



# ST. JAMES'S PLACE

## Retirement Planning for Business Owners

Mayfield Business Forum

3<sup>rd</sup> May 2011

**Clyde Young**

Associate Partner of the St. James's Place Partnership



## Life Expectancy

- Currently 12,000 people over 100
- By 2050 there will be 250,000
- Life expectancy has increased by two to three months a year for the last 25 years
- 1950 life expectancy for a man aged 65 was another 12 years, now it is closer to 20 years



# Moving the retirement age goalposts

## Aged 75 and over

9.5 million	2008
17.3 million	2033

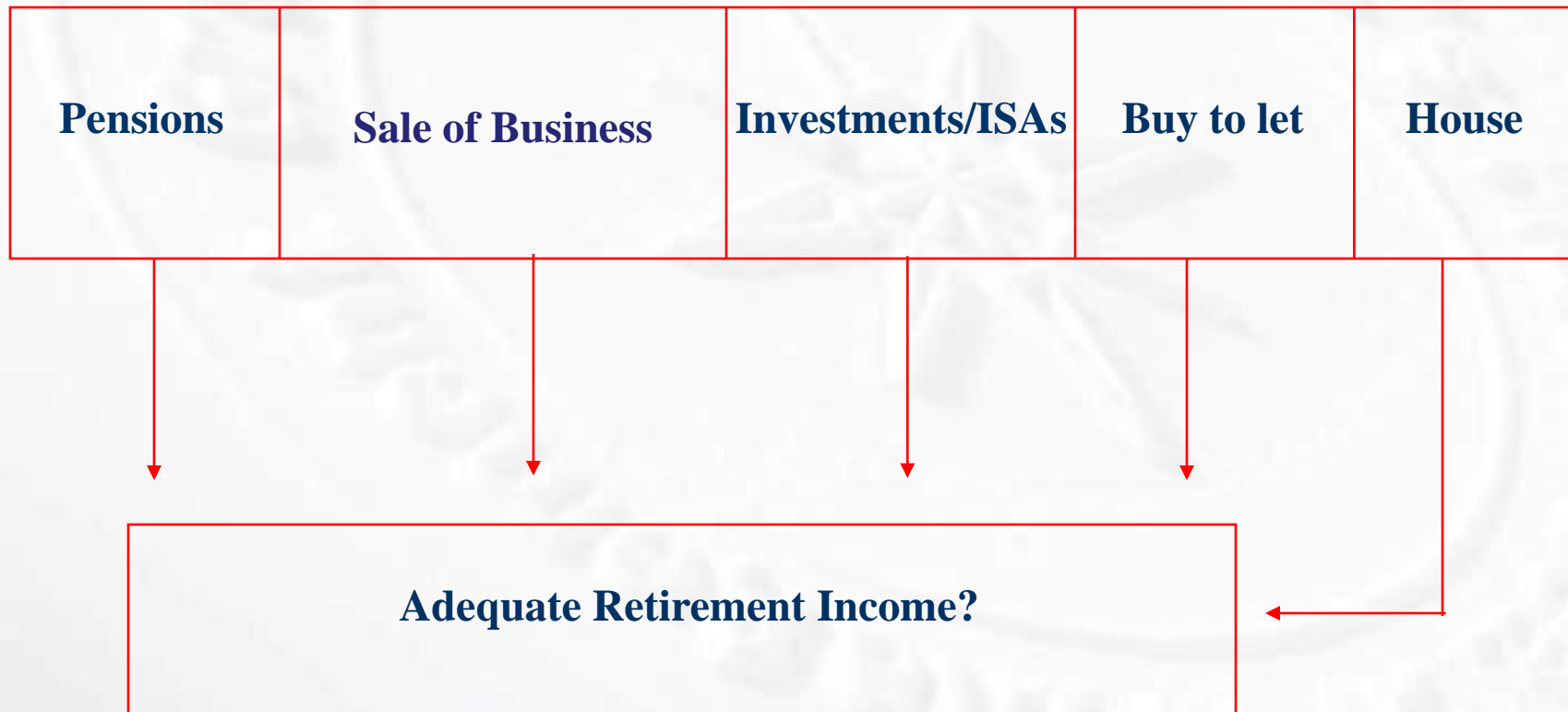
## Aged 85 and over

1.3 million	2008
3.3 million	2033

*Source: Pensions Week, 26 October 2009*



## From where will the income come?





## Downsizing



- Detached House           £305k
  - Bungalow                   £212k
  - Terrace                     £173k
  - Flats                        £177k
- 
- Selling a detached house and buying bungalow/terrace releases           £90k - £130K



