

## Protecting your pension from rising prices

How to safeguard your future against rising costs

When you're working, an increase in your weekly shop or energy bill is frustrating but manageable, typically offset by salary increases over time. In retirement, with income fixed at pensions or savings, rising prices can threaten your financial security.

Without a plan, everyday cost increases may erode your hard-earned savings. Recognising which areas are most exposed to inflation lets you build a more resilient financial strategy and enjoy retirement without ongoing money worries.

Below, we outline where costs often rise and offer six proven strategies to help you protect your nest egg against inflation.

### HIDDEN EXPENSES OF LATER LIFE

Leaving work often changes your spending habits and daily routine. Many people underestimate how quickly household and other living costs can rise after retiring. Taking a closer look at the expenses most affected by inflation helps you act early and keep your finances in good shape.

### INCREASING HOUSEHOLD BILLS

You may expect that leaving work means lower spending, but the opposite is often true. More time at home means greater use of heating, electricity

and water. Recent years have shown how easily utility and food prices can spike. Minor annual increases on essentials add up over decades and can upend your long-term plans.

### MEDICAL AND CARE COSTS

The NHS is invaluable, but it doesn't cover every health or care need as you age. You may opt for private treatment to avoid waiting lists, or find yourself funding home help or residential care. Worryingly, social care often becomes pricier than general inflation, making it crucial to include in your plan.

### SUPPORTING FAMILY MEMBERS

Even in retirement, many people continue to provide financial support to their children or grandchildren, covering university fees, wedding costs or house deposits. Others help older relatives with living or healthcare costs. Unless planned for, these additional needs can quickly erode your financial cushion.

### HOW INFLATION DRAINS YOUR SAVINGS

Inflation acts quietly, eroding what your money can buy, especially for essentials. Over a couple of decades, even modest inflation pushes costs up significantly. That means the income that supports a comfortable lifestyle now may fall short in the future unless it grows.

### SIX WAYS TO FUTURE-PROOF YOUR RETIREMENT FUNDS

The right strategies help your money keep pace with rising costs and secure your standard of living.

#### 1. Review your pension income

Check how your pension performs in the face of inflation. Increasing annuities offer annual increases, though they start lower than fixed ones. If you draw on investments, ensure your returns are sufficient to beat inflation over the long term. Combining multiple income sources can provide stability.



### 2. Maximise state benefits

The State Pension's 'Triple Lock' means it rises each year by the highest of inflation, wage growth or 2.5%. Future rules may change, but the State Pension remains a reliable foundation for most. Make sure your National Insurance record lets you claim the full amount.

### 3. Diversify your investments

Relying solely on cash savings risks eroding purchasing power, as interest rarely keeps pace with prices. Diversifying into equities, bonds and some cash offers growth potential and reduces the impact of any single underperforming investment.

### 4. Use tax-efficient options

Reducing your tax bills can boost your income. Individual Savings Accounts (ISAs), pensions and careful withdrawals help you keep more of your money. Plan ahead for Inheritance Tax so your family benefits from your careful savings.

### 5. Keep an emergency fund

Keep three to six months' worth of living expenses in an instant access account. This helps cover unexpected costs, such as repairs, without selling investments or resorting to expensive credit.

### 6. Regularly review your plan

Reviewing your finances isn't a one-off task. As your habits, health and the wider economy evolve, your plan should too. Revisit it annually to ensure your strategy aligns with your needs and goals. ■

## IS IT TIME TO SECURE YOUR RETIREMENT AND PLAN TODAY FOR A STRESS-FREE TOMORROW?

Securing your retirement against inflation requires attention, but proactive planning pays off with peace of mind. Track your spending, compare it with your expected income and spot any shortfall early. If you're unsure where to begin, we can help you structure your savings, manage your taxes and develop a future-proof plan. Your financial security is worth the effort. Speak with us today to start building your inflation-proof retirement plan.

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