

## Welcome to the new world of retirement

**Rod Milne, joint managing director of HFS Milbourne, shares an insight into our changing times**

**M**Y how things have changed! Remember the days when retirement was a time for rest and reflection after reaching the ripe old age of 60 or 65 years, with a set income for the rest of your life?

Today, we retire gradually and according to recent research from Old Mutual Wealth\* just 19% of Britons give up work because they reach the state retirement age.

### So how are we spending our retirement?

Far from 'taking it easy', us Brits are enjoying a very active retirement, with 38% of retirees taking up a new hobby.

International travel is also high on the agenda with France, Spain, USA and Australia the top holiday destinations.

### Average retirement income

The average retirement income in the UK is £19,700 per annum, up £700 from 2014. Sources of income vary and are often a mix of any combination of company pension schemes, state pension, ISAs, savings, inheritance, stocks and shares etc.

### Annuity or income drawdown?

These days, our retirement is expected to last 21 years.

Deducting the state pension from the average income on retirement (i.e. £19,700) leaves an annual shortfall of just over £13,000. According to Old Mutual Wealth, to achieve this deficit over the 21-year period using an annuity (based on the top five annuity quotes) would require a pension pot of £237k.

With income drawdown the funds remain invested, which

provides an opportunity to increase the level of income that can be taken. A drawdown plan could potentially sustain higher income of £17,499 for the average length of retirement of 21 years.

This equates to £92k more over the average expected retirement length than an annuity purchased with an equivalent fund size.

It should be noted, however, that although income drawdown can potentially boost income over and above what can be expected from an annuity, there are risks which need to be considered when weighing up these two options.

### Planning pays off

Those who set themselves a target while building up their pension and also met with a financial adviser on a regular basis saw an average annual



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income of £26k compared to £17,500 for those without a goal. Over 21 years of retirement that is an additional £178K of income – which is an awful lot of extra holidays!

*\* Old Mutual Wealth Retirement Income Uncovered /Redefining Retirement*