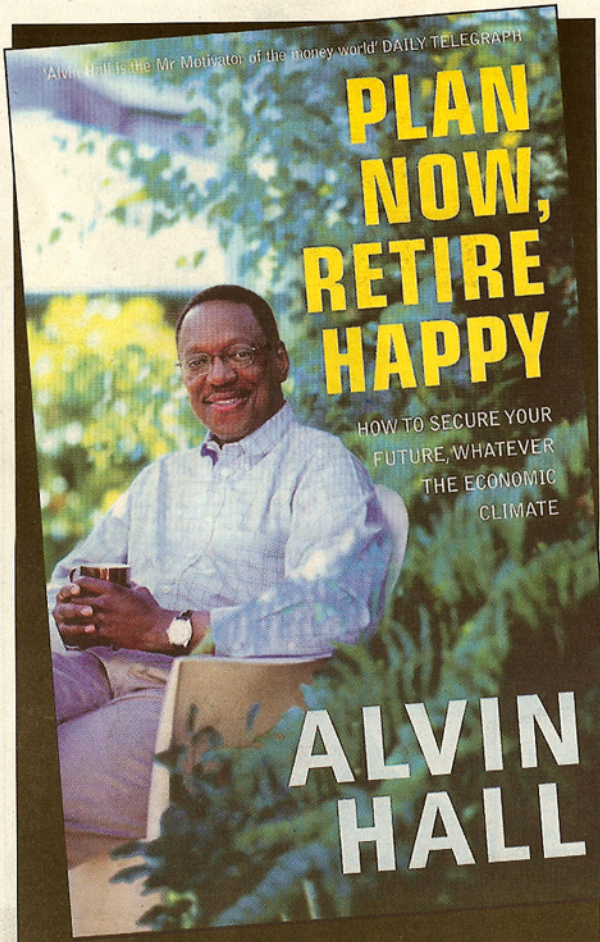
Is your retirement plan



Retirement is no longer the twilight time when we gently fade away, and Alvin Hall's latest book explains how, with a little careful planning, it's the time when we can really live the dream. **Footprint** asked Alvin his thoughts on planning for, and for living, a happy retirement.

Experience the ups and downs with an expert

READING 'Plan Now, Retire Happy' is something of a roller coaster ride, as Alvin Hall lets you soar to the dizzy heights of your perfect retirement dreams, only to bring you swiftly down to earth with questions about how you will finance them.

Soon he is leading you upwards again, helping you to make calculations and explaining complex issues in clear terms that even the most financially obtuse can understand.

Before you know it, your dream retirement is once more in sight.

As with all Alvin's Hall's books, you learn as much about yourself and your relationship with money as you do about the world of finance, and it is required reading for everyone, from students packing for their first term at university to those in their 60s who may be wondering whether they'll ever be able to give up the day job.

● 'Plan Now, Retire Happy' by Alvin Hall is published by Hodder & Stoughton. RRP £12.99.

IS there a simple calculation that people can make to identify how much they should be putting into their pension plan?

The simplest formula is to divide your age by two. The resulting number is the minimum percentage of your income you will need to contribute to a retirement plan so that you accumulate a reasonable amount of money to live on when you retire.

So, if you're 26, you should be contributing 13 per cent [26 ÷ 2] of your income. If you are 40 and just starting a pension, you will need to be contributing 20 per cent [40 ÷ 2] of your income.

The earlier you start and continue to contribute to a pension, the smaller the percentage of your income you will have to contribute to accumulate the funds you need. The interest you earn on cash and the appreciation of any investments you own in your pension have a longer time to build up, the earlier you start. And of course you should increase the percentage of your contribution as your income increases.

Another approach is to work with a financial adviser to determine a specific amount of money you want to have as your nest egg at retirement, given the lifestyle you expect to live. Once you've established this number (which may adjust over time) you can begin to save and invest to achieve it. This is a more complicated process because it forces you to think about many details of your retirement lifestyle long before they will be a reality.

Did you really start planning your pension when you were in your 20s?

Basically, no. I participated in the pension plan of my first job after university, but I only contributed the minimum. I was more interested in using my money to demonstrate my good taste in clothes and household furnishings as well as to have a good time. And let me tell you, I had a really good time dancing at discos into the early hours of the morning.

This all changed when I worked for a company that was owned by friends. Their company pension plan was more beneficial to themselves than to me or the other employees. And when they sold the company and the pension plan was dissolved, I was truly shocked at how little money I had in the pension.

At first I was angry and then hurt. But I decided there was an important life lesson for me in this experience: I had to provide for my own retirement. So in my early 30s I created my own personal pension and began aggressively contributing to it to make up for the lost time.

When people in their 20s and 30s are paying off student debts, trying to get on the property ladder, and starting families, is there going to be money left over to save for retirement?

