Mr & Mrs W Bentley
111 Holbeck Park Avenue
Barrow-in-Furness
Cumbria
LA13 0UA

8th November 2024

Dear Warren and Wendy,

Re: Retirement Planning

This report aims to summarise your objectives and then provide recommendations in order to keep your financial plan on track to meet these objectives.

Following on from the objectives and recommendations there is supporting information in the appendices including analysis that you may find useful.

Objectives

Over the years you have accumulated a few pension plans which you now wish to understand better in terms of how much income they may produce for your retirement and at what age you may be able to retire comfortably.

Furthermore, you have spare cash funds from the sale of your house on Yarlside road. You have decided to defer repayment of your mortgage for at least 2 years until your current deal ends and would like to invest some of these funds in the most tax efficient manner.

Recommendation

Transfer your two Standard Life Pensions to Fidelity adviser Solutions and invest the underlying funds in the following funds:

- Vanguard 60% Lifestrategy Acc- 80%
- Fundsmith Equity I (acc)- 15%
- Vanguard Global Small Cap Index Fund Acc- 5%

Switch your investments within L&G (including all future contributions) into the cash lifestyle fund.

Invest a one-off gross pension contribution of £36,500 into a new pension with Fidelity Adviser Solutions. This equates to a net contribution of £29,200. The underlying funds should be invested in the Royal London Money Market Y (acc).

Rationale

We have developed a cashflow forecast and retirement plan for you which is detailed in a separate report. This report assumes you will work until Warren reaches the age of 66 and Wendy 62. This situation may be improved upon; however, the best course of action is to assume this is when you retire and review your plans each year. If events unfold in your favor, you may be able to retire earlier than outlined.

The reasons for the **switch to Fidelity from Standard Life** is as follows:

- Firstly, we have identified that the sum within your respective standard life schemes is roughly the sum that will form the drawdown part of your cashflow plan. We believe your existing fund selection will de-risk your funds to quickly meaning that you lose valuable long term growth potential. Your existing plan will reduce you to 35% equity (shares) exposure by the time you reach 65. We believe you would be better served by maintaining a higher equity allocation (50% at retirement) for the long-term including during drawdown. Having your capital in the new Fidelity scheme will make it easier for us to manage this process for you.
- Your existing scheme has limited fund choice. The new contract has a much wider range of funds available which help us construct a portfolio better suited to your needs.
- Having your portfolio with Fidelity makes it easier and more efficient for us to service which means we can offer you a competitive advice fee. If we had to deal with Standard Life instead of Fidelity this would increase our cost of administration and subsequently your advice fees. This is also the reason we discounted a switching your plan to your current employer scheme.

L&G Fund Switch:

This fund switch is recommended in order to derisk your plan in the run up to purchasing an annuity when you retire.

New Pension Contribution:

This pension contribution will increase your basic rate tax band by £36,500 allowing you to gain tax relief of 40% on your contribution. These funds could then be used to put towards repayment of your mortgage when you retire (minus tax payable at the time) or will augment your retirement plans. We have advised a low-risk approach with these funds as the aim of this exercise is to make savings through a reduction in tax and reduce the risk of this being eroded in the event of poor stock market performance.

We trust that this letter provides an accurate summary of our discussions and our recommendations are clear; however, should you have any concerns or wish to discuss any of the issues raised in more detail please do not hesitate to contact us.

Yours sincerely
For Harwood Financial Planning

Ryan J Woodhouse
Independent Financial Adviser/Director

To confirm you have read this report, your acceptance of our fact find, recommendation and consent for us to carry out this transaction, please sign below.

Appendix 1: Disclosure

The scope of our service is explained in the client agreement we provided you with on 23rd September 2024 and you confirmed you did not wish to place any restrictions on the types of products or investment strategy when making our recommendation.

Our advice provided to you is based upon the information you have disclosed and therefore if this letter does not coincide with your view of the situation, or you require any further clarification, please let us know at your earliest convenience. It is important to emphasise any information in relation to your circumstances that has not been disclosed could have affected our advice to you.

Our recommendation has been limited to your retirement planning objectives as this was the only area of financial planning you wish to review at present. Therefore, you may have other financial planning needs that are not addressed by this report.

