

Retirement Reality Check for UK Small Business Owners

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Executive Summary

The UK faces a growing retirement funding challenge. State pension costs are climbing rapidly due to an ageing population and the generous “triple lock” policy that guarantees yearly increases by the highest of inflation, wage growth, or 2.5%. The Office for Budget Responsibility warns the triple lock has already cost **three times more** than expected and is **unsustainable long-term**.

Yet political appetite for reform is limited – both major parties have pledged to keep the triple lock for now, and a recently revived pensions commission has been **told not to consider** changing it. In short, the UK’s state pension promises are becoming more expensive, while meaningful reform is largely kicked down the road.

Other countries are taking bolder steps to ensure retirement sustainability. Many are **raising pension ages** (France from 62 to 64; Germany, Spain and others gradually to 67), **adjusting benefits**, or **mandating higher private savings**. For example, Australia requires employers to contribute about **10–12% of wages** into worker pension funds, and the Netherlands (state pension age 67) undertook a major pension overhaul in 2023 to keep its system viable. These international moves highlight that future retirees will likely work longer, rely more on private pensions, or receive moderated state benefits.

For small business owners aged 45–65 aiming to retire in the next 10–20 years, the message is clear: take control of your retirement destiny.

This report provides practical advice on **building your private pension, extracting business profits tax-efficiently, planning for succession or sale of your business, diversifying your assets, and preparing for a longer working life**. It also poses key questions (e.g. *“What if the state pension age goes to 70?”*) to prompt fresh thinking. By acting now – and not relying on government promises – you can secure the retirement you want, on your own terms.

The UK’s Growing Retirement Funding Challenge

Rising State Pension Costs

The UK’s state pension is becoming a far heavier burden on public finances. It already costs about **£138 billion a year (roughly 5% of GDP)** and is projected to rise to **7.7% of GDP by the early**

2070s. This surge is driven partly by demographics – a growing number of pensioners living longer – and significantly by the **“triple lock”** policy.

The triple lock, introduced in 2010, has substantially boosted the value of state pensions but at a high cost. In fact, the OBR now estimates the triple lock will cost **£15.5 billion per year by 2029–30**, nearly *three times* what was originally forecast. Over the next 50 years, more than half of the projected increase in state pension spending will be **due to the triple lock alone** (the rest coming from an ageing population). The OBR bluntly concludes that if current policies persist unchanged, government debt will be on an **unsustainable path**.

Similarly, the IMF has warned that Britain’s ageing population will force **“difficult decisions”** to rein in pension spending and restore fiscal stability. In short, without changes, the rising cost of pensions is set to outpace what younger taxpayers can reasonably support.

Demographic Pressures

The UK population’s age profile adds to the strain. Thanks to decades of improved life expectancy and the large Baby Boomer generation reaching retirement, the ratio of retirees to workers is climbing. There are fewer working-age people to fund each pensioner’s state pension.

A recent government review explicitly acknowledged **“long-term demographic pressures”** and questions about the sustainability of the current system. While life expectancy improvements have slowed somewhat, we still have more people living longer in retirement than ever before. This means higher pension payouts for longer, putting pressure on both state and private retirement provisions. The challenge is not temporary – it will persist for decades as the population ages further.

The Triple Lock Dilemma

The triple lock policy has undoubtedly benefited current pensioners by raising the State Pension faster than inflation most years. It has helped reduce pensioner poverty and improved retirees’ incomes relative to working incomes.

However, **“it can’t go on”** at the current rate without breaking the bank – that is the emerging consensus among economists. The policy’s ratchet effect (always using the highest of three indices) means the State Pension never rises by less than 2.5% and often by more. Over the last 13 years, this led to larger and more volatile increases than anticipated, contributing to the cost overruns.

The OBR notes the triple lock has been far more expensive than expected – **£15.5 bn vs £5.2 bn** – and deems it **“unsustainable... and unfair”** over the long term. It’s deemed *unfair* by some because it tends to favour retirees even when earnings stagnate, and shifts a bigger burden onto younger taxpayers. Yet politically, the triple lock is popular among the growing retiree voter base, making it a hot potato for any government to touch.

The current government and opposition have effectively **ruled out scrapping or altering the triple lock in the near term** – maintaining a “very clear commitment” to it for this Parliament. This leaves a glaring policy dilemma: how to control pension spending when the biggest lever (uprating policy) is off-limits.