Yes, there can be. It's important to remember that even small contributions will have a longer time to grow into perhaps astonishing sums over the decades before a young person retires. If the company the young person works for matches employees' contributions, he or she should make the necessary sacrifices to contribute to the pension plan. Not participating in the plan is like turning down a pay rise.

Young people, as well as their parents, need to realise that the time-line and life model used by the last generation has changed. Because people are graduating from university with debts, they will most likely have to delay getting on the property ladder or starting a family. They can still have the good life they dream of, but it may take a few years longer to achieve.

The important thing for young people is to prioritise their short-term and long-term goals, and remember that planning for retirement must always be part of their life plan.

If someone is in their 50s, is there still time to build a bigger pension?

I get this question a lot. And no one wants to hear the truthful answer. If someone has waited until their 50s to focus on their pension, then they will have to makes some big sacrifices to build any type of nest egg.

They will certainly need to start saving a larger percentage of income. They will need to review current spending and make deep cuts. They will probably need to downsize from their current home to a smaller one when they retire. The money released from the sale should be handled conservatively, with preservation of capital as their primary objective.

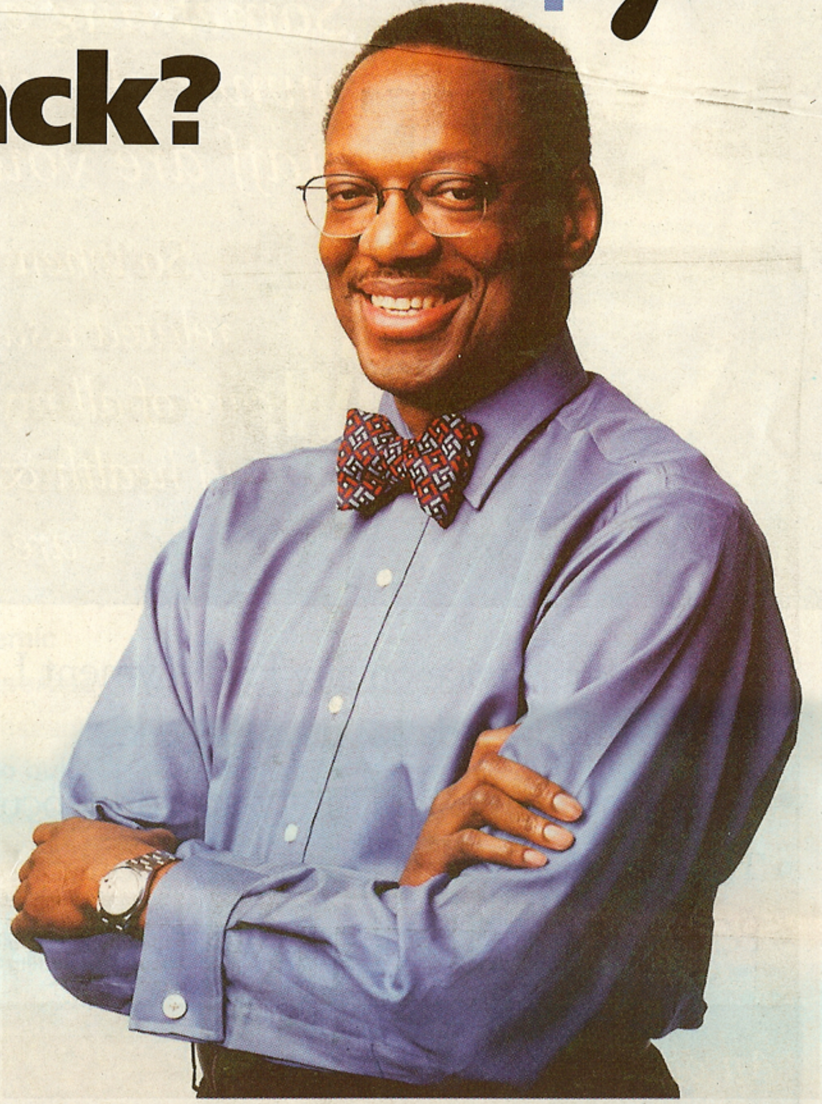
Importantly, they should not let desperation cloud their judgement. Avoid all get rich schemes and promises of a guaranteed high return on an investment. There is no magic, sure-fire investment strategy with either property or stocks and shares to make up for lost time or failure to save.

I talked to a lot of people about their retirement dreams before writing my book and a common theme was fear... fear that people had started contributing to their pension too late or not at all; fear that even if they set up and contributed to a pension, their dream would be betrayed or they would be robbed of the money; and fear that they would have to work until they were truly aged.