Appendix 2: Your Attitude to Investment Risk

In order to understand what would represent an acceptable level of risk for you we follow a 3-step process. Firstly, we assess your psychological approach to risk through a risk questionnaire. Secondly, we assess your circumstances including your capacity for loss and investor experience and the final step is to combine the first two steps to arrive at a suitable level of investment risk.

The funds recommended are based on the level of risk you are prepared to accept. This was discussed following the initial completion of a risk profiling questionnaire. Your risk profile was mapped to a 7 on a scale of 1 to 10 (a Balanced/Adventurous Investor).

7 Balanced/Adventurous Investor

As a balanced/adventurous investor, you are happy to take on investment risk and understand that this is crucial in terms of generating long-term return. You are willing to take risk with most of your available assets. This would typically mean a portfolio invested in a combination of bond, property, and UK and International shares – the shares component for a balanced/adventurous investor could be between 50% and 80% of the portfolio value.

It is important to note that a balanced/adventurous investment can fall as well as rise in value and it would be quite common for this type of investment to rise or fall by 30% over a 12-month period. Although your investment is unlikely to fall by more than 30% over a 12-month period it is still possible.

However, after discussions around a level 7 risk, we have agreed to adopt a slightly lower risk profile of level 6 (a Balanced Growth Investor – a description of which can be found below).

6 Balanced Growth Investor

As a balanced investor, you are happy to take on investment risk and understand that this is crucial in terms of generating long-term return. You are willing to take risk with most of your available assets. This would typically mean a portfolio invested in a combination of bonds, property, UK and International shares – the share component for a balanced investor would be between 40% and 75% of the portfolio value.

It is important to note that a balanced investment can fall as well as rise in value and it would be quite common for this type of investment to rise or fall by 25% over a 12-month period. Although your investment is unlikely to fall by more than 25% over a 12-month period it is still possible.

Investment experience

Judging your investment experience is an important part of determining your overall risk profile. We say this, because the risk profile tool in isolation is a theoretical exercise i.e., it deals with hypothetical situations, whereas investing for real tests how you have reacted/responded to certain situations in reality. The way you respond to setbacks when investing is an important factor that can be determine the ultimate success/failure of your investment.

You have investment experience spanning 2 decades investing in various pension schemes although you admit that your level of understanding is not high. You do realise that pension carry investment risk and that they move both up and down in value in response to market events.

Capacity For Investment Loss

When assessing your pension/investments, it is our responsibility to assess your ability to 'absorb' investment losses and whether this would have a detrimental impact on your standard of living. The following factors that are important to you in this respect are as follows:

- Excluding your recent house sale, you have £14,000 in cash savings and premium bonds.
- You have a mortgage on your main home; however, you also have cash form your recent house sale to cover your mortgage.
- We are anticipating your pension assets with the new provider (Fidelity) will be invested for growth for the next 6 years and then converted to a drawdown pension fund thereafter.
- The expectation is that you will use your L&G pension to purchase an annuity in 6 years' time.

The above factors leave us feeling confident that a short-term fall in the value of your investments in line with the volatility levels outlined previously would not mean that you suffer a drop in living standards. The main reason for reducing your investment risk is that your time horizon (prior to drawdown) is relatively short term (6 years).

Your risk profile will be reviewed on an annual basis or if you inform us of a change in your circumstances.

Appendix 3: Plan Information

Plan	**Fund Value**
Scottish Widows Pension	£65,531
Standard Life Pension	£184,000
L&G Pension	£9,328
Scottish Widows (Wendy)	£24,639
Aviva (Wendy)	£44,611
Total	**£328,109**

Appendix 4: Risks

All the risks associated with this investment are detailed in the product literature provided to you when you started your plans. You should refresh your understanding on this information. In addition, you should take note of the following risks:

