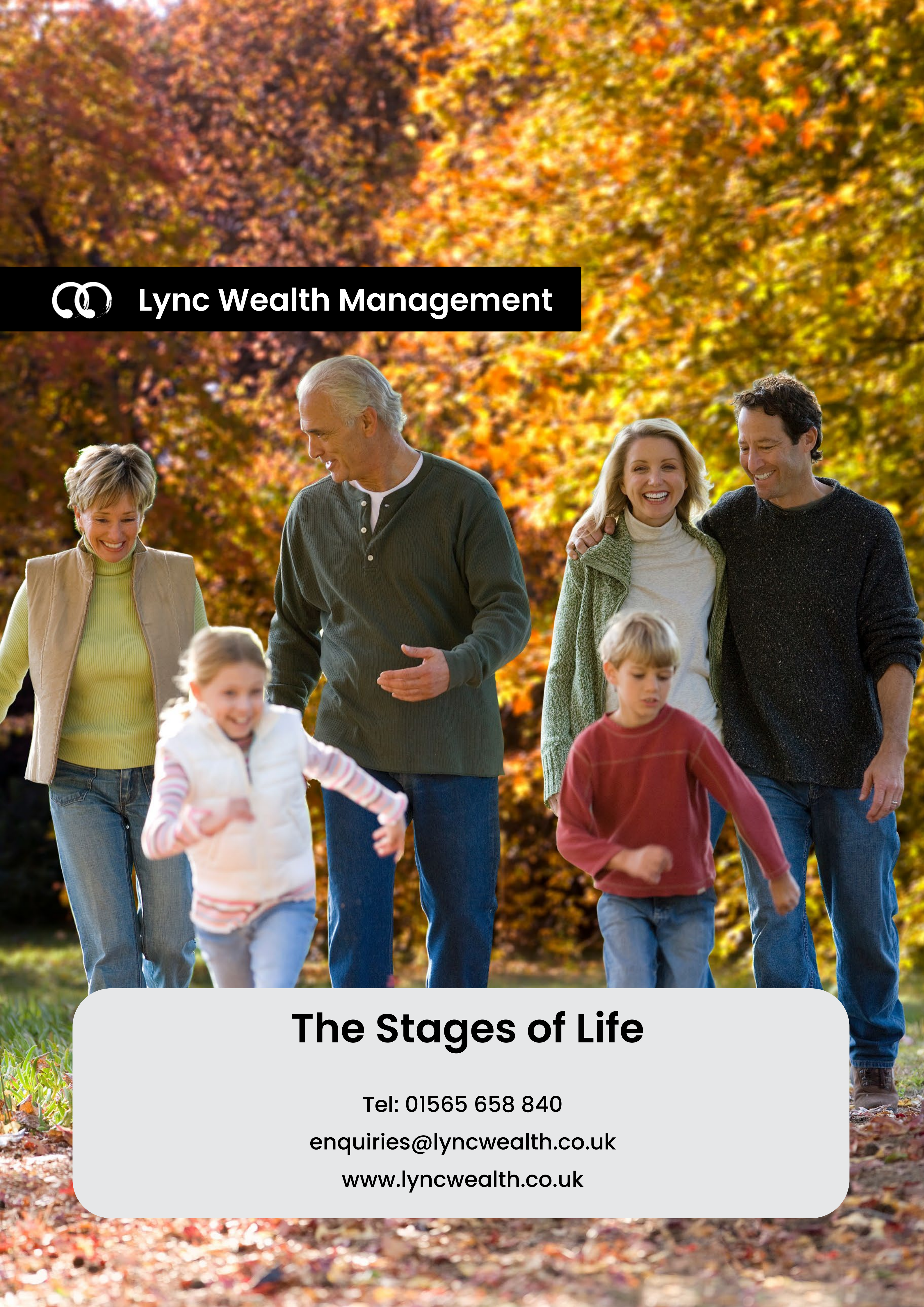

Lync Wealth Management

# The Stages of Life

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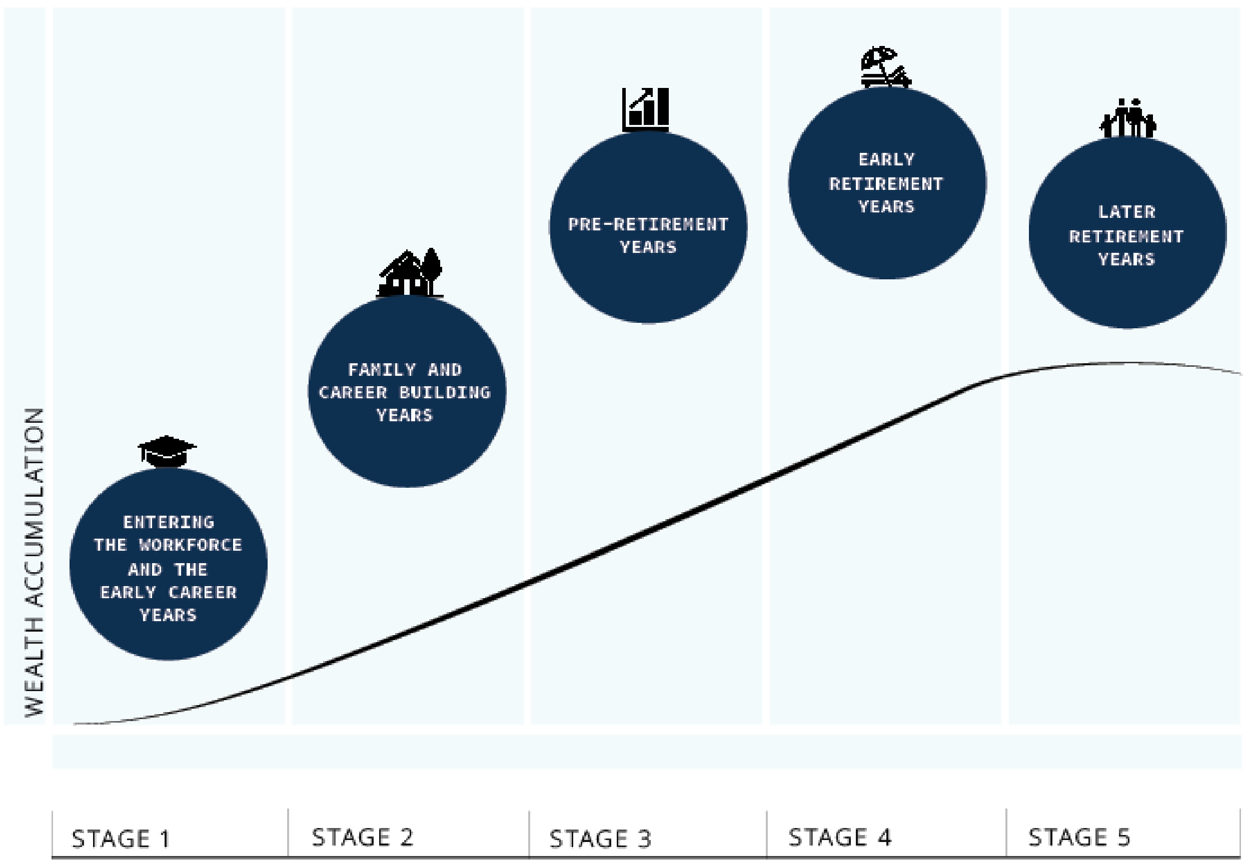
# What are financial stages of life?

Your financial life encompasses various stages, each presenting unique challenges and opportunities. In the early stages, you will embark upon your financial journey, establishing a solid foundation. This would normally be the point in your life where you will enter the workforce.

During this part of your life, it would be wise to start setting financial goals, developing budgeting skills, and building an emergency fund. During the middle stages, will be the points in your life where you will experience the most change, this will typically be where you start to earn more money as you develop in the workplace, you may also start to see life changes such as marriage, children, home purchases, etc. If you haven't already, then this will be where you would be best to start focusing on growing your wealth and securing your future and planning for later life.

Finally, in the pre- and post-retirement years, you will transition into preserving and managing your accumulated wealth, ensuring a comfortable retirement, and leaving a legacy for your beneficiaries.

# Stages of Life




The chart above depicts the five main stages of your financial life and how this measures against a typical journey over when you will accumulate wealth over your lifetime and where you would typically see this start to reduce in the later years of your retirement.

# Stage 1: Entering the workforce & the career years

Retirement can feel like a long way off when you first start out in your career, but this is the ideal time to start thinking about how much money you might need in the future to maximise your standard of living, and how much you can afford to put aside now to save for it.