Limited Scope for Reform

With an election on the horizon and pensions a sensitive topic, politicians have so far avoided radical reforms. The State Pension age is currently 66 (rising to 67 by 2028), and proposals to accelerate an increase to 68 were recently postponed. Both major parties hesitate to propose raising pension ages further or means-testing the State Pension, knowing the voter backlash that could ensue.

Even the newly launched pension reform initiatives come with tight constraints. The government has **revived the Pensions Commission** (a body reminiscent of the early-2000s Turner Commission) to examine retirement saving issues – but crucially, it has **“been told to stay away from the triple lock”** and other politically sensitive issues. In other words, the commission cannot recommend changing the very policy at the heart of the cost problem. It’s also barred from suggesting increases to auto-enrolment contribution rates or major tax changes. A former pensions minister, Steve Webb, observed that the commission **has “one hand tied behind their back” from the start**. Central questions – like how to finance the State Pension sustainably – are effectively out of scope.

This suggests any forthcoming recommendations may nibble around the edges (e.g. nudging more people to save) but avoid the politically explosive issues. Indeed, **no major party has a detailed plan** yet for the looming “pension time bomb”. This lack of decisive action means uncertainty ahead: ultimately something will have to give (whether abandoning the triple lock, raising the pension age further, or finding new revenue), but likely not until after the next general election.

A Weak Pension Commission Review

The current pension commission exercise has drawn criticism for its narrow remit. Industry experts note that by **keeping triple lock and tax rises off-limits**, the commission cannot fully confront the trade-offs needed for a “*strong, fair and sustainable*” system. The commission will examine “barriers to saving” and long-term retirement outcomes, and is due to report by 2027.

However, because of political constraints it may end up making only modest proposals (such as financial education, tweaks to pension products, or minor auto-enrolment changes). The fundamental disconnect remains - increasing longevity and a generous indexation policy have created a liability that is growing faster than the economy. Without courageous policy changes, each passing year locks in higher future costs.

In sum, the UK's public pension challenge is serious and growing – but short-term politics have limited the scope of official review. Small business owners, like all future retirees, should **not** count on the State to solve this in time. The prudent course is to assume that by the time you retire, the State Pension could be *less generous* in real terms or available *later* (for instance, at age 68 or 70). It's essential to **plan for self-reliance** in funding your retirement, given the uncertainties.

International Perspectives: How Other Nations Tackle Retirement Sustainability

The UK is not alone in facing pension pressures – most advanced economies have ageing populations – but **other countries have taken earlier action** to shore up their retirement systems. Many Western nations have implemented combinations of raising retirement ages, trimming the growth of state pensions, mandating private savings, or shifting the balance between public and private provision. Here's how some key countries are dealing with the sustainability challenge:

State Pension Ages on the Rise

A clear global trend is to **increase the pension age** in line with longer life expectancy. Almost half of developed countries are expected to raise their official retirement age, with the OECD average settling around 66. For example, **France** – historically with a low retirement age of 62 – has legislated a gradual rise to **64** despite fierce public protests.

Germany is midway through raising its pension age from 65 to **67** (a reform agreed some years ago), and **Spain** is similarly moving to 67 by 2027. **Canada** currently keeps 65 as the typical pension age, but had debated 67 (a plan to raise it was adopted then later reversed).

Australia has already increased its pension age to **67** as of July 2023. Even **the United States** is gradually phasing up the Social Security retirement age to **67** (for those born 1960 onwards) – a process set in motion in the 1980s.

Some countries go further: **Denmark and the Netherlands** now **link pension age to life expectancy**, meaning it will automatically adjust upwards for younger cohorts. The Netherlands' state pension (AOW) age reached 67 in 2024 and will add a few months every couple of years thereafter.

The message is consistent: to keep pensions affordable as people live longer, **working lives are being extended**. The UK moved from 65 to 66 and 67, but has paused on confirming 68 – whereas many peers have already accepted 67 or 68 as necessary, and a few (like Italy) envisage 70+ in the future. Small business owners should be mentally prepared for UK pension age rises too, even if political decisions are delayed. By the time younger members of our 45–65 age bracket retire, a pension age of 68 or 70 is quite plausible.

