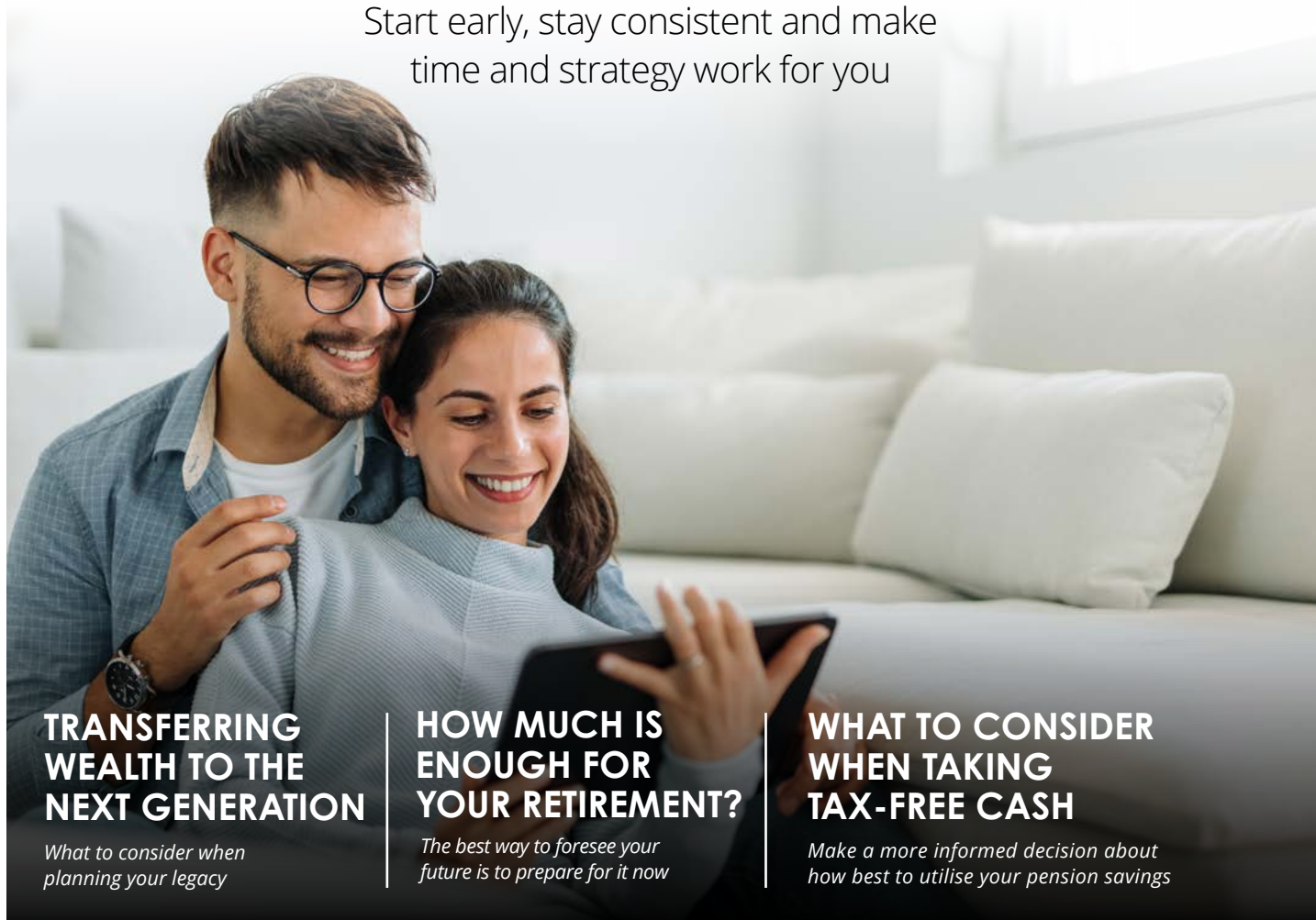




# THORNTONS WEALTH

## HOW CAN MILLENNIALS SAVE FOR RETIREMENT?

Start early, stay consistent and make  
time and strategy work for you



**TRANSFERRING  
WEALTH TO THE  
NEXT GENERATION**

*What to consider when  
planning your legacy*

**HOW MUCH IS  
ENOUGH FOR  
YOUR RETIREMENT?**

*The best way to foresee your  
future is to prepare for it now*

**WHAT TO CONSIDER  
WHEN TAKING  
TAX-FREE CASH**

*Make a more informed decision about  
how best to utilise your pension savings*

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Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



