLANNING

- WORKBOOK

SUCCESSFUL REVIEWS

This workbook belongs to:

SUCCESSFUL REVIEWS

It's one thing to have a decent financial plan, to know where you're going with your finances and your life. But, as the saying goes, no battle plan survives contact with the enemy. For our purposes we can adjust this saying and adopt it as a mantra:

No financial plan survives contact with real life.

And that's why it is so important to review your financial plan and also your arrangements of the back of that plan, at least once a year. **Life changes, and you plan will need to change with it.**

Your annual review serves two purposes: a brief look back to where you have come over the past year, and a good look forward, in order to make sure that you're set up for the year or two to come.

SCOPING YOUR REVIEW

To kick off your review, consider three areas of life which might mean you need to make some changes:

The Economy

Has there been any market/economic shocks over the past year? How did they make you feel? Should you make any changes in relation to this? (*Hint: probably not!*)

Legislation

Has there been any changes in the financial services world that might mean you should consider some changes to your portfolio? Things like changes to pensions rules, the Lifetime Allowance, ISA limits etc.

Your Circumstances

By far the thing most likely to change your direction and plans is changing life circumstances. So ask yourself: Has anything changed over the past year? If so, write it down here and coside what it might mean. For example: if your daughter has got engaged, might there be a wedding to contribute towards in the next few months?!

REVIEWING YOUR EXPENSES

Cashflow - that is income and expenses - underpins everything. Expenses need to be tracked fairly carefully, though you may want to be more or less granular - we're all different!

Consider four main categories:

- **Basic** - these are the necessities of life. Think of this as the baseline lifestyle if you had to strip everything back. At this level of spending we're talking about food, fuel, insurance, home and car maintenance, communications, travel costs to see family - the stuff we need to live.

- **Leisure** - this includes club membership, holidays, discretionary personal care, meals out and other entertainment. This is the stuff that makes life fun.

- **Luxury** - these are the bigger ticket items, or the things that add a real layer of satisfaction to life. It might include next-level holidays or an extra holiday or two each year on top of the basics. It might mean changing the car every three years instead of five.

- **Milestones** - These are one-off events like family weddings, big celebrations for Golden Weddings, significant gifts to family, things like that.

We need to plan these a year in advance, and ideally even further ahead. We also need to see how we did last year and see if there are any lessons to be learned.

Category	Expected last year	Actual last year	Difference
Basic			
Leisure			
Luxury			
Milestone			

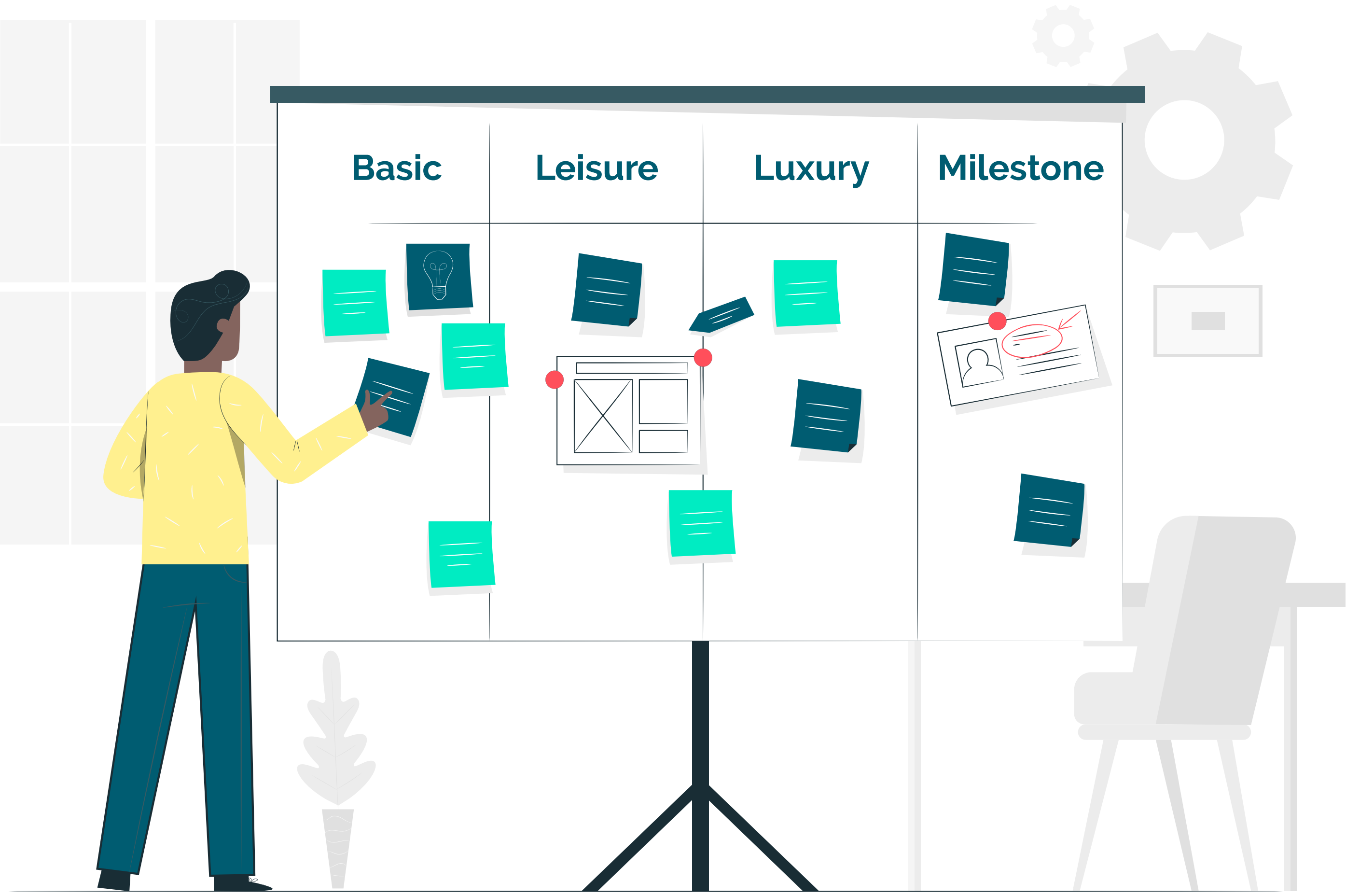
Any lessons to be learned?