Adjusting Pension Benefits

Beyond age changes, other countries have reformed how state pension benefits are calculated or indexed, to contain costs. The UK's triple lock is notably generous – few countries promise such high automatic rises. Most nations use either **inflation indexation** or link to earnings (and some switched from earnings to inflation to save money).

For instance, **Canada** and **Germany** both index their basic state pensions to price inflation (so that pensions keep pace with cost of living, but don't automatically rise faster than workers' incomes). Many countries also adjust formulas to *dampen* costs – e.g. Sweden and Italy use "notional accounts" or sustainability factors that tweak payouts based on life expectancy or fund solvency.

France has a complex earnings-related system, but the recent reform not only raises age but also increases the required years of contributions for a full pension – effectively tightening eligibility.

Japan and some others have automatic balancing mechanisms that reduce benefit growth when the system's finances worsen. In contrast, the UK's triple lock has caused the State Pension to ratchet up markedly. From an international perspective, the UK's State Pension (new full rate ~£203 per week) is still moderate as a share of average earnings, but it has become much more generous relative to where it was a decade ago. It's worth noting that **no other country of similar size uses a triple lock** – the consensus abroad has been that such a guarantee is fiscally risky. We are already seeing suggestions that the UK will eventually need to switch to a more sustainable "**double lock**" or simple inflation link.

Another lever is **means-testing**: **Australia** exemplifies this by targeting its Age Pension to those who need it most. Australia's state Age Pension (paid from age 67) is means-tested against income and assets – wealthier retirees either get a reduced amount or none at all. This contains public costs and effectively asks those who've saved more to rely on their own funds. The UK thus far has shied away from means-testing the State Pension (ours is universal if you have the National Insurance credits).

But as costs mount, voices have been suggesting that wealthy pensioners could contribute more – whether through reduced State Pension or paying National Insurance if still working. In summary, other countries are **trimming benefit growth** and targeting their pensions, whereas the UK has been increasing benefit generosity across the board. That gap in approach may not be indefinitely tenable.

Mandatory Private Saving and Pension Funding

Several countries have mitigated pressure on public pensions by building up robust **private or funded pension pillars**. The prime example is **Australia's compulsory "Superannuation" system**. Employers in Australia *must* contribute an amount equal to **11% of each employee's wages** into a private pension fund (set to rise to 12% soon). Employees can add more on top. These funds are

invested and provide incomes in retirement, greatly reducing reliance on the state Age Pension (which acts as a safety net). The result is Australia now has one of the highest private pension assets-to-GDP ratios in the world, and most Australians retire with a sizeable nest egg (albeit with variations).

The Netherlands also has a long tradition of funded occupational pensions – employers and workers contribute around 15-20% of pay into industry-wide pension funds. The system was so generous it promised defined benefits (a fixed payout), though recently they found that model “struggled” due to low interest rates and demographic shifts. In 2023, the Netherlands enacted a major reform to shift all those plans to **defined contribution** by 2028, making the system more flexible but still keeping the compulsory savings element.

Canada has a hybrid approach: it runs the Canada Pension Plan (CPP), which is a mandatory contributory pension for all workers and is **partially funded** (invested via the CPPIB). In 2019 Canada began gradually **increasing CPP contribution rates** and benefits to improve retirement incomes, essentially asking current workers to save more for their own futures.

By contrast, the UK’s **auto-enrolment** scheme, introduced in 2012, set a minimum total contribution of only **8% of earnings** (with at least 3% from employers). This has successfully expanded coverage (over 10 million more people saving), but the contribution level is widely viewed as insufficient for an adequate pension. For perspective, 8% of pay is about a third of what a typical Dutch worker puts away and much less than Australian requirements.

Policymakers and industry bodies have called for the UK to **raise auto-enrolment contributions to, say, 12%** to better match international norms. However, the government has delayed any such increase, concerned about burdening employers (especially small businesses) in the short term. In the meantime, UK business owners might consider making higher voluntary pension contributions for themselves and encouraging employees to do the same if affordable, since ultimately more savings will be needed to compensate for any future state pension shortfall.

Rebalancing Public and Private Roles

Different countries strike different balances between what the state provides and what individuals must do. **The US** relies on a compulsory public system (Social Security) that replaces only a modest portion of income (and faces its own funding cliff by the 2030s), expecting people to fill the gap with private 401(k) and IRA savings.