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# WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

**W**elcome to the June 2025 issue of Thorntons Wealth's monthly e-zine newsletter. In this issue, we consider why retirement planning is a multifaceted process that requires careful consideration of your income needs, the impacts of inflation, and potential life changes. Begin by categorising your expenses into two groups – essential costs such as housing and healthcare, alongside lifestyle expenses like travel and hobbies. Implementing a budgeting strategy, such as the 70% to 80% rule of pre-retirement income, can help establish realistic targets. Tools like cash flow modelling enable you to visualise your future financial position across various scenarios. Diversifying income sources and conducting regular reviews will ensure your plan remains adaptable to changing circumstances, assisting you in maintaining financial stability.

Creating a meaningful legacy transcends merely deciding who receives your wealth. It involves balancing your financial needs while ensuring that the assets you leave behind contribute to the stability of future generations. Begin by determining your own financial requirements, then assess what you can pass on, including property, savings, investments, or sentimental items. Consider strategies like lifetime gifts, which enable you to witness the benefits of your generosity while potentially reducing inheritance tax. Introducing trust structures offers a controlled way to safeguard wealth and limit risks such as financial mismanagement. Professional guidance can streamline the process, providing tailored solutions to optimise taxes and achieve your legacy goals.

With defined contribution pensions, you have the option to withdraw up to 25% of your pension savings tax-free when you reach 55 (57 starting in 2028 for most individuals). While this provides an immediate financial boost, withdrawing early can reduce the remaining amount available to generate income for your retirement. It's essential to weigh the long-term effects, such as diminished future returns and the impact of inflation on your purchasing power, against short-term benefits. Careful timing and a clear understanding of your financial objectives will ensure the lump sum is utilised in a manner that enhances your overall retirement strategy without compromising security.

Individual Savings Accounts (ISAs) provide a variety of tax-efficient saving and investment options; however, many individuals do not

take full advantage of their benefits due to misconceptions or a lack of awareness. Under current regulations, UK residents can save or invest up to £20,000 each tax year across various types of ISAs. These encompass Cash ISAs for secure savings, Stocks & Shares ISAs for higher-return investments, and specialised options like Lifetime ISAs for home purchases or retirement. Spreading your savings across these options can help maximise your investment growth, whether you're prioritising accessibility, security, or long-term financial gains. Understanding how ISAs operate is essential for achieving your financial goals efficiently.

For Millennials, starting to save for retirement early is one of the most effective ways to build long-term wealth. Leveraging time allows your investments to benefit from compounding growth, where returns generate additional gains over time. Establish a tangible savings goal, such as setting aside 12% to 15% of your salary, and take advantage of employer contributions and tax relief to accelerate your progress. Using budgeting frameworks like the 50/30/20 rule can help balance saving with other expenses, making goals more achievable. Additionally, tracking pensions from various employers and understanding your State Pension entitlement can enhance your financial preparedness. Regularly reviewing your plans and remaining vigilant against scams will ensure you stay on track for a secure future.

We hope you enjoy this issue and find the articles featured interesting.

You can also forward this e-zine newsletter to someone else you know who would like to receive a complimentary copy.

Best Wishes,

**Thorntons Wealth**

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# HOW MUCH IS ENOUGH FOR YOUR RETIREMENT?

The best way to foresee your future is to prepare for it now

**PLANNING FOR RETIREMENT IS ONE OF THE MOST IMPORTANT FINANCIAL DECISIONS YOU'LL FACE IN YOUR LIFETIME.** WITH MANY FACTORS TO CONSIDER, INCLUDING INCOME NEEDS, INFLATION, INVESTMENT STRATEGIES AND UNEXPECTED LIFE EVENTS, IT'S EASY TO FEEL OVERWHELMED. REMEMBER, THE BEST WAY TO FORESEE YOUR FUTURE IS TO PREPARE FOR IT NOW.