  - You should remember that unit prices and the value of your investment can fall as well as rise and there is no guarantee you will receive a return of your original capital. Past performance is no guarantee of future returns.
  - You should note that, whilst your switches are taking place, there could be movements within the stock-market; that is to say that the stock-market could rise or fall in value. If the market rises in value between the date of realising your existing funds and the purchase of your new funds, you could be financially disadvantaged insofar as the cost of buying your new fund could be greater. Conversely, if there is a fall in the market between the date of realising your existing funds and the purchase of your new funds, you could be financially advantaged insofar as the cost of buying your new funds could be lower.
  - There is no guarantee the return on the new funds will be greater than that of your existing funds and could possibly be lower.
- If withdrawals from the plan exceed the growth being achieved your capital will be eroded.
  - Any tax-free cash and indicative annuity or drawdown pension income amounts quoted on the illustration are based on many assumptions listed on the illustration. Actual benefit payable will be based on what happens in reality. You could receive lower or higher returns than the illustration indicates.
  - In most circumstances pensions typically do not form part of the estate for inheritance tax purposes*, however executors must report a pension transfer if death occurs within two years from the date of transfer. In these circumstances an inheritance tax charge may apply to the value of the transfer, especially if you were in ill health at the time of transfer. We understand that you are in good health; therefore, if this scenario arose, it is unlikely to pose you a problem.
- When you retire, your pension may be lower than illustrated if:
  - Investment performance is lower than illustrated
  - You start taking your pension earlier than the illustrated retirement date
  - Tax rules change
  - Charges increase above those illustrated.

Appendix 5: Estimated Fee's/Charges (next 12 months)

Charges

The initial charge for this work is £4,461.45 (2%) and will be deducted from the Fidelity Pension Savings Account.

Ongoing Fees/Service

We believe it is important to review your investment strategy at regular intervals to ensure it continues to meet your aims and objectives. Full details of our service proposition are contained within our client agreement. We will review your plans annually.

Following this recommendation, the estimated ongoing charges/fees on your Fidelity Pension Savings Account will be as follows (based on a value of £218,610.93):

Type of Charge	Charge (%)	Charge (£)
Fund Charges	0.32	699.55
Product Charge	0.20	437.22
Ongoing Adviser Charge	0.60	1,311.66
Total Charge	**1.12%**	**£2,448.43**

We have conducted a pension comparison exercise which compares the charges of your respective schemes. This comparison indicates that without adviser fees your new scheme is £2,000 more expensive than your existing scheme excluding adviser fees (forecast till age 65 in line with the current retirement age on the scheme). Without fees your existing schemes charges indicate a reduction yield of 0.3% whereas Fidelity has a RIY of 0.7%. When adviser fees are added the RIY increases to 1.5% for SL and 1.8% for Fidelity.

We believe the additional cost is justified as in return for this extra outlay you are gaining a contract which has potential advantages over your existing offering in the form of a wider fund choice and full flexibility options upon retirement. These features are more compatible with the financial plan that has been constructed for you.

Appendix 6: Miscellaneous

Product Documentation

The documentation provided at outset is important and contains information regarding the product which we have recommended, particularly with regards to how the product works, its aims, risks and charges, together with its legal status, tax treatment and your cancellation rights. Therefore, please ensure you have read this document carefully. If there are any points on which you are unsure, or require further clarification, please contact us and we will be pleased to explain these in greater detail.

Tax Treatment and Law

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and His Majesty's Revenue and Customs (HMRC) practice. Levels and basis of tax relief are subject to change.

Lifetime Allowance

The lifetime allowance was a limit on the amount you could build up in pension savings without triggering a tax charge. From 6 April 2023 the tax 'charge' was removed and then from 6 April 2024 the lifetime allowance was abolished altogether.

This doesn't mean there are no limits on the amount of pension savings you can take without a tax charge. The lifetime allowance has been replaced by new allowances:

- the lump sum allowance - £268,275
- the lump sum and death benefit allowance - £1,073,100

Both of these allowances limit the amount of tax-free benefits that can be paid.

Lump Sum Allowance (LSA)

The LSA is the limit on the amount of certain tax-free lumps sums that you will be able to receive from all of your pension arrangements before marginal rate taxation applies.

Where the amount exceeds this allowance, income tax may be payable on the excess.

You have used £7,032 of your lump sum allowance via your army pension scheme.