# Property gloom dents dreams of retirement

**FALLING** house prices could have a devastating impact on the retirement dreams of millions, a study has warned.

The crumbling property market may destroy pensioners' plans to take capital out of their homes and spend it on themselves and their families.

The research from insurer Prudential examined the amount of equity in the properties of retired homeowners - the value of the house over and above what is owed on the mortgage.

The report warns that this figure has dropped in four of the ten regions of England and Wales.

Across all regions, the equity in pensioners' homes rose by just 0.3 per cent between October and February.

This is a sharp fall on the 2.5 per cent increase during the previous five-month period.

The biggest losers are in Wales where the average 'equity slide' was more than £3,600 between October and February.

Homeowners in other parts of the country are not doing so badly. But the report reveals that equity is rising at a much more sluggish pace than it was during Britain's decade-long house price boom.

With property experts predicting prices could fall more than 20 per cent over the next two years, the situation for pensioners is likely to get much worse.

A key part of many pensioners' plans is to sell their large family

By **Becky Barrow**  
Property Correspondent

home, release money and move into a smaller home. With this windfall, they can relax and enjoy themselves and indulge their family in a way they could not previously afford.

If the equity is going down, they will have less money to release, although they should be able to buy the smaller home for less money, too.

For other pensioners, the 'equity slide' will be a worry because they will have hoped to leave their home to their children

## 11.4m

pensioners  
living in Britain

or grandchildren in their will, to help the younger generations climb the property ladder.

But the report urges pensioners not to worry, pointing out the huge wealth that they have built up in their homes thanks to the property price boom.

Many pensioners bought their homes for a few thousand pounds several decades ago, and the value has climbed to a six or even seven-figure sum.

Despite the slowdown, Prudential - one of the biggest providers of private pensions - estimates that retired homeowners still have around £734 billion of equity

tied up in their homes. Around 22 per cent of this extraordinary wealth is in London, because prices there are the highest.

In some parts of London, the average price of a home is more than £1 million, even for just a two-bedroom flat.

Although equity fortunes fell in four regions, not all homeowners suffered. Londoners were the biggest winners with the average home increasing by £2,721 after any outstanding mortgage debt had been taken into account between October and February.

Retired homeowners in Yorkshire and Humberside were the next best performers, with average gains of £2,154 during this period, followed by those in the South West, up £1,554.

Few, if any, pensioners are in danger of moving into negative equity as they tend to own their homes outright.

The main victims are younger buyers who took out huge loans to buy a home in the last year. With prices falling around four per cent since the start of the year, many already have a mortgage that is larger than the value of their home. Keith Haggart, business director of retirement income at Prudential, said: 'It is important that retired homeowners don't lose sight of the bigger picture.'

'Most have built up a significant amount of equity in their homes over a number of years so even if property prices do fall, many still have a huge amount of wealth in bricks and mortar.'

[b.barrow@dailymail.co.uk](mailto:b.barrow@dailymail.co.uk)

*Daily Mail 6 May, 2008*



## Will your business have a value?

- Do you have a strong brand?
- Do you have a history of innovation?
- How strong and durable is your client base?
- Is a high proportion of your revenue repeatable?
- Do you have a strong asset base?



## Will your business have a value?

- Do you have a strong track record of attracting talent and of retention of your key people?
- Do you have products and services that are scaleable?
- Are you a market leader in your field?
- What level of competition exists in your market?





## Will your business have a value?

- Do you have a history of strong growing profits?
- Do you have an expectation of future strong growth in profits?
- Can you demonstrate a successful track record of expense control?
- Excluding the owners, do you have a strong talented management team in place in all key positions?



## Will you be able to sell?

- High cost / low availability of capital
- Technological Advancement
- Potential Buyers
- Taxation Policy
- Changes in Law / Industry Regulation
- Selling due to poor health??