**H**ow can you ensure you are saving enough to live comfortably in your golden years? While the answer is not one-size-fits-all, there are key steps to help you gain clarity, build confidence and secure your financial future.

Whether you're contemplating retirement or assessing your current plan, now is the moment to act. It's never too early or too late to improve your financial outlook. Here's a look at how to get ready for a comfortable and fulfilling retirement.

## UNDERSTANDING YOUR INCOME NEEDS

One of the first things to determine is how much money you will need to sustain yourself during retirement. This requires categorising your projected expenses into two primary groups – essential costs and lifestyle expenses.

- Essential expenses encompass housing, utilities, food and health care. You'll need to cover these necessities to sustain your basic standard of living.
- Lifestyle expenses are the additional extras that enhance retirement, such as travel, hobbies, dining out or treating your family.

Start by reviewing your current spending habits. Look at your bank and credit card statements over the past year to get a sense of your regular costs. Then, try to project how these expenses might change once you stop working. Will you downsize your home? Plan to travel more? Or perhaps you'll spend more time with hobbies and less on work-related expenses like commuting.

One budgeting strategy is the 70% to 80% rule, which suggests that you'll need 70% to 80% of your pre-retirement

income to maintain your current lifestyle. However, this can vary widely depending on personal circumstances.

## FACTORING IN INFLATION AND RISING COSTS

Inflation is an unseen force that gradually diminishes the purchasing power of money over time. While 2% to 3% inflation may seem minor, its effects can be considerable over 20 or 30 years. For instance, an item that costs £100 today could cost £181 in 25 years at a 2.5% inflation rate.

To protect your savings from erosion, plan for inflation in your retirement strategy. One popular method is to invest in assets that typically outperform inflation, such as equity-based investments. While stocks carry risks, they offer the potential for growth that matches or exceeds rising costs over the long term.

Alternatively, inflation-linked bonds offer protection for more conservative investors. These investments are linked to inflation rates, ensuring that returns match rising prices.

## PREPARING FOR HEALTHCARE COSTS

Healthcare is one of the most significant yet unpredictable expenses in retirement. Medical advancements have increased life expectancy, but they have also resulted in higher medical costs. Consider whether you will need long-term care, such as home assistance or nursing facilities, and explore insurance options to cover these expenses.

The NHS offers free healthcare in the UK, yet many retirees opt to supplement this with private health insurance to minimise waiting times and access specialised treatments. Incorporating these potential costs into your retirement budget can help you avoid financial strain later on.

## PLANNING FOR THE UNEXPECTED

Retirement doesn't make you immune to life's surprises. Health emergencies and

economic downturns can quickly derail even the best-laid plans. For instance, events such as the COVID-19 pandemic and market volatility from Trump's tariff announcements have demonstrated how unforeseen crises can impact incomes and savings overnight.

Establishing an emergency fund is a sensible strategy. Strive to save six months' to a year's worth of essential expenses in a liquid, easily accessible account. This safety net can protect you from withdrawing from your long-term investments during difficult times.

Be sure to review your insurance cover, from life to home insurance, to ensure all your bases are covered.

## DIVERSIFYING YOUR INCOME SOURCES

Retirement is no longer about depending solely on a pension. A comprehensive income strategy can ensure financial stability and mitigate risks linked to fluctuations in the economy or government policies.

If appropriate, consider diversifying your income sources by combining different options such as:

- Workplace or State pensions
- Individual Savings Accounts (ISAs)
- Dividend-paying stocks
- Rental income from property investments
- Annuities or bonds

Each type of income has its advantages and disadvantages, so the ideal mix will depend on your personal needs. For example, annuities offer guaranteed income for life but may lack flexibility, whereas investments in stocks or real estate can provide growth potential with greater risks.

## USING CASHFLOW MODELLING TO STAY ON TRACK

Cash flow modelling is a tool that allows



you to predict your future income and expenses based on different scenarios. This method offers a detailed visualisation of whether your retirement savings will last, taking into account factors such as inflation, investment growth and lifestyle expenses.

