
# Your financial action plan decade by decade

Feeling that you are in control is the key to being relaxed about your financial situation. You want to be confident you are making the most of what you already have whilst also having a pretty clear idea of where you want to get to in the long-term.

Very often our needs and goals change depending on age. Here we look at key financial priorities at five different life stages.

### Expectant twenties

It is good to start cultivating the habit of saving, a good discipline to get used to, from as early as possible. If you are offered the chance to join your company pension scheme you should probably take it, as your employer will pay money in on your behalf. Any extra savings can be placed in flexible and tax-efficient Individual Savings Accounts (ISAs). You can invest up to £20,000 a year into an ISA: putting money into cash, stocks and shares or both.

This is also a time when financial gifts from parents or grandparents can make a huge difference. A gift to help pay off university debts or to help save towards a deposit for a first home will provide a young person with greater freedom to save and invest. Money gifted towards an ISA or pension can grow into a substantial sum over time thanks to compound interest. For grandparents there is the additional benefit that such gifts will reduce your estate for inheritance tax purposes.

### Nurturing thirties

By your mid-thirties you are probably thinking seriously about becoming a home owner, if you haven't become one already. Children may also have entered the picture, meaning saving for your children's education may be a prime concern (see Investing in education: planning for school fees).

This is also a good time to nurture longer-term savings for retirement. You receive tax relief on pension contributions at your highest marginal rate of taxation. If your earnings put you in the higher rate 40% or 45% bands the tax benefits of pensions become more attractive.

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Ask yourself whether you are making the most of your retirement savings. If you are saving into a company scheme is there scope to increase your contributions? Would you be better off opening a self-invested personal pension (Sipp) to run alongside your company scheme? If you are running your own business it is also important not to ignore pension savings.

### Peak-earning forties

By your forties you will probably be hitting peak earnings and your financial situation may have become more complex. The standard annual allowance sets the maximum amount you can save into a pension at £40,000 or 100% of your annual earnings, whichever is lower. If you are a high earner, however, the annual allowance is tapered for those with an income of over £150,000. For every £2 of income over £150,000 the Annual Allowance is reduced by £1 until it reaches a low of £10,000[1].

As we have already mentioned, the annual ISA allowance is also capped at £20,000 a year. This means you may find yourself in a situation where you have used up both of your allowances and still have money earmarked to invest.

If you haven't already done so, it can be a good idea at this stage to seek out wealth advice to make sure you are using your savings and investments in the most effective way possible.

### Consolidating fifties

In theory you could access your pension at 55 and retire. However, most people see their fifties as a stepping stone to retirement. It is a time to give your retirement savings a final boost and to make sure your finances are in order.

As you get closer to retirement, it is important to think again about the risk profile of your investments to make sure you are invested in a way that you are comfortable with.

### Significant sixties

For many people, retirement will now be on the agenda. You need to think carefully about how best to draw an income from your retirement savings, be they pensions or other investments.

If you have a large estate you should also start thinking about developing a plan to reduce your estate for inheritance tax purposes (IHT). Gifting money is one of the easiest ways to reduce IHT, but you don't want to give away money you will later need.

Our wealth advisers can help you to weigh up what money you might require in retirement, enabling you to gift money with confidence. We can also help the beneficiaries of those gifts to establish the most effective ways to make use of that money.

[1] gov.uk: Pension schemes: work out your reduced (tapered) annual allowance, 6 March 2018