Lump Sum and Death Benefit Allowance (LSDBA)

The LSDBA is the limit on the amount of certain tax-free lump sums that can be paid in respect of an individual from all of their pension arrangements before marginal rate taxation applies.

LSDBA will be used up where a member takes a relevant lump sum, such as Pension Commencement Lump Sum (Tax Free Cash), Uncrystallised Funds Pension Lump Sum, Serious Ill Health Lump Sum or Lump Sum Death Benefits (except trivial commutation).

A check is made against these allowances when benefits are paid. This will apply to your new pension savings account only when you withdraw benefits in the future.

Annual allowance

Contributions into the scheme are limited by the annual allowance. The Annual Allowance is currently a maximum of £60,000 per annum 2024/2025. High earners may have a lower annual allowance. There is also the facility to potentially carry forward up to 3 years' worth of unused allowances. You should note that if an individual has flexibly accessed other pension benefits though, their Money Purchase Annual Allowance may be restricted to £10,000 with no Carry Forward allowed.

Contributions exceeding the annual allowance would trigger a tailored tax charge of up to 45%. Tax relief on any personal contributions made is limited to £3,600 per annum or 100% of salary if higher.

This recommendation will use £36,500 of your annual allowance. You are expected to contribute a combined £18,000 via your employer; thus, we expect you to stay within your annual allowance for 24/25.

<u>High earners - Tapered annual allowance</u>

From 6 April 2023, individuals who have 'adjusted income' for a tax year of greater than £260,000 will have their annual allowance for that tax year restricted.

For years prior to this, the levels were lower.

- Between 6th April 2016 and 5th April 2020 there was a lower amount of £150,000.
- Between 6th April 2020 and 5th April 2023 there was a lower amount of £240,000.

For clarity, this means that the application of the tapered annual allowance is applied each tax year separately and hence an individual may have a tapered annual allowance in one tax year, and a full annual allowance in the following tax year depending on their income.

The definition of income for the £260,000 figure is 'adjusted income'. The inclusion of employer pension contributions in the definition of adjusted income means that it is not possible to use salary exchange to reduce income below £260,000.

There is also an income floor of £200,000, called the 'threshold income'. Between 6th April 2016 and 5th April 2020 there was a lower limit of £110,000.

This figure has been included to try to give some certainty to individuals about who may be affected by the tapered annual allowance and also to ensure that lower paid individuals are not affected as a result of a large pension contribution.

Where an individual has threshold income of £200,000 or less, they will not be subject to the tapered annual allowance even if their adjusted income is greater than £260,000.

The way that the tapering will work is that for every £2 of income that exceeds £260,000, £1 of annual allowance will be lost. For individuals with adjusted income in excess of £360,000 the taper annual allowance is £10,000.

From 6th April 2023, the tapered annual allowance will apply to individuals with adjusted income of £260,000 and over and threshold income of over £200,00.

Financial Services Compensation Scheme (FSCS)

You may have full rights to the Financial Services Compensation Scheme (FSCS). The FSCS provides compensation should your chosen provider become insolvent and be unable to honour a claim under your policy. The levels of compensation vary depending on the type of contract concerned and the limits for each type of category are available at www.fscs.org.uk.

Wills and Lasting Powers of Attorney

You advised me that you do not have a valid Will in place or Lasting Powers of Attorney. I strongly recommend that you have a Will written as soon as possible as there can be tax-planning advantages from Will writing and this can ensure that as much as possible of your estate goes to those intended.

It would also be prudent to set up and register Lasting Powers of Attorney for "property and financial affairs", to ensure that in the event of your incapacity, your spouse/partner/relative could act on your behalf.

Nomination on death

You have previously completed a nomination of beneficiary/expression of wish form. In the event of your death the policy proceeds, subject to the trustees' discretion, are paid to your chosen beneficiary.

What happens when you die? –

Should you die before age 75, the nominated beneficiary can receive a lump sum, drawdown an income or purchase a dependents annuity. All these options are paid free of tax.

Where you die after the age of 75 the same options are available, but tax is paid at the beneficiary's marginal rate of tax.

This situation is likely to change in April 2027 once the recent budget measures have received royal ascent. Once this happens pensions will be brought into your estate valuation when calculating inheritance tax.