By using cashflow modelling, you can explore various scenarios. What if you retire five years earlier? Would you be able to afford a cruise each year? This proactive approach enables you to evaluate options and make informed adjustments to your saving and investing strategy.

## REVIEWING AND ADJUSTING YOUR PLAN

Life is full of twists and turns, and your retirement plan should adapt accordingly. Changes in your health, family situation or financial markets may all require adjustments over time.

Schedule an annual review of your plan to ensure it aligns with your current goals and circumstances. If you're uncertain about what to adjust, we'll help guide your decisions. Staying flexible and informed will help you feel secure about your financial future. ■

## DO YOU KNOW HOW MUCH IS ENOUGH FOR YOUR RETIREMENT?

If not, now is the time to find out. Whether you're looking to start your plan or refine an existing strategy, having expert guidance will help you feel more confident about your financial future. Contact us today to discuss your retirement requirements or learn more about the options available to you. Together, we can create a personalised plan to secure the financial freedom you deserve.

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# TRANSFERRING WEALTH TO THE NEXT GENERATION

What to consider when planning your legacy



**TRANSFERRING WEALTH TO THE NEXT GENERATION IS ONE OF THE MOST IMPORTANT FINANCIAL DECISIONS YOU WILL MAKE IN YOUR LIFETIME.** THE ASSETS YOU HAVE CAREFULLY BUILT OVER THE YEARS – WHETHER THEY ARE PROPERTY, INVESTMENTS, SAVINGS OR SENTIMENTAL ITEMS – ARE A TESTAMENT TO YOUR HARD WORK AND DEDICATION.

Naturally, you will want to ensure that these assets are preserved, safeguarded and transferred in a manner that benefits your loved ones or chosen beneficiaries.

The way your wealth is transferred will profoundly impact their financial stability and could influence the future of generations. However, managing this transition effectively requires much more than merely deciding who receives what. To create a meaningful and lasting legacy, you must engage in thorough planning.

### **KEY QUESTIONS TO ASK BEFORE LEAVING A LEGACY**

Before transferring your wealth, it's essential to ask yourself some key questions to ensure your legacy aligns with your intentions. Begin by determining how much you will need for the rest of your life, particularly if you want to plan for later-care needs. This ensures that you don't compromise your financial stability.

Next, consider what you are likely to leave behind. This may include cash, savings, investments, properties, vehicles, business interests or even sentimental items such as jewellery and art. Once you understand your assets, identify who or what you wish to provide for.

Do you want to prioritise family members, make charitable donations or a combination of both? Importantly, you should also consider whether there is anyone you wish to exclude from your legacy.

### **FINE-TUNING YOUR LEGACY PLAN**

Deciding on the amount each beneficiary should receive is another critical step. Will they all be treated equally, or do you want allocations to reflect individual needs or contributions? Consider, too, whether you prefer to restrict how your wealth is used – for example, earmarking funds for education or homeownership.

Many people also wonder whether to gift wealth during their lifetime. Making lifetime gifts allows you to witness the benefits of your legacy while potentially reducing Inheritance Tax liabilities. Finally, ensure you understand how your wealth will be passed down to future generations so it's not squandered prematurely.

### **PREPARING THE NEXT GENERATION TO SAFEGUARD WEALTH**

A vital part of effective wealth transfer is preparing your children or other heirs to inherit responsibly. Start by having open conversations about your financial values and the purpose of the wealth they will be receiving. Teaching them about financial management, even in basic terms, can make a big difference in helping them handle significant inheritances.

You might also consider setting up trust structures. Trusts allow you to pass on wealth in a controlled manner. They can also build in protections to ensure your estate continues to benefit future generations while minimising risks such as external claims or financial mismanagement.

### **PROFESSIONAL ADVICE PLAYS A CRUCIAL ROLE**

Navigating the complexities of estate planning and wealth transfer is not something you have to face alone. Professional advice plays a crucial role in ensuring everything is structured according to your wishes. We can help you create or revise your Will, set up trusts and explore Inheritance Tax-efficient options to protect your estate.