Britain historically had a lower state pension (relative to earnings) and encouraged private workplace pensions – a model partially successful, though many fell through the cracks until auto-enrolment.

Germany and France have more generous state pensions (with high contribution rates: in Germany ~18.6% of wages split employee/employer; in France even higher when all schemes are included), but they too now push supplementary private plans and later retirement.

The Netherlands and Canada have tried to find a sustainable middle: modest universal pensions plus strong funded schemes. The big picture: most Western countries are **steering individuals to bear a greater share of retirement provision**. Government pensions alone may not guarantee the comfortable retirement people aspire to, especially as reforms often mean relative benefits will erode over time.

The UK is moving in this direction (auto-enrolment, planned age rises, etc.), albeit gradually. For a small business owner, the takeaway is to **learn from these international trends**. Assume that the **State Pension will cover only basic needs**, and even that might arrive later or grow slower. Proactively building your **own pension funds and assets** is essential – this is exactly what citizens of Australia, Canada, the US, and others are urged (or compelled) to do. In effect, **“save more and expect less from the State”** is the new normal in many countries. It’s a prudent mindset for UK business owners too.

In conclusion, while the UK grapples with political paralysis on pension reform, many peers are pressing ahead with difficult changes. British retirees in future may actually envy aspects of other systems (for instance, higher personal pension pots in Australia, or the more consensual long-term planning seen in some European countries).

However, we also have advantages to leverage – a strong private sector and the flexibility for individuals to take action. By observing global best practices – working a bit longer, saving diligently, diversifying retirement income sources – UK business owners can create their own **“pension plan B”**, rather than waiting for government policy to catch up.

Planning Ahead: Practical Steps for Business Owners (45–65)

For small business owners in their mid-40s to mid-60s, the prospect of retirement brings both opportunity and challenge. You’ve spent years building your business; now you need to ensure you can enjoy the fruits of your labour in retirement. The State Pension alone (currently around £10,600 per year and rising) will likely **not** provide the lifestyle you want – and as we’ve seen, its future is uncertain. It’s vital to take *proactive steps* to secure your retirement, leveraging the unique position you have as a business owner. You have more flexibility in how you take income and plan your finances – use that to your advantage. Below, we outline key areas to focus on, with straight-talking advice for each:

Maximise Your Private Pension Savings

One of the most **tax-efficient** ways to prepare for retirement is by channelling some of your business profits into a pension. As a company director, you can contribute to a pension both **personally** and via your **company**. Company contributions are particularly powerful – they’re

usually treated as a business expense (deductible against corporation tax) and don't incur National Insurance.

In effect, your company can *pay £1 into your pension at a cost of only 75p or less*, money that would otherwise be taxed. Investing through a pension thus beats extracting that £1 as salary or dividends in many cases. Be sure to take full advantage of your **Annual Allowance** – currently up to **£60,000** per year tax-free (recently increased from £40k). If you haven't used your allowances in the past three years, you might be able to carry them forward to make a larger contribution now. This is a great way to **catch up on retirement saving** if you've neglected it.

Note that if you pay yourself a low salary (and more in dividends), your personal pension contribution limit will be lower, but that's where employer contributions can step in – your company could contribute well above your earnings, provided it's justifiable as wholly for the business (which, for owner-directors funding their retirement, it usually is). And since the punitive Lifetime Allowance has been abolished, there's now more freedom to build your pension pot without fearing an extra tax charge.

Bottom line: **treat your pension like an investment in your future self**. Regularly sweep excess profits into it. Not only do you get tax relief up-front, but the funds grow tax-free and provide a nest egg that's typically out of reach of creditors. It's an ideal vehicle for long-term wealth.

If unsure how to start, consult an independent financial adviser – but do *something*. A modest sacrifice now (putting aside money in a pension) can pay off hugely in 10–20 years. Think of it this way: *your business pays for your pension, and your pension may one day pay for your freedom*.

Extract Profits Tax-Efficiently

As a business owner, you have **multiple routes to take income** from your company. The classic mix is a small salary plus dividends, but don't forget **pension contributions** as a third route. Each has its place.

Paying yourself a basic salary (up to the personal allowance or just enough to secure State Pension NI credits) is usually wise. On top of that, dividends are taxed at lower rates than salary and avoid National Insurance – they are a tax-efficient way to draw profit for many owner-directors.