Now look ahead - what do you expect to spend this coming year, and maybe the year or two after that?

Category	Coming year	Year 2	Year 3
Basic			
Leisure			
Luxury			
Milestone			

Finally - any change in income or one-off inflows this coming year?

Make a note of them, so you can factor them into your thinking for the coming year.



TAXATION REVIEW

Tax allowances are there to be used. So here's a quick checklist of the major options that you might want to consider:

- Are you using your income tax personal allowance to the full?
- If there are two of you, can you apportion assets/income to utilise both personal allowances this coming year?
- Don't forget dividend allowance and personal savings allowance too
- For assets outside ISAs and pensions, can you make use of the capital gains annual exempt allowance?
- Are there gains you can lock in, even if you don't need the money to spend?
- What about losses - is there merit in harvesting them to use against future gains?

While inheritance tax (IHT) planning might not be a priority right now, it's good to keep track of your net worth (pensions are separate as they're not in your estate for IHT purposes:

	You	Partner
Property		
Cash		
Investments		
Total		

Pension Funds		

REVIEWING COSTS

It's crucial to keep an eye on the charges you're paying for your investments and pensions.

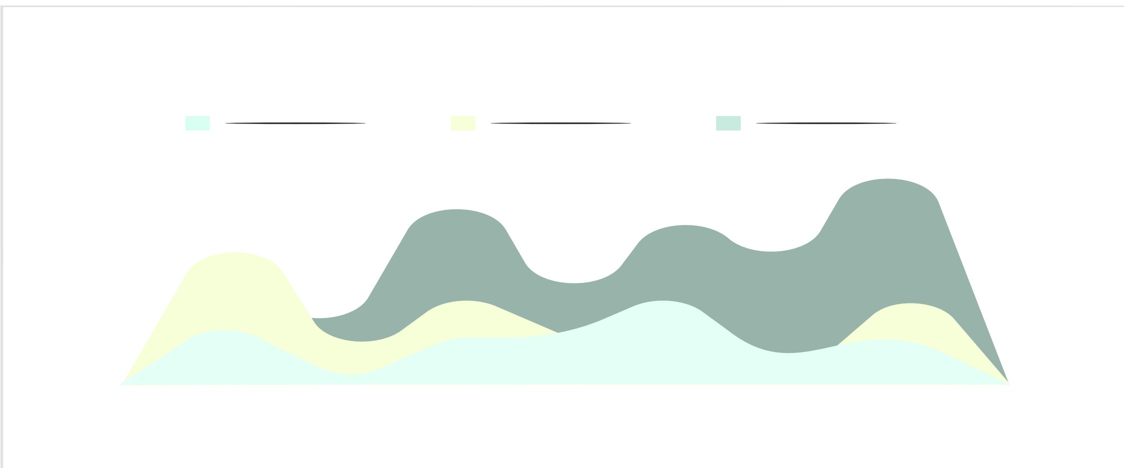
Pull out your latest annual statement, or request one, and look for the following:

Fund charges - look for the OCF figure plus any transaction charges. Aggregate the cost of your entire portfolio by weighting the charges accordingly:

Fund	Total cost % (A)	Amount invested (B)	Total cost in £ (B x A/100)
	%	£	£
	%	£	£
	%	£	£
	Total:	£	£

Platform/Product charges - There may be two elements to this, a percentage charge and/or a fixed charge.

Adviser charge - usually depressed as a percentage, check which of your invested assets this applies to. Likely to be between 0.5% and 1% per year. Make sure you're getting value for this.



REVIEWING YOUR ASSET ALLOCATION

Four steps to this crucial part of the review:

1. Work out your cashflow needs
You need to know your expenses clearly for the next two years and to some degree for the next five years, as far as you can. You should know what your guaranteed, secure sources of income will be in that time and from there can work out what you're going to need to draw down from your portfolio. For each year, determine:

- **Expenses**
- **Secured income** (from pensions, rent, earned income)
- **Shortfall** - the difference between the two, if negative.

2. Populate your NEW cashflow ladder
From here, you can work out roughly how much you should have at each level of the ladder, and the broad equity/bond/other asset allocation at each level.

Check back to Module 2 for the logic of how to build your own cashflow ladder, or review the one you've already built.

3. Compare with your current position
You can then compare this new ideal ladder with the current make-up of your portfolio. Is it miles out? If so, take a step back and ask why.

Chances are it's within striking distance of where you want it to be, with only minor tweaks needed.

4. Work out the shortest path from A to B
This is the most challenging part of the process, but it just takes a clear head and some logic. Start with amounts. Is there £10,000 too much in your Year 6-10 level? OK - where should that money be redistributed to bring the amounts back in line.

Work from the bottom of the ladder, with the next two years' needs in cash and work up for there, from years 3-5, then 6-10 and then years 11+.

Once the amounts are right, make sure that at each level, the split of assets and funds is as you'd like it to be. You might need to place some switch trades on your platform to sell A and buy B, but it'll only be a handful of trades at most, and once a year, that's all.