We can also help analyse the financial repercussions of your decisions by identifying solutions you might not have considered to maximise what's passed on to those you care about. ■

### **ARE YOU CONSIDERING ESTATE PLANNING OR TRYING TO REFINE YOUR STRATEGY?**

Whether you're just starting to consider estate planning or looking to enhance your strategy, professional support can offer you peace of mind. We assist individuals and families in transferring their wealth with confidence. Contact us today to discuss your needs or to learn more about how we can help you secure your legacy for future generations. It's never too early to begin planning for what comes next.

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# WHAT TO CONSIDER WHEN TAKING TAX-FREE CASH

Make a more informed decision about how best to utilise your pension savings

## **MAKING THE MOST OF YOUR PENSION SAVINGS REQUIRES UNDERSTANDING YOUR OPTIONS AND PLANNING CAREFULLY FOR THE FUTURE.**

IF YOU HAVE A DEFINED CONTRIBUTION PENSION, A KEY FEATURE TO CONSIDER IS THE ABILITY TO WITHDRAW TAX-FREE MONEY. THIS CAN PROVIDE A VALUABLE FINANCIAL BOOST, WHETHER YOU PLAN TO USE IT FOR IMMEDIATE EXPENSES, LONG-TERM INVESTMENTS OR AS A SAFETY NET IN RETIREMENT.

**H**owever, it's important to consider how withdrawing this money could affect your overall retirement income. The remaining funds in your pension pot will need to provide an income for the rest of your life, so taking out a large sum early on might have a lasting impact on your financial security. By understanding these factors, you can make a more informed decision about how best to utilise your pension savings.

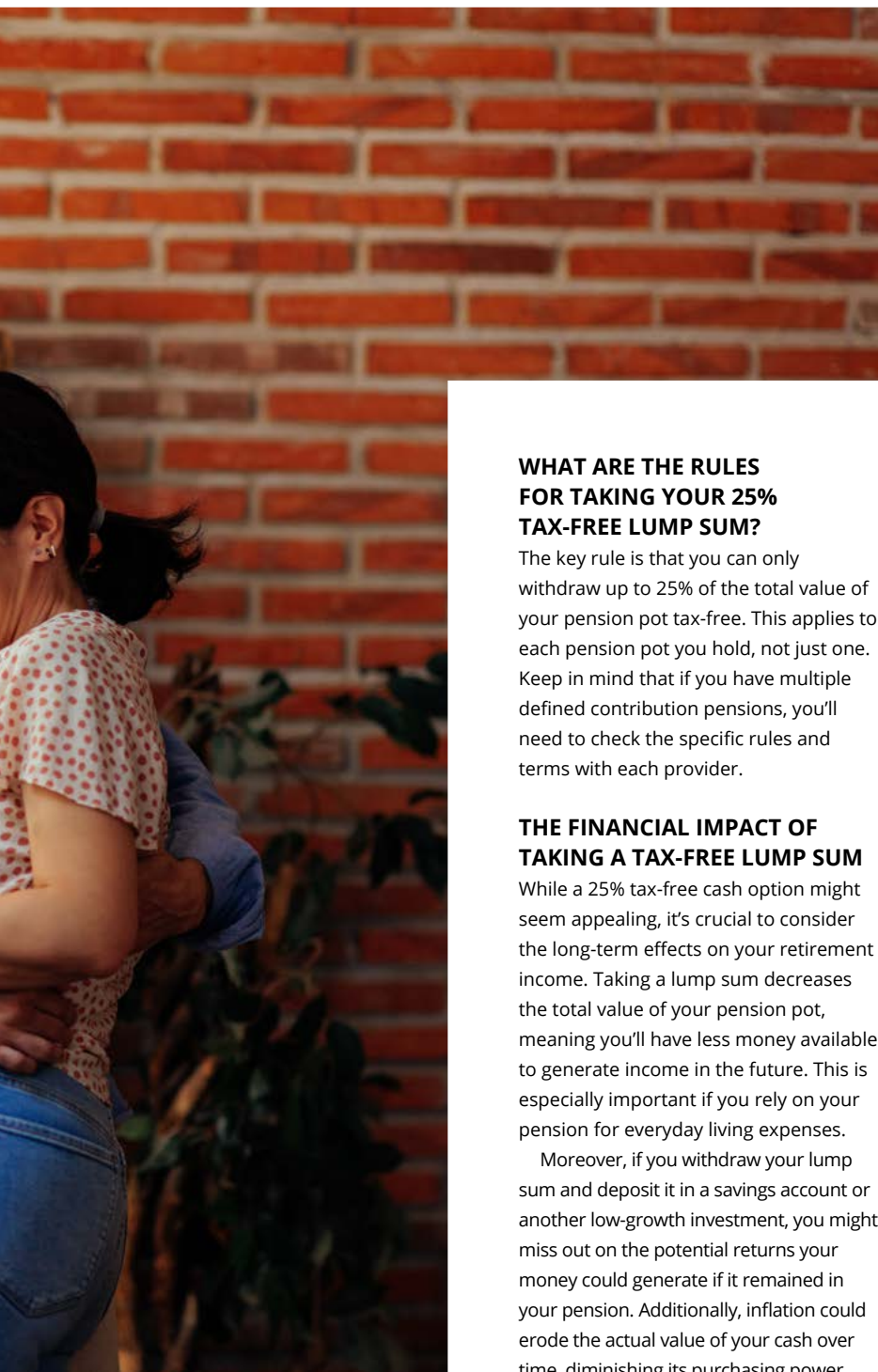
### **HOW DOES TAX-FREE CASH FROM A PENSION WORK?**

