bdhSterling*

10 top tips to help Australians retire successfully in the UK

INTRODUCTION

Everyone wants something different for their retirement. Perhaps you're dreaming of long holidays in far-flung places, spending time with your family, or taking up a new hobby?

We all have different plans for our retirement. But we all want to know the answer to one question:

> "Will I have enough money to do what I want, when I want?"

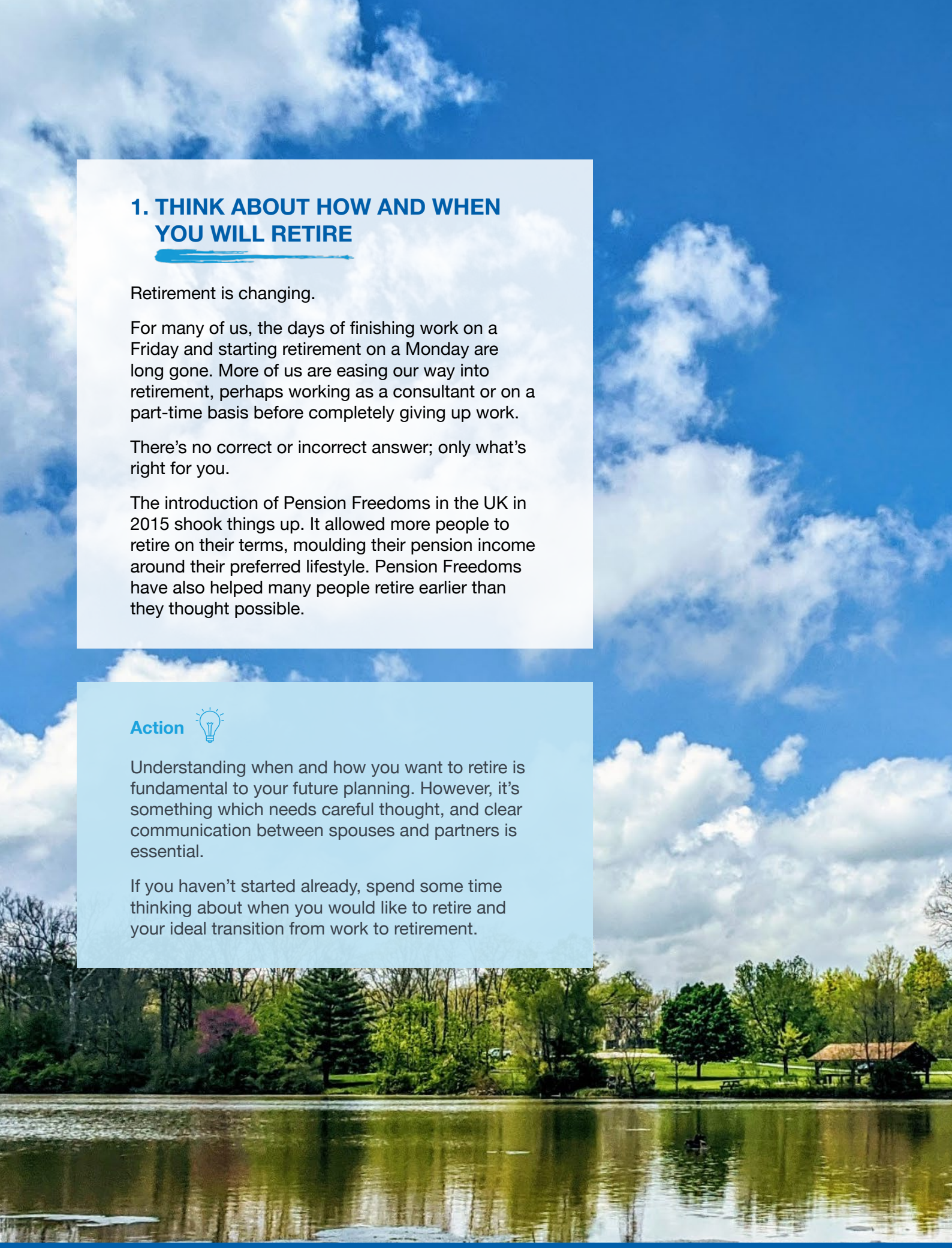
Achieving that won't happen by accident. It takes careful planning.

Furthermore, as an Australian in the UK, your financial affairs will be more complex, which brings opportunities to take advantage of and threats to avoid.

