

# Personal Pension Plans

## - does the 'best' one exist?

Ray Prince, a fee-based impartial financial planner with Rutherford Wilkinson plc, advises on retirement planning.



Ray Prince.

WHEN YOU'RE looking to invest money towards providing yourself with a retirement income, it's crucial that you are aware of all your options.

Some investors believe that the 'best pension plan' exists, however this should not be the way you approach your own retirement planning.

We do not have space to discuss how we invest clients' money here, but the long and short of it is that while the pension wrapper is important (as it is tax efficient), the investments within the pension are what really matters.

To illustrate this, let me tell you of a recent experience we had when a new dental client contacted us.

He explained that he was concerned about the advice he had been given by his Independent Financial Adviser (IFA), and asked our view on his situation.

When we met him it became clear that with very little evidence as to why the IFA was advising the client to invest over £2600 per month into a Personal Pension.

When asked why, the IFA said that it would allow the client to retire earlier and that this was the 'best' pension that he could recommend.

Some of the questions we asked the client were:

- Were your goals in life discussed properly?
- What risk questionnaire/assessment was used?
- Have the NHS Pension and State pensions been taken into account?
- Where is the expenditure template showing what income you'll need at 60?
- Has the sale of your dental practice been taken into account?
- Have any possible inheritances been factored in?
- Have the existing investments been built in?

The answers were that none of these had been discussed in detail or at all!

Many things concern us here, including the probability (based on many clients' case work) that if such planning were implemented, the client would possibly have 'too much' for their needs age 60 plus, and in a wrapper which restricts what you can do with it (75 per cent of the proceeds have to be used to provide an income - 25 per cent is available as tax free cash as a lump sum).

This can, of course, also be at the cost of the client's life now - what's wrong with enjoying life and spending money now if more money does not need to be invested?

The key word is measurement - or the lack of it in this case.

To cap it all, the dentist had a copy of the quotation that had been left with him for the Personal Pension. For the few hours work that had been carried out for the client, the last page showed a disproportionate remuneration figure for the IFA.

### Key learning point

Be aware that there is no 'best pension', and if anyone says there is it's probably time to take a step back and ask the adviser what form of measurement they have used to arrive at the decision they have.



### The next step

If your adviser has not taken into account the above factors as a minimum to your overall retirement planning, then we recommend you do so now. Retirement planning is not just about pensions - I'm sure you'll agree with me that building in all factors and having a life now is quite important.

Also, even if you intend to simply buy policies instead of comprehensive planning, be aware of advisers who talk about the 'best pension'.

### Free Audio CD

To learn more about your retirement planning options, you can request a free copy of one of Rutherford Wilkinson's Audio CDs: How To Avoid The 3 Most Common Retirement Planning Mistakes. Just call Catherine Lowes on (0191) 217 3340 and a copy will be posted to you (please quote ref: NET).

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