When you turn 55 (57 starting in April 2028 unless you have protections in place), you

typically have several options for accessing your defined-contribution pension. One of the most appealing choices is to take a tax-free lump sum of up to 25% of your pension savings (subject to any protections in place and the LSA (Lump Sum Allowance). This can be received as a single payment or distributed over multiple withdrawals, depending on your provider's policies.

The remaining 75% of your pension can then be accessed in various ways, such as regular withdrawals, purchasing an annuity or leaving it invested for future growth. However, this portion is typically subject to Income Tax based on your total annual earnings.





### **WHAT ARE THE RULES FOR TAKING YOUR 25% TAX-FREE LUMP SUM?**

The key rule is that you can only withdraw up to 25% of the total value of your pension pot tax-free. This applies to each pension pot you hold, not just one. Keep in mind that if you have multiple defined contribution pensions, you'll need to check the specific rules and terms with each provider.

### **THE FINANCIAL IMPACT OF TAKING A TAX-FREE LUMP SUM**

While a 25% tax-free cash option might seem appealing, it's crucial to consider the long-term effects on your retirement income. Taking a lump sum decreases the total value of your pension pot, meaning you'll have less money available to generate income in the future. This is especially important if you rely on your pension for everyday living expenses.

Moreover, if you withdraw your lump sum and deposit it in a savings account or another low-growth investment, you might miss out on the potential returns your money could generate if it remained in your pension. Additionally, inflation could erode the actual value of your cash over time, diminishing its purchasing power.

### **COULD TAKING A LUMP SUM BE THE RIGHT OPTION?**

Despite these risks, there are situations in which taking a tax-free lump sum may be a wise decision. For example, you could use it to pay off outstanding debts, invest in a new business venture or help a family member with property expenses. It could also fund a dream holiday or facilitate home improvements, allowing you to enjoy your retirement on your own terms.

However, timing is crucial. Taking a lump sum earlier in life can significantly influence your future retirement income, whereas waiting until closer to retirement age preserves more of your funds for a longer period. Careful planning and a clear financial strategy are vital for making the best decision. ■

### **NEED ASSISTANCE WITH YOUR DECISION? WE'RE HERE TO HELP!**

Understanding the intricacies of pension withdrawals is complicated. If you are considering taking a 25% tax-free lump sum, please contact us. We can assist you in outlining your financial goals and exploring the best options for your unique situation. Let's ensure your pension choices provide you with the retirement you have always desired.

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# IS IT TIME TO MAXIMISE YOUR SAVINGS AND INVESTMENTS?