Whether you plan to retire in the next few months or retirement is still many years away, this guide will help you start thinking about your options.

In this guide we:

- Highlight the things you should consider to ensure you have 'enough' in retirement
- Suggest some simple actions you can take now
- Explain how we can help you successfully retire



1. THINK ABOUT HOW AND WHEN YOU WILL RETIRE

Retirement is changing.

For many of us, the days of finishing work on a Friday and starting retirement on a Monday are long gone. More of us are easing our way into retirement, perhaps working as a consultant or on a part-time basis before completely giving up work.

There's no correct or incorrect answer; only what's right for you.

The introduction of Pension Freedoms in the UK in 2015 shook things up. It allowed more people to retire on their terms, moulding their pension income around their preferred lifestyle. Pension Freedoms have also helped many people retire earlier than they thought possible.

Action

Understanding when and how you want to retire is fundamental to your future planning. However, it's something which needs careful thought, and clear communication between spouses and partners is essential.

If you haven't started already, spend some time thinking about when you would like to retire and your ideal transition from work to retirement.

2. CONSIDER WHAT YOU WANT TO DO IN RETIREMENT

At the same time as considering when and how you will retire, you should think about what you want to do in retirement.

Some people might have big plans to see the world, learn new skills or tick things off their bucket list. Others might want to stay a little closer to home, perhaps to help more with their grandchildren. Again, we're all different and there's no right or wrong answer. Only yours.

Naturally, your ambitions will be linked to your financial resources. The larger your income or capital base, the more that will be possible. Having said that, we know that many people are too cautious with their money in retirement when in reality they have the financial resources to do much more.

So, now is the time to dream and set lofty ambitions. You never know what might be possible!

Action

Start making a list of the things you want to do in retirement. Don't filter your thoughts at this stage. Dare to dream. What you think is impossible might be achievable.

Remember though, careful communication between spouses and couples is essential. If one of you wants to see the world, yet the other is happy with 'staycations', some compromises will be inevitable.

3. THINK ABOUT WHERE YOU WANT TO LIVE IN RETIREMENT

Retirement can often cause people to reflect on where they live.

Some people might be very happy to continue living in their current home. Others will want to move, perhaps to somewhere smaller, while some people might buy a second home.

As an Australian in the UK, you might decide that retirement is the perfect time to move back to Australia or at least visit more often. If you do decide to spend significant amounts of time in Australia, careful consideration must be given to how this will impact your residency status for tax purposes. We can provide advice on this area and whether your pensions should be transferred to Australia.

Action

Deciding where you will live is as much an emotional decision as it is practical. Your decision will affect your family too. That means it could take some time to think this one through so everyone is happy.

Now's the perfect time to start thinking about your options.

Naturally, things change. So, your financial plan needs to be flexible to cope with changes in your circumstances.

