rosan helmsley
WEALTH MANAGEMENT

KEY GUIDE I JULY 2025

Later life planning

Introduction

PLANNING ALL THE WAY THROUGH LIFE

The last three decades have changed the way we live. Now we can access information instantly, share experiences with people across the world, and reap the benefits of rapid technological change. These benefits include increased living standards and healthcare, and longer life spans.

A longer life means your pensions and any other investment income in retirement have to last for longer; maintaining financial planning advice is more vital than ever to ensure you don't outlive your income; and families may now stretch across more than three generations, making estate planning more of a challenge.

In this guide, we introduce some of the main financial planning aspects of longer life. For more information on any of the issues raised, please talk to us.

Contents

Credit: Monkey Business Images/Shutterstock.com

The planning fundamentals

One idea from the last century in particular has undergone a radical rethink: how we define old age. People no longer stop everything at age 60, 65 or state pension age (currently 66 and rising to 67 by April 2028). The baby boomers are not slinking off into quiet retirement. Nor should they, as the statistics show that they could be around for some time.

If those life expectancy numbers surprise you, then you are not alone. Research in 2018 by the Institute for Fiscal Studies revealed widespread ‘survival pessimism’. Since 1981, life expectancy at age 65 has improved by seven years for men (to 85) and six years for women (to 88), a fact which has not yet sunk into the public psyche. In 2025, the reality is that nearly one in five of the UK population is 65 or older.

Financial planning for later life is, in many respects, the same as planning at earlier life stages. However, the emphasis will often change. For example, income will normally become a more important focus of investment than growth, and planning for inheritance tax, medical costs and potential care fees come to the fore.

Planning point

Life expectancy has increased significantly over the last 50 years, which means some more traditional ideas about retirement planning need to be updated.

Setting your goals

The first step in creating any plan is to decide what you want to achieve. There is no such thing as a standard, one-size-fits-all solution – you need a personal plan designed around your goals. For example:

A longer life

	Men			Women		
Age now	Life expectancy	1-in-4 chance of reaching	Chance of reaching age 100 (%)	Life expectancy	1-in-4 chance of reaching	Chance of reaching age 100 (%)
55	84	92	3.4	87	95	6.9
60	84	92	3.0	87	95	6.2
65	85	92	2.7	88	94	5.7
70	86	92	2.5	88	94	5.2
75	87	92	2.4	89	94	5.0

Source: Office of National Statistics (ONS). Life expectancy is calculated using 2022 UK data produced by the ONS, last updated on 14 February 2025.

- What should the balance be between maintaining your lifestyle and preserving what you pass on to your family?
- Do you wish to stay living where you are today? Ultimately you may have no choice but to move to residential or nursing care, but in-home care can defer that transfer – albeit at a cost.
- If you are still working, perhaps part time, how long will you continue to do so before fully retiring?
- Are you prepared to rely solely on the NHS for your healthcare?

Thinking ahead
What you could do at age 20 you may not be able to at age 60. At age 80, your 60-year-old achievements may be beyond you. While you may feel near immortal today, the statistics mean you need to consider other, more difficult times. Key things include:

- Have you put lasting powers of attorney (LPA) in place, or their equivalents in Scotland and Northern Ireland? An LPA passes control of your affairs to your chosen attorney if you become unable to act because of accident or illness. There are two types of LPA:
    - **Health and welfare LPA:** This covers decisions on areas such as medical care, moving into a care home and life-sustaining treatment. For instance, you can research sheltered accommodation and care homes now and include specific instructions about where you want to go in this type of LPA.
    - **Property and financial affairs LPA:** This covers financial matters from managing your bank account to selling your home.
- You should think about who you want to have responsibility for your affairs. It should be someone you trust, who you are confident will be in good health and able to take on the responsibility, potentially for many years. If you do not have an LPA in place, the Public Guardian steps in to oversee the making of decisions on your behalf. This option is inevitably less personal, more expensive and usually slower.
- Who will provide financial advice as your life changes? An LPA provides a backstop, but you may become less able – or willing – to make financial decisions long before it is triggered. For example, if you start using pension income drawdown there could come a time when it becomes worth switching partly or wholly to an annuity for greater income security. When selecting your financial adviser, you should choose a firm which can stay the course – as we aim to do.
- Have you made a will and if so, is it up to date? A will lets you choose both how your estate is distributed and who handles the process. Again, there is a statutory fall back, this time in the shape of the intestacy rules. As a one-size-fits-all solution, the intestacy rules will often produce less than perfect results. Intestacy rules vary between England and Wales, Scotland and Northern Ireland.