However, dividends do use post-corporation-tax profits, and recent dividend tax rate rises plus cuts to the dividend allowance have slightly blunted their edge. **Pension contributions**, on the other hand, come from untaxed profits – your company can contribute pre-tax money directly into your pension, up to the Annual Allowance.

It's essentially a way to **extract profit and defer tax until retirement**, often at a lower tax rate. For example, you could allocate a portion of profits each year to your pension instead of taking it

all out as dividends. This reduces your corporation tax bill and builds your retirement fund. Over time, the compounding and tax advantages can be significant.

Another angle is *retained profits*: you might leave some money in the company if you don't need it personally now, and plan to realise it later – possibly via a business sale. This can attract Business Asset Disposal Relief (formerly Entrepreneurs' Relief) if you qualify, taxing the payoff at 10% on up to £1 million. That route – effectively selling your company or shares – can be very tax-efficient, but it's not guaranteed you'll find a buyer at the right price or that the relief rules won't change. So, it's wise not to put all your eggs in that basket.

In practice, a blend of strategies often works best: pay yourself what you need in a **tax-efficient mix** (salary to use allowances, dividends for ongoing income, pension contributions for long-term wealth). Review this mix yearly with your accountant or adviser, especially as tax rules change.

The goal is to **minimise tax leakage** while ensuring you're providing for both current lifestyle and future retirement. Remember, any profits you efficiently shelter in a pension now will come back to you later when you might really appreciate the extra income.

Have a Succession and Exit Plan

Many entrepreneurs pour their heart and soul into their business but delay thinking about how they will exit. It's crucial to start **succession planning** well **before** you intend to retire – ideally a good 5+ years in advance of your target exit date. Ask yourself: *“What is my end game for this business?”* Do you envision selling it to a third party for a lump sum? Passing it to a family member or key employee? Or perhaps winding it down? Each path requires preparation.

If a **sale** is your aim, begin grooming the business to be attractive to buyers: strengthen your management team, tidy up financials, document systems, and perhaps reduce over-reliance on you as the owner. Get a professional **valuation** and realistic view of what the business might be worth in the market. Business owners often overestimate the sale value – don't assume your business will fetch a fortune that solves all retirement needs without running the numbers with your accountant.

If **family succession** is the goal, start involving the next generation in leadership early. Many family firms falter because the handover was mishandled, or successors weren't prepared. Less than a third of family businesses have a formal succession plan in place – **around 70% have no plan** at all. Don't be in that majority. Have honest conversations with your potential successors about roles, ownership, and your timeline.

For those considering **employee ownership** or management buyouts, explore schemes like the Employee Ownership Trust (EOT) which can offer tax advantages and a legacy for your employees. Whatever route, also think through **contingencies** – for instance, if an unexpected health issue forced you to step back early, is there someone who can run things? Do you have

insurance (e.g. key person insurance) to protect the business's value if something happens to you?

Succession planning isn't just about when *you* want to leave; it's also about ensuring the business (and your family's asset) isn't derailed by unforeseen events. Document your plans in writing – whether in a succession plan, shareholders' agreement, or your will (estate planning and business succession often intertwine). And keep the plan updated as circumstances change.

A well-thought-out exit or succession plan not only gives you peace of mind, but it can also **increase the value of your business** (buyers pay more for a company with a stable transition path) and **protect your legacy**. Start now – even if you don't intend to retire for 15 years, it's never too early to map out “what happens when I step away.”

Diversify Your Personal Assets

It's common for small business owners to have much of their wealth tied up in their business. “*My business is my pension*,” the saying goes – but this approach carries risk. What if your industry faces a downturn as you hit retirement? What if a sale falls through or fetches less than hoped? To safeguard your retirement, it's important to **diversify your assets beyond your company**. This means building up other investments over time: a pension fund (as discussed), possibly property, ISAs, or a portfolio of stocks and bonds.

By having multiple income sources in retirement, you're not solely dependent on one asset. If you haven't been able to save much yet, make it a priority in your final working years – studies indicate nearly half of business owners haven't saved enough outside their business for retirement. If you have excess profits or cash in the business, consider extracting some (in a tax-efficient way) and investing it personally.

Pay down debts as well – entering retirement with a paid-off mortgage or no business loans can dramatically reduce the income you need each month. Diversifying might also mean *mental* diversification: developing interests outside the business that could potentially generate income (consulting, part-time work, or hobbies turned into micro-businesses in retirement).