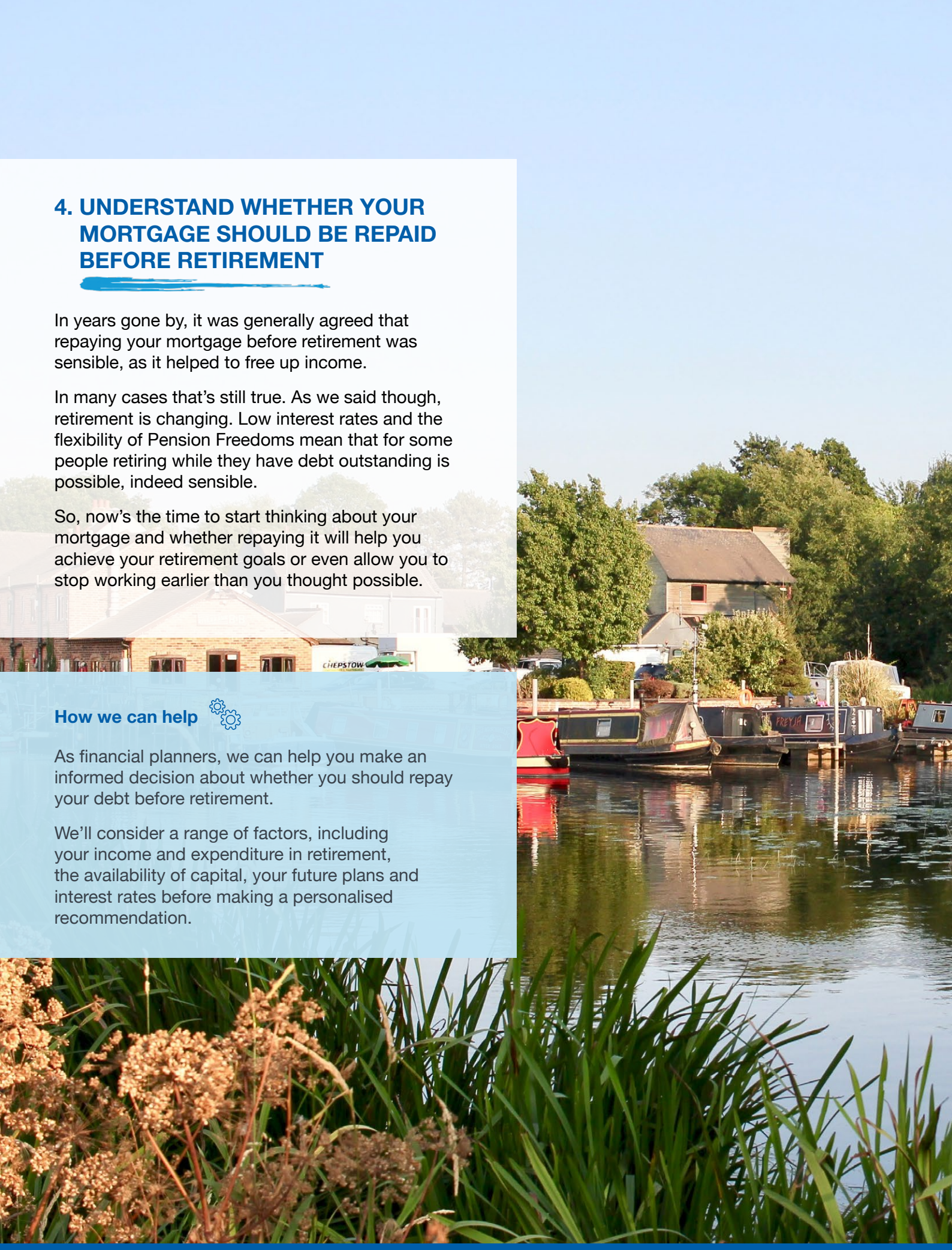
Again, there are no right or wrong answers. However, these are big decisions which will often require lump sums of money, which once used to purchase property, cannot easily then provide an income.

4. UNDERSTAND WHETHER YOUR MORTGAGE SHOULD BE REPAID BEFORE RETIREMENT

In years gone by, it was generally agreed that repaying your mortgage before retirement was sensible, as it helped to free up income.

In many cases that's still true. As we said though, retirement is changing. Low interest rates and the flexibility of Pension Freedoms mean that for some people retiring while they have debt outstanding is possible, indeed sensible.

So, now's the time to start thinking about your mortgage and whether repaying it will help you achieve your retirement goals or even allow you to stop working earlier than you thought possible.



How we can help

As financial planners, we can help you make an informed decision about whether you should repay your debt before retirement.

We'll consider a range of factors, including your income and expenditure in retirement, the availability of capital, your future plans and interest rates before making a personalised recommendation.

5. UNDERSTAND WHETHER YOU'VE GOT 'ENOUGH'

So, you've thought about:

- When you want to retire
- How you want to retire
- What you want to do when you retire
- Where you want to live

Now's the time to understand if you can afford your preferred lifestyle. In other words, have you got 'enough'?

If it turns out that you have, you will have the option of immediately moving on to the next phase of your life. If you haven't already accumulated 'enough', then this exercise will highlight your income or capital shortfall.

To accurately assess whether you have 'enough' you need to understand:

- Your essential and discretionary expenditure throughout retirement
- The lump sums of capital you might need in retirement
- Your income during retirement

You will also need to make assumptions for:

- Inflation
- Taxation
- Investment returns

both here in the UK, and, if applicable, in Australia.

You might also need to factor fluctuations in the exchange rate into your calculations and potentially your domicile and residency status.

Of course, having 'enough' on the first day of retirement is one thing, ensuring that you don't run out of money is another. That means you need to factor your life expectancy and that of your partner/spouse into your calculations.