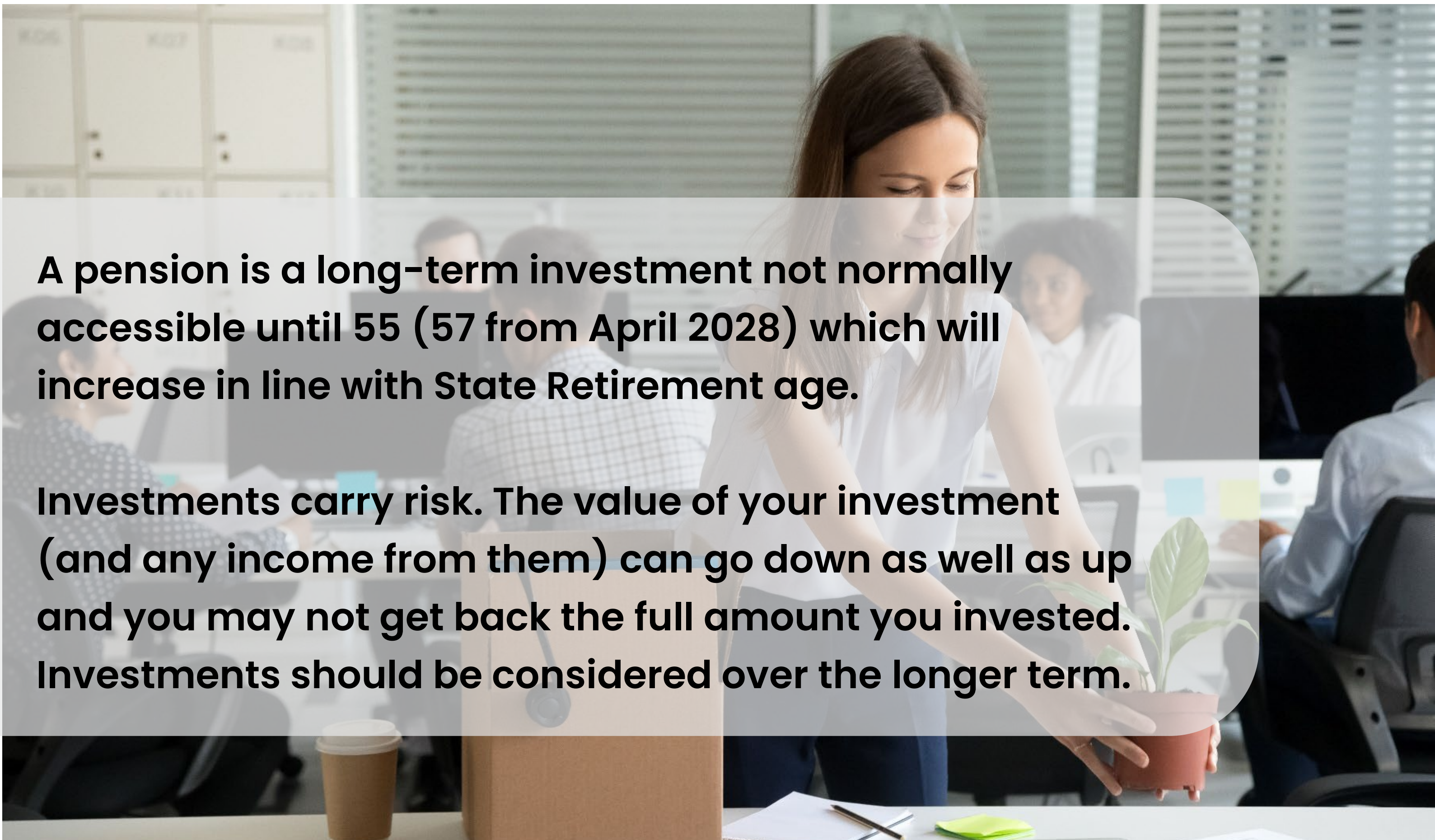
As a young professional just entering into the workforce, seeking financial advice is crucial for setting a strong financial foundation.

A Financial Adviser can help you establish what your future income requirements might be, figure out what you can afford to put aside and to help you set up a pension plan.

For example, you may be advised to create a budget and to allocate a certain percentage of your income towards savings and investments. Let's say you earn £30,000 annually. A financial adviser might recommend saving 8% (£2,400) each year, with a portion going into an emergency fund and the rest into long-term investments like into a pension or ISA.

They might also guide you on the importance of starting early to benefit from compound interest, showing how a monthly contribution of £100 in a pension with a 4% annual return could potentially grow to over £80,000 over 40 years.

**Please note that these are sample figures and are not a representative of actual returns which are subject to market fluctuations. The amount you actually receive is determined by factors such as costs and investment returns.**



**A pension is a long-term investment not normally accessible until 55 (57 from April 2028) which will increase in line with State Retirement age.**

**Investments carry risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Investments should be considered over the longer term.**

# Stage 2: Family & career building

As you build your career and possibly think about starting or expanding a family, you may need a house deposit. Your finances will potentially be at their most stretched at this point as you are faced with the increased costs associated with a mortgage, childcare or education.

This is also the time to ensure that you have adequate financial protection so that, should anything happen to you, then your family will be financially taken care of.

Especially at this time when funds might be more stretched, it's important to seek advice so that you don't find yourself paying more tax than you need to. Your financial adviser can explore the tax implications and benefits of any financial decisions that you make and to help you to select the products that could help you to save in a more tax-efficient manner.

For instance, a financial adviser may suggest creating a comprehensive financial plan that includes saving for your children's education and securing adequate life insurance coverage.