Unlocking the secrets of tax-efficient saving with ISAs

**MANY PEOPLE IN THE UK REMAIN UNAWARE OF THE TAX ADVANTAGES OFFERED BY INDIVIDUAL SAVINGS ACCOUNTS (ISAs).** RECENT RESEARCH REVEALS THAT NEARLY A QUARTER (24%) OF UK ADULTS MISTAKENLY BELIEVE ALL THEIR SAVINGS ARE TAX-FREE, REGARDLESS OF THE ACCOUNT TYPE OR BALANCE<sup>[1]</sup>. UNFORTUNATELY, THIS MISCONCEPTION COULD BE COSTING THEM VALUABLE TAX-EFFICIENT GROWTH ON THEIR MONEY.

**U**nder the current rules, UK residents can save and invest up to £20,000 tax-efficiently per tax year (tax year 2025/26), provided the money is held within an ISA. This allowance resets with each new tax year, meaning savers and investors now have a fresh opportunity to maximise their 2025/26 ISA limit. However, over half (55%) of the people surveyed admit they don't know the current allowance, highlighting a gap in understanding, even though 86% of respondents claim to know what an ISA is.

## **WHY ARE PEOPLE MISSING OUT ON ISAS?**

Despite the benefits, millions fail to utilise their full ISA allowance each year. A notable 23% of current ISA holders did not contribute any funds to their accounts in the last tax year. Several factors may account for this lack of engagement. The most prevalent barrier is a belief that household budgets do not accommodate saving (55%). Others are discouraged by misconceptions, such as thinking their money will be 'locked

away' (15%) or believing ISAs are 'too complicated' (12%).

For those considering a Stocks & Shares ISA, the concerns vary slightly. Most people are apprehensive about risking their savings (61%) or believe they lack the necessary knowledge to invest in this manner (29%). By understanding the available options and how ISAs operate, savers could be better prepared to navigate these challenges.

## EXPLORING DIFFERENT TYPES OF ISAS

Not all ISAs are identical. Here's an overview of the main types available and how they align with various financial goals.

### CASH ISAS

A Cash ISA is a popular choice for individuals seeking low-risk savings. While the growth rates are modest, the funds remain secure. For savers willing to lock their money away for a fixed term, such as one year, higher rates are often accessible. This option is straightforward and ideal for those prioritising safety over growth.

### STOCKS & SHARES ISAS

If you're willing to take on more risk for the chance of higher returns, a Stocks & Shares ISA could be the right fit. These accounts allow you to invest in a wide range of assets, such as shares, bonds and funds, all while being tax-efficient for any income or capital gains. Investors should consider investing for at least five years to help smooth out market fluctuations. However, do remember that investments can go down as well as up.

## SPECIALISED ISAS FOR UNIQUE NEEDS

### INNOVATIVE FINANCE ISAS

For those interested in exploring peer-to-peer lending or crowdfunding, the Innovative Finance ISA may be appealing. This type of account presents higher potential returns, but it also carries significant risks, making it unsuitable for cautious investors.

### LIFETIME ISAS

Designed to assist individuals in saving for their first home or retirement, Lifetime ISAs are a great option for long-term planners. You can contribute up to £4,000 each year and receive a 25% government bonus. However, withdrawals incur no penalties only when used to purchase a first home or when taken after age 60. Be cautious of the 25% exit charge if you withdraw for any other reasons.

### JUNIOR ISAS

If you want to encourage children to save, consider a Junior ISA. With an annual limit of £9,000, these accounts do not reduce the £20,000 personal ISA allowance, making them an outstanding choice for families aiming to maximise their tax-efficient saving potential.

## MAKE THE MOST OF YOUR ISA ALLOWANCE

Again and again, savvy savers demonstrate that leveraging ISAs can significantly impact achieving financial goals. Whether you seek a low-risk way to save money or aim for higher investment returns, there's an ISA tailored to your needs and lifestyle. ■

## IS IT TIME TO TAKE CONTROL OF YOUR SAVINGS TODAY?

If you'd like to learn more about ISAs or discuss your financial goals, why wait? Get in touch with us to ensure you're making the most of your tax-efficient saving opportunities. Whether you need help choosing the right ISA or understanding how to use your allowance effectively, we're here to support you every step of the way.