Experience tells us that many people underestimate their life expectancy:

- Currently, a 65 year old man in the UK could expect to live on average to 86, while a women could expect to live on average to 89. (Source: Office for National Statistics)
- However, both have an approximately 25% chance of reaching their mid-90s, while 1 in 10 will reach 100

That means retirement could potentially last for 40 years, which is probably longer than you've worked for!

You can calculate your estimated life expectancy by **clicking here**.

As you can see, accurately assessing whether you have 'enough' both now and in the future, especially if expensive longer-term care is needed, is complex, includes many variables and takes careful modelling.

How we can help

Understanding whether you have 'enough' isn't easy. There are many factors to consider, many of which, for example, life expectancy and inflation, it is only possible to estimate.

We're here to help though and, as experts in working with Australians in the UK, we can tie everything together for you.

We will use sophisticated cashflow forecasting software to project your income and expenses into the future. We'll also include any items of capital expenditure, to clearly show whether you have enough money to live your preferred lifestyle in retirement.

Naturally, we will consider the factors, such as inflation, taxation and life expectancy, to develop an accurate picture of what lies ahead and whether you can afford your preferred lifestyle.

We will also model different scenarios to see how they affect your retirement. For example, you might want to consider retiring sooner than you had planned but with more modest ambitions or giving lump sums of money away to your children. There is always the possibility that you might want to return to Australia, again, that can be modelled into the forecast.

Finally, we regularly update our clients' cash flow forecast to ensure they remain on track to achieve their goals.

6. DECIDE WHERE TO TAKE INCOME AND CAPITAL FROM

So, the calculations show that you can afford to retire. Now you need to develop the optimum income strategy to minimise your tax bills.

Your sources of pension income will probably fall into three categories:

State Pensions: From both here in the UK and possibly Australia, although this is complex and subject to means testing.

Workplace Pensions: In the UK these could be defined contribution pensions, for example, Group Personal Pensions or Auto-enrolment, or Defined Benefit schemes, also known as Final Salary Pensions. It's also likely that you will have built up a Superannuation entitlement in Australia before you came to the UK.

Private Pensions: These could be Personal Pensions or Self-Invested Personal Pensions here in the UK into which you and/or your employer have contributed. In Australia, these are most likely to be Retail or Self-Managed Superannuation Funds.

In addition, you may have other investments which could provide an income. These might include:

- ISAs (Individual Savings Accounts) in the UK
- Other investments such as managed portfolios
- Shares
- Buy to Let property
- Onshore and offshore bonds

As you probably have assets in both the UK and Australia, deciding which to take income and capital from isn't straightforward. It's also potentially counter-intuitive.

For example, in the UK, pensions aren't subject to Inheritance Tax (IHT) so it can sometimes make sense to take income from other assets which fall within your estate, for example, ISAs. Furthermore, while Pension Freedoms provide significant flexibility, taking benefits can trigger tax charges and will affect the amount you can contribute to pensions if you continue to work.

When it comes to your Australian Superannuation, taking income from this scheme can be more tax efficient than from your UK pensions. The ages at which you can take benefits are also different. Therefore, it's crucial to get the sequencing of withdrawals right.

How we can help

The interaction between your UK and Australia assets must be carefully considered. As we said at the start of the guide, having assets in both countries presents opportunities and threats.

We specialise in working with Australians in the UK, and vice versa. That means we have the knowledge and expertise to ensure you withdraw income and capital as tax efficiently as possible from your worldwide assets. We'll help you take advantage of the opportunities and avoid the threats.

7. CONSIDER MOVING ASSETS FROM AUSTRALIA TO THE UK

If you're planning to retire in the UK, and likely to remain here permanently, you'll probably want to transfer your Australian assets over to the UK.

As an Australian UK resident, you can access your Australian superannuation when you reach your preservation age at 60 and the release conditions are met, but you will be liable for UK tax. If you take it as a lump sum, a significant chunk could be tax free in the UK. If you take it as income each year in Australia and then move it to the UK it will be subject to tax. Selling property tax efficiently is also challenging as the Capital gains taxes work very differently. If it is income generating, it may be best to not sell it. Of course, there is also currency fluctuations to consider.

How we can help

As with any financial decision, there are advantages and disadvantages to moving assets from Australia to the UK. Furthermore, it's likely that there are tax implications when transferring your accumulated funds to a UK pension.

You're making these decisions for the first time, where we have helped countless Australians retire successfully here in the UK. Making the wrong decision could be costly and irreversible.

That's why it's important to seek advice from a financial planner who has experience of working both here in the UK and Australia.