The table below highlights the maximum amount UK students pay for their university tuition alone, based on home status.

| Student home status | Studying in England | Studying in Scotland | Studying in Wales | Studying in Northern Ireland |
|---|---|---|---|---|
| England | £9,250 | £9,250 | £9,000 | £9,250 |
| Scotland | £9,250 | £1,820 | £9,000 | £9,250 |
| Wales | £9,250 | £9,250 | £9,000 | £9,250 |
| Northern Ireland | £9,250 | £9,250 | £9,000 | £4,630 |

Source: https://wordsrated.com/uk-university-tuition-fee-statistics/ (April 2023)

In addition to tuition fees, students need to live. Some will get part time jobs but with high rent costs and a high cost-of-living, many will not earn enough to cover the essentials and have time to study full-time.

From 2024-25, undergraduates will have to start repaying their loans when they earn £25,000, rather than the current threshold of £27,295, and will have to continue repaying for a maximum of 40 years rather than 30, when outstanding loans are written off.

According to 2023 statistics from Prograd in August 2023, an undergraduate student in the UK is left with debt of £45,000 in total so saving early to support your children for when they turn 18 will put them in a strong position to be able to study, rather than work.

# Stage 3: Pre-retirement years

Before you retire, you need to consider whether you are in a strong enough financial position to *actually* do so, which is why seeking financial advice becomes even more important.

As your career progresses and brings with it a higher income you may well begin to naturally find yourself earning more and spending less, so the good news is that it may be that you are able to retire earlier than you expected.

At this stage of life, it is also important to start considering how you would like to eventually distribute your estate in the most tax-effective way, and whether the amount you would like to leave to your beneficiaries will impact the amount you need to have saved aside in order to enjoy your retirement fully.

A financial adviser will help you to estimate your retirement income needs and to guide you through strategies to maximise your savings.

# Stage 4: Early retirement years

Retirement means different things to different people. It might be that you stop working altogether, or you might slow down or scale back, whilst maintaining a smaller, steady income. This is the perfect time to make sure that you are maximising any benefits that you may be entitled to so that you can worry less about money and more about how to enjoy your new-found time.

Once you stop working, or slow down, budgeting will play an important role so that you are able to continue living the lifestyle that you are used to and achieve the goals that you set yourself for retirement. Managing your wealth and making sure you do not run out of money during retirement is a paramount objective for a skilled financial adviser.

To safeguard against the risk of depleting resources prematurely, an adviser employs a thoughtful withdrawal planning strategy using cashflow systems to demonstrate your current and future financial situation.

Whilst your needs are individual, the adviser helps you visualise your future financial commitments. By employing a sustainable withdrawal strategy, the adviser calculates withdrawal rates in line with your evolving needs. This measured approach aims to prevent excessive withdrawals which may impact upon your later retirement years. The adviser continually monitors and adjusts the strategy as market conditions shift, ensuring that the retirement plan remains resilient against unforeseen challenges.

Through proactive guidance, personalised solutions, and a commitment to long-term financial well-being, the financial adviser serves as a steadfast partner in safeguarding the longevity of funds and empowering retirees to enjoy a fulfilling and worry-free retirement journey.

**Pensions cannot be accessed until the age of 55 (57 from 2028). This will increase in line with state retirement age.**

**The current state retirement age is 66 rising to 67 between 2026-2028.**

# Stage 5: Later retirement years

Your retirement income plan should be reviewed regularly to ensure that it continues to meet your needs and suitable recommendations should be given on how to amend this plan following any changes to your circumstances.

At this stage of your life, a financial adviser can assist in managing your healthcare expenses, long-term care considerations, and estate planning. For instance, they may help you to estimate the costs of long-term care and explore insurance options. Additionally, they may advise you on estate planning, including the establishment of wills, trusts, and charitable giving strategies to ensure your assets are distributed according to your wishes.

Inheritance tax maybe a concern and a financial adviser can assist in reviewing your estate and provide strategies to mitigate the impact of Inheritance Tax. Across the UK, there is a standard tax-free threshold known as the "nil-rate band," which is currently set at £325,000 for the tax year 2023/24.

Typically, any value above this threshold is subject to tax. In the UK, the standard inheritance tax rate is 40% on the taxable portion of the estate for the tax year 2023/24.

There are certain exemptions and reliefs available that can help reduce an inheritance tax liability which an adviser will explore to give you an effective Inheritance Tax strategy so that you leave as much of your legacy to those that matter most to you.

It's important to remember that tax laws and thresholds can change over time and their value depend on your individual circumstances, so it is advisable to consult with a professional tax adviser or solicitor who specialises in inheritance tax to ensure accurate and up-to-date information specific to your needs.
The Financial Conduct Authority does not regulate Wills, Trusts or Estate Planning.

**The content of this guide is for your general information purposes only and does not constitute investment advice. It is not an offer to purchase or sell any particular asset and it does not contain all of the information which an investor may require in order to make an investment decision. Please obtain professional advice before entering into any new arrangement. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles.**

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