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Planning your retirement income

Retirement planning is really one question: will the money last as long as you do? This guide gives you a simple framework for answering it — and for spotting the assumptions that quietly break plans.

Start with three numbers

- **Essential spending** — housing, bills, food, transport: the income you must have, every year, regardless.
- **Lifestyle spending** — holidays, hobbies, family, the things that make retirement worth having.
- **One-off costs** — cars, weddings, home works, and a realistic contingency for care in later life.

A robust plan typically secures the essentials with guaranteed income (State Pension, any DB pension, possibly an annuity) and funds lifestyle flexibly from invested money. Knowing your three numbers turns "have I got enough?" from anxiety into arithmetic.

The assumptions that make or break it

- **Longevity** — a healthy 65-year-old should plan for 25–30 years, and a couple for the longer of two lives.
- **Inflation** — at just 3.5% a year, prices roughly double in 20 years; an income that never rises silently halves.
- **Sequencing risk** — poor investment returns in the first few years of drawdown do disproportionate damage, because you are selling investments to live on while they are down.
- **Tax** — the order and pace of withdrawals can change your lifetime tax bill by five figures.

Stress-test before you commit

A plan that only works if markets behave is not a plan. Before retiring, test it against early market falls, higher inflation, one partner living to 95, and a late-life care cost. If it survives all four on paper, it is far more likely to survive reality — and if it does not, far better to discover that now, while there is still time to adjust contributions, retirement date or expectations.

Watch out for…

- Plans built on average returns — real life delivers returns in an order, and the order matters.
- Forgetting that most retirement income is taxable when comparing it to your working salary.
- Counting on downsizing or inheritance that may arrive later — or smaller — than hoped.
- Setting a withdrawal rate once and never reviewing it as markets and spending change.

How taking advice might help

A retirement income plan is the most consequential piece of financial thinking most people ever do — and the assumptions inside it are almost always more important than the numbers on top.

For most households this is where full regulated advice earns its fee, because the whole picture (pensions, ISAs, tax, investment strategy, income sequencing, estate) has to be modelled together. If you are not sure whether you need advice or guidance, ask us — we will tell you honestly.

Questions worth asking yourself

- What are your three numbers — essentials, lifestyle, one-offs — even roughly?
- How much of your essential spending is covered by guaranteed income for life?
- What would a 20% market fall in year one do to your plan — have you actually looked?

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- When did you last test the whole picture — all pots, both partners, tax included — in one place?

Want to talk it through?

Send your question via pensionhelper.com — you'll get a straight answer within 24 working hours. Free to ask. Fixed-fee guidance from £99 when it's worth doing the numbers properly. A regulated adviser introduction when it's genuinely warranted.

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