8. CHECK YOUR UK STATE PENSION ENTITLEMENT

The new State Pension in the UK is inflation proofed and guaranteed. Consequently, it forms the bedrock of many people's retirement income.

To get the full new State Pension (NSP) of £9,627.80 per year, you'll need 35 qualifying years of National Insurance contributions (NICs). However, there are certain circumstances where you will qualify for National Insurance credits towards your State Pension even if you're not working.

That said, to qualify for any NSP entitlement you will need to have at least 10 qualifying years.

The exact amount you receive depends on the NICs you have made during your working life in the UK. If you haven't made sufficient contributions to get the maximum NSP, it may be possible to make up any shortfall by making voluntary Class 3 contributions.

Finally, when it comes to retirement, it's possible to delay taking your State Pension. This might sound counter-intuitive, however, there are good reasons why delaying it might be sensible.

Action

As the bedrock of your retirement income, it's vital you understand the level of State Pension you will be entitled to. And when it will be paid.

You can get that information by **clicking here**.

You can also check your National Insurance Contribution record by **clicking here**.

9. PREPARE FOR THE EMOTIONAL CONSEQUENCES OF RETIREMENT

Retirement represents a significant change in our lives. In many respects, it's more disruptive than almost any other period.

Many of us are defined by the success of our career or business. While work provides mental stimulation and social interaction. When we retire, those things often disappear.

Therefore, retiring successfully is more than just about money. Naturally, you will want to have the financial capability to do what you want and when but it's those people who prepare both emotionally and financially who will get the most from their retirement.

10. CONSIDER THE IMPACT OF NOT MAKING IT TO RETIREMENT

We've already shown you how to calculate your life expectancy and the chances are you will live many happy years in retirement. Unfortunately, some people don't reach that age.

You probably know who you want your assets distributed to when you die. The only way of ensuring this happens is by having a will in place both in Australia and here in the UK. However, over half of UK adults don't have a will. Dying without a will (or 'intestate'), means that you and your loved ones have no say over what happens to your assets. Instead, they will be distributed according to the rules of intestacy, which do not take your wishes into account.

Therefore, writing, or revisiting, your will should be a priority in the run-up to your retirement.

Furthermore, you may well be a member of your employer's death-in-service scheme which will pay out a lump sum on your death. To ensure that the money is paid quickly, and to your chosen beneficiaries, you should ensure you have completed the applicable nomination forms.

The same applies to all your pensions both in the UK and Australia.

Next, any life assurance policies can be written in trust. This is usually simple to do but ensures that the lump sum payable on your death is paid quickly, to your chosen beneficiaries and won't be subject to Inheritance Tax (IHT).