EXAMPLE
The intestacy rules in practice

Mike and Amy had been married for over 45 years when Amy, who had been in good health, had a severe stroke and died within a few days. For tax reasons, Mike had placed most of the couple's investments in Amy's name, but Amy had made no will.

As a result, under English intestacy rules, one quarter of Amy's £644,000 investment portfolio passed to a grandchild the couple had never met – the child of their estranged son, who died 15 years earlier.

Credit: Monkey Business Images/Shutterstock.com

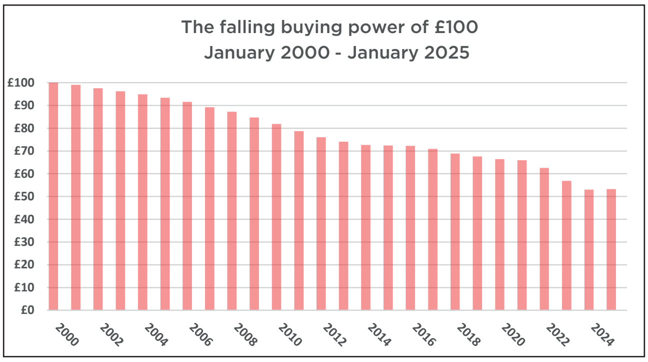
Planning point

Consider what expertise you will need to achieve your goals. You may need help with planning your investments to create income, choosing an annuity, structuring pension withdrawals or estate planning; if so you should discuss your needs with your adviser.

INCOME PLANNING

Careful income planning can be key to making the most of later life. Money concerns are never welcome, particularly if the opportunity to earn your way out of them is no longer open to you.

When planning your income needs you should take account of your potential life expectancy, but you also need to consider the effects of inflation, something that became all too obvious from late 2021. By December 2024 the buying power of the pound had dropped by over 46% since the start of 2000.



Source: ONS

The path from work

The transition from work to retirement is now often a gradual process. You might not want the instant change to 100% leisure time. Alternatively, you may need to earn extra income to cover a pension or other shortfall, perhaps because of the continuing increases in state pension age. Whatever your reason, the latest data from the Office for National Statistics show that 15.3% of men and 9.6% of women still work beyond age 65.

However, it is unwise to assume that you can rely on continued earnings for a long period of time. Factors such as your or your partner's health, your enthusiasm and the type of work you're engaged in could mean you have to stop work at some point.

If you think you will have to continue working indefinitely, then your (non-)retirement plans almost certainly need a serious review.

The role of pensions

Pensions, both state and private, are usually the main source of income in later life. For growing numbers of people, some pension income will be via income drawdown, rather than the traditional pension annuity.

The drawdown approach offers flexibility suited to gradual retirement, but ongoing management is vital. The level of withdrawals needs regular review: taking too much from a fund can mean you outlive your pension, whereas the opposite could mean a lower than desired standard of living, thereby building up funds your children, grandchildren or chosen benefactors (and potentially HMRC) will ultimately benefit from.

Investment management

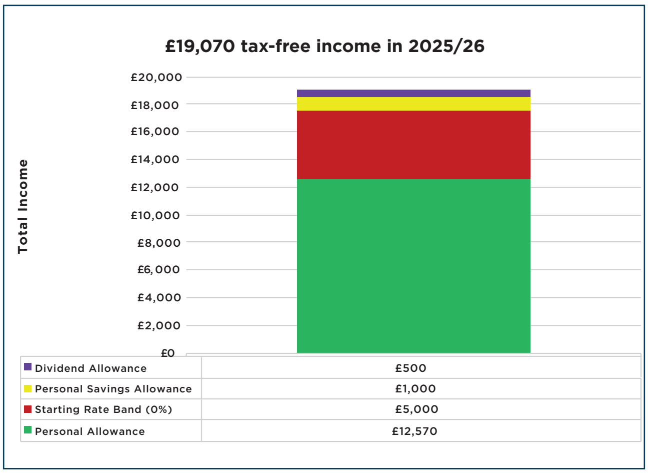
If you hold investments – including those underlying your pension arrangements – they need to be managed. What you require from your investments could alter over time and investment horizons naturally tend to shorten as you get older. For example, you may wish to increase the emphasis on security of income rather than capital growth.

To maintain a coherent approach, it is important to review your investments as a single portfolio, rather than as compartmentalised direct holdings, ISAs, life policies and pensions. This would normally be the role of your financial adviser, with investment allocations of individual funds handled by investment management companies.