These fears tended to immobilise many people, make them react like a deer in the headlights of a car, or leave them feeling resigned. Yet in the back of their minds, they still harbour hope that something will make it work out in the end. People should be more

❑ **The earlier you start and continue to contribute to a pension, the smaller the percentage**

still on track?



proactive. These fears should spur them to take action, to come up with a possible solution and then work diligently and patiently toward that goal.

Many people plan to sell the family home and move into a smaller property, sell their business, or rely on an inheritance to pay for their retirement. Is this a good idea?

All of these are good ideas, except the third one, if you've not put enough money aside for your retirement. Many people hold on to the family home for sentimental reasons, when they could move to a smaller place with lower maintenance costs and have a more comfortable retirement. Selling a business interest is also a valid option. Why not "monetize" your years of hard work and use the money to live off in retirement?

Relying on an inheritance is trickier. There are no guarantees that the assets will be left to you or that the money you are counting on will be adequate. I recall a friend talking about what her life would be like when she inherited the assets of her aged, well-to-do father. Unexpectedly, he remarried, and when he died, he left much of his estate to his new wife, who did not want to share any of it with his only daughter. You have to provide for yourself, for your own retirement. Then if you do inherit money or other assets, consider yourself doubly lucky.

Why do you think so many people are resistant to saving and long-term financial planning?

For most people, immediate gratification is almost always more fun than the waiting involved in deferred gratification. And, let's be honest: it's more direct too: I see, I want, I get.

Walk down the high street, watch television, leaf through any popular magazine and you become aware of all of the things we can buy now that will immediately make us more attractive, more fit, more emotionally secure, and more successful. These are hard to resist.

In writing the book, "Plan Now, Retire Happy," I want to give people the perspective needed to multitask financially - i.e., work on both immediate gratification and deferred gratification at the same time. It's much easier to do than most people think. The key is to make sure pension planning is one of the objectives in your financial plan instead of ignoring it. Like saving for a deposit on a property, putting money away for a pension must be a goal that's always part of your financial plan.

The world of finance is a complex one - is it best to hand over responsibility for your financial planning to a financial adviser?

These days when I'm asked this question, two words immediately pop into my mind: Bernie Madoff. Everyone definitely wants to avoid entrusting their money to someone like that. Too many people have a desire to hand their money to a financial adviser who will always provide them with high, seemingly guaranteed returns with little or no risk. That's one of the ways people get duped out of their money.

You should never hand over full responsibility of your pension to any one person. You must always be involved, even when you have a financial adviser or financial planner.

Getting the right financial adviser often takes time. Networking through friends who are satisfied with their adviser is often the best way. The adviser must be willing to talk to you in person, must explain their investment strategies in words and ways you can understand, must have the proper credentials, must work for a reputable firm.

In the book I provide a long list of things you should ask and look for when choosing a financial adviser. Of equal importance, I tell you things the investment adviser should ask you. It is a "financial marriage" in which clear communication on both sides is essential if you want to achieve your objective. And at the bottom line always keep the wisdom of that old adage in the back of your mind: if the promises sound too good to be true, then they probably are.

Once you've decided how much to save for your retirement, and where to make investments, can you just forget about it and leave it to grow?

No. No. No. This Sleeping Beauty fantasy about retirement does not exist. It's highly unlikely, after many years of no involvement (the equivalent of sleeping) that you'll wake and find your money has grown into a princely sum. Instead you'll more than likely be disappointed with the paltry size of the pension pot.

You must periodically – annually at a minimum – review how the money in your pension is growing. Ask yourself: Is the value of the pension increasing at a sufficient rate so that you'll have built a nest egg big enough to generate the income you want? Has the interest rate and investment market changed, necessitating a change in your asset allocation mix or investment strategy? Are there opportunities for better returns in other business sectors? Have there been changes in your life or career that affect your finances? Has your risk tolerance changed?

Pension planning is a dynamic process. The plan must change and evolve as your life changes. Periodic reviews enable you make those changes and refinements that increase your likelihood of achieving your goal... a well-funded retirement.

Are you planning to retire soon - and what would be your dream retirement?

I will probably never retire. To be honest, it has never been something I've dreamed or fantasised about. I imagine that at some point I will want to slow down from all of the various types of work I do now and concentrate more on writing (which I really enjoy), giving speeches, and occasionally working on television programmes. Notice I listed three things, not just one, that I would like do to when I slow down. That alone says a lot about me retiring.

For me, retirement doesn't mean not working. Instead it means that the financial worry wouldn't be there. I could fulfil my dream of selling my property as well as the majority of my possessions and living in residential hotel (like the Carlyle in New York) in a fully serviced suite of rooms furnished with my own comfortable, modern furniture and the walls filled with the best pieces from my art collection.

I know I would be very happy.

of your income you will have to contribute to accumulate the funds you will need...