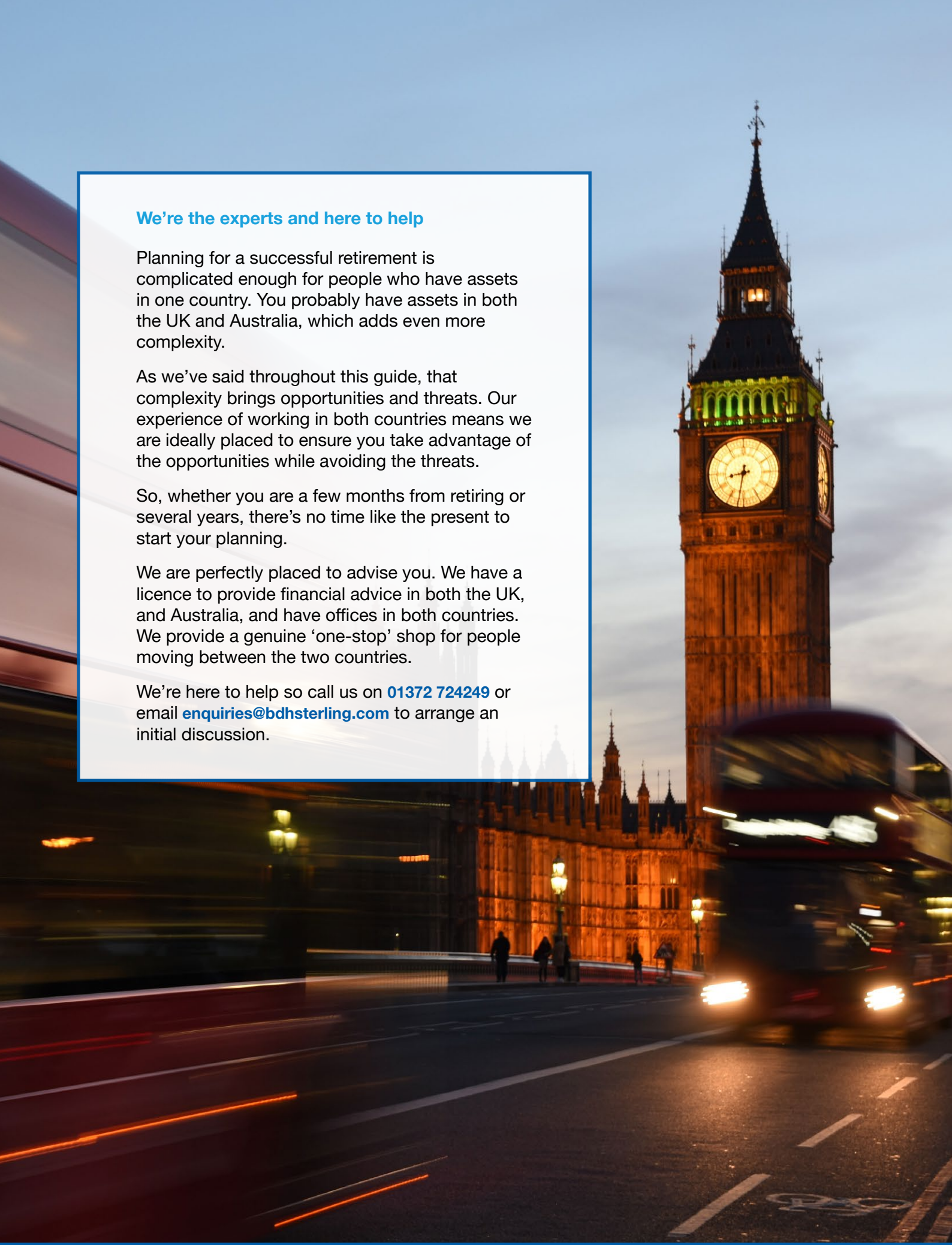
Finally, as an Australian in the UK, your rights aren't the same as a British citizen when it comes to Inheritance Tax (IHT). Furthermore, in some circumstances, IHT could be charged in the UK on the assets you still hold in Australia. This needs careful consideration, as without taking steps to address the problem, your loved ones could be left with a significantly higher tax bill on your death than for a comparable British resident.

Action

If you don't have a will which reflects your current wishes, now is the time to do something about it.

You may well have assets in Australia which would need to be distributed on your death. Consequently, you should use a solicitor in both the UK and Australia, each of whom has experience in working with people who have spent time in both countries. We would be happy to recommend solicitors with the necessary knowledge and experience.

Next, you can nominate beneficiaries for any Death-in-service schemes, and pensions, you are a member of and that any life assurance policies are written into trust. Again, we can help here advising you on the right type of trust.



We're the experts and here to help

Planning for a successful retirement is complicated enough for people who have assets in one country. You probably have assets in both the UK and Australia, which adds even more complexity.

As we've said throughout this guide, that complexity brings opportunities and threats. Our experience of working in both countries means we are ideally placed to ensure you take advantage of the opportunities while avoiding the threats.

So, whether you are a few months from retiring or several years, there's no time like the present to start your planning.

We are perfectly placed to advise you. We have a licence to provide financial advice in both the UK, and Australia, and have offices in both countries. We provide a genuine 'one-stop' shop for people moving between the two countries.

We're here to help so call us on **01372 724249** or email **enquiries@bdhsterling.com** to arrange an initial discussion.

About bdhSterling

bdhSterling are an award-winning Chartered Independent Financial Advice company with Financial Planners licensed and located in both the UK and Australia. We provide a genuine 'one-stop shop' for people moving between the two countries. We are experts in:

- Providing advice before and after migrating between Australia and the UK, or vice versa
- Dealing with other key life transitions like retirement, selling a business or investments
- Managing assets in multiple countries
- Complex planning needs requiring specialist knowledge
- Professional, independent advice when making complicated financial decisions
- SMSF advice and services.

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Your pension income could also be affected by the interest rates at the time you take your benefits. Levels, bases of and reliefs from taxation may be subject to change and their value depends on the individual circumstances of the investor.