Tax

Income and tax sometimes seem inseparable, but this need not be the case. The flexible pension regime created ways to draw regular payments which are not fully taxed as income or are even tax free. Other investment structures can produce similar results if you think of your income requirement as a series of regular payments.

For couples, tax savings can sometimes be achieved by simply rearranging who owns investments. The aim is to maximise each individual's use of their allowances and tax bands. For instance, in theory each of a couple could receive £19,070 of income free of tax in 2025/26:



LIFE CHANGE PLANNING

Later life will often involve significant changes, some voluntary – such as downsizing – and some forced upon you – such as moving into care. The less voluntary the change is, the more likely it is the timing will be out of your control. Your financial plans need to take account of potential changes and incorporate flexibility to help cope with sudden upheavals.

Downsizing

Moving to a smaller home is one way to make life more manageable and, often more importantly, release capital. The decision to downsize is not one to be taken lightly. If you wish to remain in the same area, you may discover that the cost of moving means a significant element of the released capital disappears in fees and stamp duty land tax (or its equivalent). Moving to a cheaper area will mitigate the costs, but do you want to leave your locality and the friends you have there, or deal with all the stresses associated with buying and selling?

If a key factor for you moving is accessing capital locked in your property, make sure you examine the options for extracting capital (and/or income) from your home without having to leave it.

Divorce and remarriage

Relationships change and later life can bring pressure on marriages as couples spend more time together, with little or no intervention from work. The latest statistics (for 2018) show a divorce rate of 1.9 per 1,000 men and 1.4 per 1,000

women for heterosexual couples in England and Wales at age 60 or over. While those divorce rates are much lower than for younger couples, later divorces are likely to be more complicated because individuals will have built up assets and pensions. This is an area requiring expert advice.

The latest available data (for 2022 in England and Wales) shows that marriage rates were 5.3 per 1,000 for men and 1.7 per 1,000 for women aged 65 and over. Remarriage has its own complications. For example, each party may wish to ensure the wealth they bring to a new marriage ultimately passes to the children of an earlier marriage (or marriages). Again, professional advisers should be involved in these circumstances.

Death of a spouse or partner

For any later life couple, it is generally inevitable that death will mean one partner is left alone. It is a possibility which ought to be discussed between the couple but, rather like writing a will, all too often the idea is deferred for another time, which may never arrive.

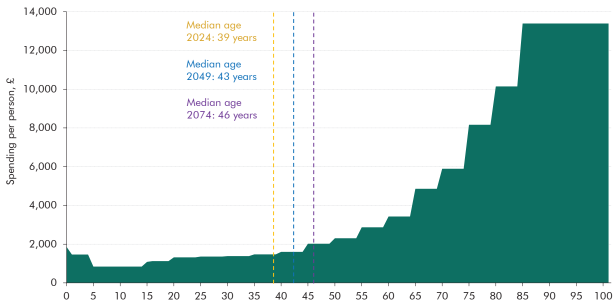
Coping with the death of a partner is one of life's major traumas. One way of removing some of the pressure is to ensure that financial disruption is kept to a minimum. Among many other things, this can mean placing investments and bank accounts in joint names and, as far as practical, including survivor's benefits in any pension arrangements.

Health, ill health and long-term care

Increases in life expectancy have not been matched by an increase in healthy life expectancy. The most recent data from National Statistics showed that in England in 2021–2023, at age 65 men In England could expect 10.1 years in good health and women 11.2 years. Both periods are about half total life expectancy at 65. Research published in July 2023 by the Health Foundation shows that 26% of people aged between 65 and 69 are living with a major illness, a proportion not expected to change over the next 15 years. Planning needs to allow for these hard facts.

If you wish to have private medical care in later life, then you will need to accept either substantial insurance premiums or a similarly high cost of self-funding. As the graph shows, age adds increasing costs. It is little wonder that after age 65, demand for medical insurance drops off sharply as employer-funded cover ends and reliance on the NHS correspondingly goes up.

NHS healthcare spending with age



Source: OBR analysis of NHS England data

A closely related issue is social care, which is currently managed by local authorities, not the NHS. If you need long-term care, whether residential or nursing, broadly speaking you will receive no support for your costs (other than limited 'nursing care' payments) if your capital exceeds a certain limit. The thresholds depend on which country of the UK you live in, ranging from £23,250 in England and Northern Ireland to £50,000 in Wales. The threshold in Scotland is £35,000, but uniquely Scotland provides a weekly 'personal care' contribution with no means-testing.