## Sell your business with Turner Butler

IT Service Company Hertfordshire T/O £1.5M GP £60K Adj. NP £201K Ask £1.5M  
 Piano Retailer, Tuning, Repairs & Servicing Home Counties T/O £1.195M ..... Ask £1.5M  
 Manufacturer, Wholesaler & Refurbishment of Jewellery Essex Ask £175K+SAV  
 Forestry Site Clearance & Mulching plus FH Site Scotland T/O £400K Ask £350K  
 Structural Steelwork Fabricator Scottish Central Belt T/O £1.1M NP £165K Ask £950K  
 Actors Agency Relocatable Business T/O £1M GP £140K NP £100K ..... Ask £445K  
 Specialist Spanish Food Wholesaler North West London T/O £323K ..... Ask £490K  
 Tropical & Marine Fish Retailer North West T/O £400K GP £160K ..... Ask £200K  
 Vintage Vehicle Wedding Service London 36 cars T/O £230K ..... Ask £795K  
 Same Day Courier & Logistics Specialists North West L/H T/O £800K Ask £750K  
 Supply and Installation of Gates & Traffic Barriers Scotland T/O £630K Ask £640K  
 High Street Village Restaurant Farndon, Near Chester T/O £220K PW ..... Ask £25K+SAV  
 Award Winning Fine Dining Restaurant Powys Mid Wales T/O £280K ..... Ask £350K  
 Gentlemen's Outfitters & Tailored Clothing Business Midlands ..... Ask £975K+SAV  
 Manufacturer of Window Blinds Lincolnshire T/O £250K GP £100K ..... Ask £120K  
 IT Consultancy North Yorkshire-Relocatable T/O £80K NP £40K ..... Ask £150K  
 Award Winning, Creative, Unisex Hair Salon Preston City T/O £200K ..... Ask £110K+SAV  
 The Scarab Car - IPR, tooling, CAD drawings, moulds Relocatable ..... Ask £100K  
 Well Equipped Launderette Central London high margins L/H T/O £60K Ask £69K  
 Profitable Used Car Sales Specialising T/O £700K Kent ..... Ask £95K incl. stock  
 PC Repair Internet Café Money transfer West London T/O £120K ..... Ask £65K  
 Quality Hand Made Furniture Retailer Berkshire T/O £360K ..... Ask £160K  
 Superb Spanish Retail Premises Los Dolos Freshhold ..... Ask £210K+SAV  
 Motor Refinish Products to the Motor Trade Cambridgeshire ..... Ask £99,500  
 Snacks & Ready Meals Manufacturer W London T/O £260K ..... Ask £230K  
 Waste Water Treatment Process Company Relocatable ..... Ask £100,000  
 Retailer & Mail Order - Outer door Wear Cumbria T/O £500K ..... Ask £140K+SAV  
 Barlick Hotel - Public House Barnoldswick, Lancashire T/O £450K ..... Ask £150K  
 Mobile Vehicle Repair and Servicing East Anglia T/O £120K NP £40K Ask £160K  
 Sameday Nationwide Courier Cambridgeshire T/O £550K Adj NP £75K Ask £275K