### Source data:

*[1] Lloyds Banking Group savings and investment data is at December 2024 month end (December 2023 month end used for YoY comparisons). Analysis of primary account holders based on active customers. (Data excludes all youth savings and under 18s.) All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,212 adults. Fieldwork was undertaken between 13–14 February 2025. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).*

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# HOW CAN MILLENNIALS SAVE FOR RETIREMENT?

Start early, stay consistent and make time and strategy work for you

**FOR MILLENNIALS, RETIREMENT MAY APPEAR TO BE SOMETHING DISTANT AND REMOTE.** HOWEVER, STARTING TO SAVE, EVEN IN SMALL AMOUNTS, SOONER RATHER THAN LATER CAN GREATLY ENHANCE YOUR FINANCIAL PROSPECTS. BEGINNING EARLY OFFERS THE BENEFIT OF TIME, WHICH, WHEN PAIRED WITH A SOLID INVESTMENT STRATEGY, CAN HAVE A SIGNIFICANT IMPACT ON YOUR LONG-TERM WEALTH.

**E**ven small, regular contributions can grow significantly over time, thanks to the power of compounding. This process enables your investment gains to generate their own returns, creating a snowball effect that builds momentum year after year. By consistently setting aside even modest amounts, you can establish a foundation for a financially secure future.

## **ESTABLISH A CLEAR AND ATTAINABLE SAVINGS GOAL.**

One of the easiest ways to stay on track is to establish a clear savings goal. For example, you could start by allocating 12% to 15% of your gross salary towards retirement. While this target may sound ambitious, it is achievable over a 30 to 40-year career if approached methodically.

Remember, consistency is more important than perfection.

## **DO NOT OVERLOOK EMPLOYER CONTRIBUTIONS AND TAX RELIEF**

If you are employed, your employer will likely play a significant role in your retirement savings. Many companies offer pension schemes with employer contributions, often matching a portion of your savings. Additionally, take full advantage of tax relief, which helps to increase your retirement contributions even further. These incentives can greatly lessen the financial burden of achieving your savings goals.

## **IMPLEMENT BUDGETING STRATEGIES TO STAY ON TRACK**

Achieving a savings goal can feel

daunting, but smart budgeting makes it more manageable. The 50/30/20 rule provides a simple framework for organising your spending. Under this rule, 50% of your income is allocated to needs, 30% to wants and 20% to savings, including retirement. By following a formula like this, you can prioritise your future while still enjoying life today.

## **UNDERSTAND HOW THE STATE PENSION OPERATES**

Understanding the State Pension can further enhance your retirement plans. Many individuals are unaware of how much they are likely to receive or if they have earned their full entitlement. Regularly check your State Pension forecast and consider making voluntary contributions to address any gaps in your National Insurance record. View these payments as an investment in your financial security.

## **MONITOR YOUR PENSIONS DURING YOUR CAREER**

Millennials often change jobs frequently throughout their careers. Each position may come with a new pension pot, so it's important to keep track of all these accounts. Regularly review your underlying



investments to ensure they align with your long-term goals. Understanding your financial position will provide you with greater peace of mind and the ability to make adjustments when necessary.

### **STAY ALERT TO INVESTMENT SCAMS**

Pensions, unfortunately, are frequent targets for fraudsters. Scammers often operate through unregulated firms, enticing unsuspecting savers with offers that appear too good to be true. Always verify the legitimacy of any investment opportunity and seek professional regulated advice. Protecting what you've saved is just as important as building it. ■

### **ARE YOU READY TO TAKE ACTION FOR A SECURE FUTURE?**

Taking control of your retirement savings doesn't have to be overwhelming. By making small, consistent steps today, you can build the foundation for a comfortable and secure future. If you'd like help analysing your current retirement savings, setting achievable goals or exploring budgeting strategies, contact us. Together, we can create a plan tailored to your unique circumstances to secure the lifestyle you want for tomorrow.

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