But primarily it's about **financial resilience**. One concrete step is to ensure you use your annual **ISA allowance** each year if possible – stocks & shares ISAs provide tax-free investment growth and income, complementing your pension. Over 10–20 years, an ISA portfolio can become a handy source of tax-free cash in retirement (and unlike pensions, accessible anytime).

Another step: **don't neglect spousal planning**. If you're married or have a partner, make sure you're utilising both of your tax allowances and pension allowances. For example, you might employ your spouse in the business or make pension contributions for them, so that both of you have retirement savings (two personal allowances and two tax-free lump sums in retirement are better than one!). Essentially, spread your wealth: some in the business (to hopefully realise on exit), some in pensions, some in other investments.

Diversification is the oldest strategy in the book to manage risk – and it applies to retirement planning too. It ensures that if one part of your plan underperforms (say your business doesn't sell for as much as expected), other parts can compensate. You'll sleep better in the run-up to retirement knowing you have **multiple legs to stand on**, not just a one-legged stool.

Prepare for a Longer Working Life (and Later State Pension)

Many business owners choose to keep working later in life than typical salaried employees – whether for financial reasons, personal fulfillment, or simply because they enjoy it. This can be a *pro* of being your own boss: you're not forced to retire at 65.

However, it's wise to **prepare for the possibility of working a bit longer than you originally planned**, not as a negative, but as a flexibility. Firstly, acknowledge that the **State Pension age** is moving out. For our age bracket, you'll likely start receiving State Pension at **67 or 68**, and there's a real chance it could be **70 by the time younger owners (in their 40s) reach it**. The government is actively reviewing further age rises, and one can easily imagine a scenario where by the 2040s the pension age is 70.

This means if you were hoping to hang up your boots at 65, you might have a gap of several years before State Pension cash begins to flow. Can your personal savings or other income cover that gap? One solution is **phased retirement** – perhaps reducing your working hours, or stepping back from day-to-day management but staying on as a paid consultant or chairman to your business.

Many owners find it hard to go from 100 to 0 overnight. Instead, consider a glide-path: maybe sell or hand over the business at 60, but continue in a part-time advisory role for a few years (earning some income to supplement savings). Or keep the business but hire a manager, while you gradually work less. This not only helps financially, but it can also make the psychological transition to retirement smoother.

Plan for your **health** as well – invest in staying healthy so that working into your late 60s is feasible and enjoyable. No one wants to be forced to work if health won't allow, so take care of yourself (it's a business investment, in a sense). Also, consider contingencies: if you *do* need to retire earlier than planned (due to ill health or caring responsibilities), what's your backup? Could you downsize your lifestyle or draw on other assets to cope? It's a good idea to keep disability or critical illness insurance while you're still working, to protect your income or allow an earlier retirement if something unexpected happens.

On the flip side, you might live *longer* than you ever expected – it's not unreasonable to plan for possibly 30+ years in retirement. So your retirement savings need to stretch further. Working even 2-3 extra years or part-time can significantly bolster your finances (fewer drawdown years, and more contributions). The key is: **build flexibility into your plan**. Be mentally open to adjusting retirement age. Best-case scenario, you continue working on your own terms because you want to; worst-case, you have prepared financially for either working longer *or* stopping earlier.

Attitude-wise, try to stay **adaptable and up to date** with your industry even as you age – it will keep you relevant and able to generate income if needed.

In summary, don't assume a traditional retirement at 65. Many small business owners either work into their late 60s or stop and start new ventures. Embrace that as a potential advantage – but have a financial plan that works *whether you retire at 60, 70, or somewhere in between*. Given state pensions and longevity trends, a bit of extra working life might be the new norm, so set expectations accordingly.

By focusing on these areas – **pensions, tax-efficient pay, succession, diversification, and flexible timelines** – you can take charge of your retirement outcome. As a chartered accountant and business adviser, I've seen many clients in this age bracket transform their retirement prospects by making well-planned moves in the final decade or so of their working lives. It's never too late to start, and rarely too early either.

The common thread is **proactivity**: don't wait for crisis or until you're 64 to think about these issues. Treat your retirement like an important business project – because it is! Plan it, allocate resources to it, and review it annually. If you do this, you'll be far better placed to weather whatever policy changes or economic ups and downs come our way.