Cycle Sales, Service & Repairs Yorkshire L/H T/O £120K GP £80K ..... Ask £105K  
 Memorial Mason & Headstone Supplier North East Midlands T/O £170K ..... Ask £185K  
 Motorcycle Clothing /Parts Hertfordshire G/P 38% T/O £850K Ask ..... £600K+SAV  
 Kitchen & Bedroom Installation East Anglia L/H T/O £425K ..... Ask £149,500  
 Authentic Mediterranean Restaurant 22 Covers T/O £150K S W London Ask £90K  
 Superbly Fitted Beauty Salon St Albans Hertfordshire L/H T/O £200K ..... Ask £125K  
 Ventilation Ductwork & Engineering Company S W T/O £1M NP £225K ..... Ask £435K  
 Off Road Motor Sport Tyre Manufacture/Sales Stafford T/O £300K ..... Ask £120K  
 Retail/Installation Car Audio Systems/Alarms Croydon T/O £125K ..... Ask £40K  
 Wholesale/Retail of Office Supplies Essex T/O £313K GP £93K. Ask £150K+SAV  
 Short Run Print Company with Retail Outlet Bristol Leasehold Area Offers Invited  
 Bespoke Joinery & Cabinet Making Business Cotswold T/O £230K. Ask £65K+SAV  
 Fully fitted Kitchen & Bedroom Showroom Leased Warwickshire Ask £90K+VAT  
 Bathroom & Accessories Retailer Suffolk /Relocatable T/O £285K ..... Ask £185K+SAV  
 Electronic Manufacturing/Contract Servicing Thames Valley T/O £320K. Ask £240K  
 Importers, Wholesalers & Distributors of Ladies Fashion N W London Ask £225K  
 Baguette Bar, Coffee Shop & Outside Caterer W Sussex T/O £290K Ask £169,995  
 Retail & Installation of Carpets, Vinyls & Rugs Dorset T/O £240K ..... Ask £169,500  
 Coach & Transportation Business Norfolk L/H T/O £360K NP £44K ..... Ask £175K  
 Training Company Specialising-Domestic/Commercial NW T/O £503K ..... Ask £575K  
 Bedroom & Kitchen Cabinetry Manufacture Bedfordshire T/O £1.1M ..... Ask £585K  
 Domestic & Commercial Self-Storage T/O £150K GP £146K Berkshire Ask £1195K  
 One Stop Vehicle Refurbishment Centre/Alloy Wheel E Anglia T/O £340K ..... Ask £140K  
 Extreme Sports Retailer Surf/Snowboard Service Bristol T/O £110K. Ask £135K  
 Quality Specialist Carpentry Contractor T/O £350K Bedfordshire ..... Ask £150K  
 Property Management/Refurbishment/Letting Agency North East ..... Ask £90K  
 Interior Design Consultancy Surrey T/O £500,000 GP £150K ..... Ask £240K  
 Embroiderer in Work & Leisure-wear Hampshire T/O £200,000 ..... Ask £120K  
 General Haulier & Storage Contractor Warehouse L/H Wiltshire ..... Ask £720K  
 International Freight Forwarding South Coast T/O £550K PA ..... Ask £160K

Alarm & Security Installation Company Stockport T/O £107+ ..... Ask £135K  
 Well-appointed Beauty & Hair Salon South London T/O £24K ..... Ask £47,500  
 Industrial/Driving/Administrative Recruitment Cornwall T/O £1.142M Ask £175K  
 Established Commercial locksmith T/O £145K NP £80K Dorset ..... Ask £145K  
 Reputable Wedding Services Company N Lancashire T/O £130 ..... Ask £180K+SAV  
 Embroidery Company Specialising In Corporate Clothing Relocate ..... Ask £159K  
 Plumbing & Bathroom Equipment Showroom Midlands T/O £200K ..... Ask £180K  
 Publishing Company With Contract Publishing Agreement Reloc ..... Ask £100K  
 Prominent Interior Design Consultancy Bucks T/O £250K ..... Ask £120K+SAV  
 Retailer, Supplier & Installer of Home Entertainment Products Galway ..... Ask £866K  
 Health & Safety Consultants Relocatable T/O £200K Adjusted NP £65K Ask £495K  
 Health Food Retailer Greater London Leased T/O £2.7M GP £1.15M ..... Ask £675K  
 Commercial Bottled Gas Supply Company Greater Manchester NP £80K. Ask £325K  
 Charter Boat - Fishing T/O £90K South Coast. Ask £175K Inc 5 years of Catamaran  
 Pickup Franchised Motor Dealer Cornwall T/O £680K Adj. NP £80K ..... Ask £230K  
 Leisure /Touring Caravan Park Development Opportunity FH SWWales ..... Ask £875K  
 Clinical/Medical Trials Volunteer Provider Web based T/O £100K ..... Ask £145,000  
 Publishing Company Producing Corporate Marketing Brochures ..... Ask £49,999  
 On-Line Retailer of Audio Visual Accessories Relocatable T/O £200K ..... Ask £85K  
 Print Management Company Leicestershire T/O £300K+ GP £112K ..... Ask £110K  
 Sales & Mgt Development Training Company Manchester T/O £160K ..... Ask £29K  
 FIH Manufacturer of Own Brand Indian Frozen Foods Manchester ..... Ask £450K  
 Freehold Scaffolding Erectors Leicestershire Annual Net Profit £220K Ask £750K  
 5 Branded Polish Delicatessens Cheshire/Merseyside/Manchester ..... Ask £995K  
 Finance for Home Collected Credit South Yorkshire GP £61,000 ..... Ask £115,000  
 Food Supplies Greater London L/H T/O £850K Stock Value £150K ..... Ask £875K  
 Retail Conveyor Belt Repair & Installations Lancashire T/O £180K ..... Ask £95K  
 Specialist Electrical Engineers Co Antrim, Northern Ireland T/O €131K ..... Ask £225K  
 My Performance Coach - Performance Support Software Reloc. Investment Sought  
 Multi-location Hair Salon Chain Buckinghamshire T/O £390K GP £310K ..... Ask £750K