Financial planning for social care is a highly complex area requiring specialist expertise. It has been made more complicated by the fact that once again there is no long-term government strategy in place for funding social care in England. The last planned change – introducing an index-linked £86,000 cap on the total personal care costs (excluding accommodation costs) payable by an individual and raising capital limits – was scrapped by the Chancellor in July 2024. Six months later the government announced that it would be launching a commission under Baroness Casey to review long-term care in England, with a final report containing funding recommendations due by 2028. When the terms of reference for the commission were published in May 2025, it was revealed that the government expected the initial recommendations, due in 2026, would be "implemented in a phased way over a decade". That points to an end date of 2036, well beyond the next but one election. Any change in the other parts of the UK would probably occur in a similar timeframe.

Planning point

The most effective financial plan will allow for flexibility to help you deal with major changes, such as divorce, the death of a partner or the need for long-term care.

PLANNING THE FUTURE OF YOUR ESTATE

You should ask yourself, what do you want to happen to your estate?

That question affects more than inheritance tax (IHT) planning. Your estate and IHT are inextricably linked, but the most IHT-efficient planning may not be 'family efficient' estate planning.

Protecting assets during your lifetime

The current and, to a lesser extent, future funding rules for long-term care can result in your estate being whittled down

to pay care home fees. The average stay in a residential care home in England is around 30 months and self-funded residential care fees now average over £1,350 a week. For nursing care the average cost is around £1,550 a week. It may be possible to plan your affairs to limit the cost, but this is an area where in-depth knowledge is vital and many dangerous myths exist – such as 'just give it all away first'.

To mitigate IHT, you should consider not only your will, but also any opportunities you have to make lifetime gifts. Today's IHT regime continues to have a favourable treatment for lifetime gifts. For example, outright gifts made more than seven years before death are completely free of IHT, as are regular gifts, regardless of size, when made out of income, provided that they do not reduce your standard of living.

Trusts

Trusts have long been used as a way of controlling lifetime gifts or legacies after they have been made. For example, a trust could be used to provide income from a portfolio for a surviving spouse, while also ensuring capital passes to children from a previous marriage when the surviving spouse dies.

Trusts have often been associated with tax planning, but over the years legislation has been tightened. Now, most trusts are subject to the highest rates of income tax and capital gains tax, meaning that they can be disadvantageous from a tax viewpoint. Nevertheless, trusts continue to have a role to play, particularly when the would-be recipients of a gift or legacy are minor children or young adults or there is a need to build in maximum flexibility.

With trusts, striking the right balance between control and tax-efficiency needs a skilled adviser.

Generation skipping

A five-generation family is a real possibility today, thanks to increased life expectancies. This can create some difficult estate-planning decisions.

Purely from an IHT viewpoint, the best option is to pass assets straight to the youngest generation, avoiding the tax that might otherwise be incurred on the trickle down through generations. However, the generations overlooked by such a strategy may be more in need of funds than their children or grandchildren. There might even be an expectation from the older generation of support with their care costs.

As with so many other areas of later life planning, compromises may be necessary and sound advice essential.

Planning point

You should have a plan ready to protect your assets if you need to go into long-term care, as there may be opportunities to limit the cost and impact with proper advice.

MAKING THE MOST OF IT

This guide has concentrated on the challenges that can emerge in later life, but the rewards should not be forgotten. If you and your finances remain in good health, you will have more time to enjoy your post-work life than earlier generations. That could mean travel abroad (once conditions permit), learning new skills or taking that course which had always been at the back of your mind, if only you had the time.

Financial planning can help you focus on these enjoyable aspects of later life, by providing you with the income to cover the costs – from holidays to dining out and oil paints.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Levels and bases of, and reliefs from, taxation are subject to change and depend on your individual circumstances.

The Financial Conduct Authority does not regulate tax and estate planning.

HOW WE CAN HELP

As this guide illustrates, later life planning can be complicated with conflicting goals and uncertain timings. We can help you with your planning and, in particular, provide advice on:

- IHT and estate planning.
- Managing your pension arrangements.
- Your options for funding long-term care.
- Identifying opportunities to reduce your income tax bill.
- Managing your investments, including pension assets.
- The costs of downsizing and the alternatives available to you.

rosan helmsley
WEALTH MANAGEMENT

Rosan Helmsley Ltd, 1000 Cathedral Square,
Cathedral Hill, Guildford, Surrey, GU2 7YL

01483 90 40 40 | www.rosan-ifa.com