

GUIDE

# A Guide to Preparing For The Unexpected in Retirement



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# Introduction

Retirement planning presents a unique challenge, as it requires trying to anticipate and prepare for circumstances that may unfold several decades down the road.

While personal choices, such as lifestyle, work ethic and financial habits can significantly influence factors like your health, income and savings, they do not provide absolute assurances.

In fact, even if these factors could guarantee future outcomes, there will remain elements beyond your control, including the unpredictable nature of the stock market, the fluctuating costs of essential commodities like fuel and food and the uncharted trajectories of family circumstances. This is why good retirement planning includes a plan for unexpected events.



### What if I have no choice but to retire early?

Unplanned early retirement is not as uncommon as you might think. A study from JUST Group in August 2023 found that 45% of retirees surveyed had retired earlier than expected with the majority of this group citing they were driven out of work due to factors beyond their control, with 33% saying that they had retired early because of ill-health or a physical impairment. A further 15% were made redundant or couldn't find a job, whilst 1 in 10 said they retired early to provide care for a family member.

If you have to retire early, you may need to use money from your retirement fund sooner than planned to maintain a standard of living. Losing future employer contributions to your workplace pension or having to withdraw money from a self-invested personal pension (SIPP) can have a detrimental effect on the length of time your savings will last. This is why it is important to plan for a situation where if you had to retire early, that you had sufficient funds to maintain a lifestyle, as well as continuing to invest for future funds.

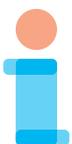


### What if I outlive my savings?

Outliving your savings is a concerning scenario that many people worry about as they plan for retirement. In the UK, the average life expectancy is currently 82.06 years old for a female. However, the current state retirement age is 66, rising to 67 in 2026. This means that on average, people in the UK are living over a decade beyond their retirement age.

You can access most private or workplace pensions at 55, rising to 57 in 2028. So, for some, they could have upwards of three decades or more in retirement and they will need an income to cover this.

If you find yourself in a situation where you think that you might outlive your savings, it's essential to take proactive steps to address your financial needs and ensure continued financial stability. Working with a financial adviser is one of the best decisions you can make as you will benefit from having not only an annual review, where you can review your current retirement plan, you can also have ad-hoc meetings as and when your circumstances change, and your retirement plan needs revisiting.



Investments carry risk. The value of your investments (and income from them) can go down as well as up, and you may get back less than you invested. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.



### **What if I experience a serious illness or become disabled?**

If you suffer a serious illness or disability, it can quickly deplete your savings especially if you are of working age and still have rent or a mortgage to pay. Income protection cover is just one of the insurances that can support you if this were to happen.

Factoring in a monthly payment for income protection, dependent upon your age, health and your chosen cover limit can save you a lot of money in the long run should you be diagnosed with a serious illness or disability

Life Assurance plans typically have no cash in value at any time and cover will cease at the end of term. If premiums stop, then cover will lapse.



### **What if my family circumstances change?**

Divorce can significantly affect retirement savings, as assets may need to be divided. Familiarise yourself with how UK divorce laws apply to pensions and savings and update any financial arrangements accordingly.

If you have dependents who may rely on you during your retirement, consider setting up financial safeguards to ensure that they're cared for if you're no longer able to provide support.



### **What if I have unexpected costs in my working life?**

Unexpected expenses such as home repairs, vehicle maintenance or family emergencies can derail retirees' financial plans. Without an emergency fund or contingency plan, retirees may need to dip into their savings or rely on credit to cover unforeseen costs.

Factoring in an emergency fund into your monthly budget, even if it is just £15 a month, will equate to £180 a year and if there are no unexpected costs, if you continued this for 25 years that £15 a month would turn into £4,500 without any added interest earned depending on which savings vehicle it was placed into.



### **Prepare for the "what ifs" of retirement**

Insufficient planning or failure to accurately estimate retirement expenses can lead to financial strain during retirement. In order to be prepared for the unexpected, you should work with a financial adviser to create a comprehensive retirement plan factoring in all of the potential what ifs.

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