



# Thomas and Kathy's story

After a stressful period at work, Thomas and Kathy came into the Balance: Wealth Planning office to find out when they could afford to retire. Kathy had worked her whole career in nursing while Thomas had been a board member in an engineering company. Both in their mid 50's, they expected to work until they were 60 or more, partly for money and partly for the intellectual stimulation.

Thomas had built up a number of valuable private pensions and they both had a collection of savings accounts and investments. They also had a small mortgage.

Their conversations revealed these key points:

- If they had unlimited money, they would both stop work immediately and Thomas would do some less stressful consultancy work on a part time basis instead.
- They loved to travel but rarely took holidays due to work demands. They liked the idea of a six week trip to New Zealand.
- Thomas had experienced some severe health scares.
- They dreamed of moving from the city to the countryside.
- Thomas wanted to be sure Kathy would be financially secure if he died.
- Thomas had always wanted a flashy sports car.
- They both found their finances too complicated and confusing.

We closely analysed their wealth, and went through our financial planning process, preparing a personal financial plan for them, bearing in mind everything they told us.





# What happened next?

We met with Thomas and Kathy a few weeks later to present their financial plan. There was silence in the room as we demonstrated that they could afford to retire immediately. We explained that Thomas could choose to do consultancy work if he wished, but there was no need to do so for the money. They could maintain their current lifestyle, and have a much increased budget for holidays. They could also afford to move to a new house in the countryside, with a good budget for improvements and furniture when they got there. And they could afford to give a good sum to their son to help him on the housing ladder in a few years.

As the shock and surprise turned to excitement and relief, they started asking whether there was any risk of their money running out.

We simulated a range of disaster scenarios and showed that, although the plan could not be guaranteed, this lifestyle was always likely to be affordable. We also identified elements that they would be prepared to compromise if things changed.

We then turned to the practical planning actions needed to make this all happen, which included:

- Consolidating Thomas' pensions together, reducing costs worth around £5,000 a year, improving the benefits that would be available to him and Kathy if he died.
- Making a large contribution into Thomas' pension before he stopped working and structuring it so as to be within his allowance and benefit from tax savings worth £35,000.
- Consolidating investments, protecting them from tax and changing the investment strategy to make it more simple and low cost, generating extra growth/savings of £1,000 a year.
- Repaying their mortgage, saving interest they would have paid of £6,000.
- Taking a fixed, monthly income from their investments, which not only was tax free, but also helped protect their wealth from inheritance tax, because we structured it from their investments rather than Thomas' pension. The tax saving was around £8,000 a year.
- Ring-fencing some savings which would be their budget to buy a new house.
- Taking out an insurance policy that would offset the inheritance tax if they died.



## One year later

The Balance: Wealth Planning team put all of this into action, and before long, a year had passed.

Over coffee, they described how, after that first planning meeting, they felt lighter and they could look at the stresses of work with a new perspective. Although Thomas in particular was nervous about stopping work and losing his identity in that respect, they knew there was no reason to wait and they wanted to live life to the full now, because they didn't know what the future would hold.

By that time, Thomas had been retired for six months and they had found a place to buy in the countryside. It needed some work doing and they were looking forward to the project, planning to do a lot themselves. They knew what their budget was, and felt confident in their plans. They had also splashed out on the sports car that Thomas had always wanted. We reviewed their plan and picked up on some of the next planning points, which would refine things even further.

**It was a pleasure to be able to use our expertise to provide Thomas and Kathy with financial planning advice and professional support during this important time, and to continue as the years went on.**

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This client story has been prepared by Balance: Wealth Planning. It is based on a combination of different clients' experiences. Names have been changed.