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Retirement Planning via pension schemes/funds  
remains appropriate for most people!



## Magic Number!

**To calculate what capital sum you need at retirement.....**

- (i) Ascertain what income you will need in retirement.
- (ii) Multiply that figure by:

**25** (to provide you with an index-linked pension)

**17** (to provide you with a level [non-increasing] pension)

- e.g. If you want an income of £25,000pa from age 65, you need to build up a cash sum of £625,000 (to give you a starting income of £25,000pa which will increase each year in line with inflation) or £420,000 (to give you a level income of £25,000pa)



## Would you like a 25% return?

£10,000 (net)       $\longrightarrow$       £12,500 (gross)

+ 25%!

(appropriate to a Basic Rate Tax Payer, or a non-taxpayer)

Use it or lose it!



## Would you like a 67% return?

£10,000 (net)       $\longrightarrow$       £16,666.66 (gross)

+ 67%!

(appropriate to a High Rate Taxpayer)

Use it or lose it!



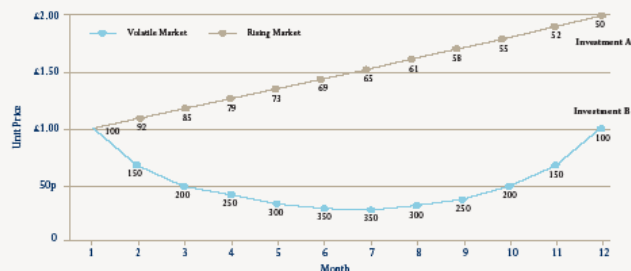
## How market volatility can work to your advantage

When stock markets are moving up and down so sharply it is natural for investors to be concerned that they will 'get their timing wrong', investing one day only to see share prices fall significantly the next.

Of course, investors cannot consistently and successfully time the markets. Nobody knows what the stock market will do next week, next month or next year. But that does not matter if, for example, you are saving for a pension and do not intend to retire next week, next month or next year. Taking a long-term view is what matters most.

One way to reduce the worry of investing at the wrong time is to invest on a regular basis. By drip-feeding your money into the market you have the potential to buy more units when share prices are falling. When prices recover, you'll have more units with a higher value.

Units bought with a monthly investment of £100



<b>Investment A</b>	Total value of units after 6 months	£721.74	<b>Investment B</b>	Total value of units after 6 months	£385.71
	Total units bought after 12 months	839		Total units bought after 12 months	2,700
	Total value of units	£1,678		Total value of units	£2,700







# Pension Regulations

## Everyone has the same rules

100% salary / £50,000 contribution limit - £3,600 min

£1.5m Lifetime Allowance

25% Tax Free Cash

'Retire' from age 55

No need to take any income/ No need to purchase an annuity



## The Key Messages

1. Everyone has to save more for their retirement
2. If you do not accumulate enough, you risk outliving your savings
3. Determine how much you will need to save
4. Understand the cost of delaying action
5. Commit to your plan and take action



We'll all live a lot longer but that means we'll  
have to work longer

*Source: The Times, 20 October 2009*

The average child born today can expect to live  
to 103

*Source: The Times, 2 October 2009*



## 5 simple questions to ask yourself

- What are your aims when you retire?
- How do you plan to achieve this?
- When did you last review this plan?
- Would you like me to check whether your plans are on track?
- Are you happy with the performance of your existing policies?