Key Questions to Ask Yourself

To kick-start your strategic thinking, here are some questions every small business owner should be considering about their retirement plans:

- **What happens if the State Pension age moves to 70 (or beyond)?** Am I financially prepared to bridge the gap if I can't get a state pension until late in my sixties or seventies? What's my plan to fund those extra years?
- **Is there a better way to secure my retirement?** In other words, am I truly maximising all available tools (pensions, investments, business sale, etc.), or am I relying too heavily on one approach? Can I do something differently to improve my outcome?
- **How realistic are my assumptions about selling my business?** Have I obtained a professional valuation and considered who might buy my company, at what price? What if the sale proceeds are less than I hope – do I have a Plan B for income?
- **Am I making the most of tax allowances and reliefs right now?** For example, have I used this year's pension allowance, ISA allowance, and any business reliefs available? Each year unused is a lost opportunity that won't come back.
- **Do I have a succession plan (and does everyone involved know about it)?** If I intend to hand over or sell the business, have I communicated and prepared my team or family? What would happen to the business (and its value) if I had to step away suddenly?
- **What if I live to 90 or beyond?** (Not so unlikely these days!) Will my savings and investments last for possibly 25-30 years of retirement? Have I planned for the long haul, not just the first few years of post-work life?

- **Could I personally afford to retire earlier than planned if I had to?** Life can throw curveballs – illness, family needs, etc. If I needed to stop working at, say, 55 or 60, how would that play out financially? What safety nets do I have in place?

These questions don't have simple answers, but that's exactly the point – they are prompts to get you thinking critically about your retirement strategy. As you ponder them, you might identify gaps or uncertainties in your plans. That's a good thing: it gives you time to address them *now*.

Discuss these questions with your spouse, your business partners, and accountant. The goal is to challenge your assumptions and ensure you're not just coasting towards retirement on autopilot. In today's climate, the old adage "**hope for the best, plan for the worst**" is highly apt. By asking yourself tough questions like these, you'll be better positioned to find robust answers – and ultimately, to retire with confidence.

Final Thoughts: Navigating the retirement funding challenge requires both a **big-picture view** and attention to detail. We've seen that at a national level, pressures are building that could affect state pensions and the broader landscape. Rather than worry about things outside your control (like government policy), focus on what you *can* control - your saving and investment decisions, your business exit strategy, and your personal preparedness.

As a small business owner, you're used to taking initiative – think of your retirement as your next venture, one that needs a solid business plan. With prudent planning, informed by the insights above and professional advice where needed, you can **take charge of your retirement destiny**. The sooner you start, the more options and flexibility you'll have.

Here's to a future where you can enjoy the rewards of your hard work – on your own terms and timeline – regardless of the headwinds in the wider pensions' world.

Smart Retirement Moves for Business Owners

1. Maximise Your Pension Contributions

Use the tax reliefs available while they last. Company contributions reduce corporation tax and don't attract National Insurance. Make full use of annual allowances, and consider catching up with unused allowances from previous years.

2. Extract Profits Tax-Efficiently

Balance salary, dividends, and pension contributions. Dividends remain tax-efficient, but pension contributions are one of the best ways to extract profit for the long term.

3. Plan Your Succession Early

Whether you want to sell, pass the business on, or wind it down, start planning years in advance. Build management depth, reduce reliance on you personally, and get a professional valuation.

4. Diversify Your Assets

Don't have all your wealth tied up in the business. Build ISAs, property, pensions and other investments. Use spousal allowances.

5. Prepare for a Later Retirement

Expect state pension access at 67–70. Plan for phased retirement, consultancy work, or deferring pensions to increase eventual payouts.

6. Protect Against Health Risks

Insurance or earmarked savings can cover unexpected illness or long-term care needs. Don't let health derail your retirement plan.

Key Questions to Ask Yourself

- What if the state pension age moves to 70?
- Am I relying too heavily on my business as my pension?
- How realistic is my expected business sale value?
- Am I making full use of today's tax reliefs and allowances?
- Do I have a clear, written succession plan?
- What if I live to 90 or beyond – will my money last?
- Could I retire earlier than planned if I had to?

Conclusion

The UK's pension system is on an unsustainable path. Other nations have acted – raising ages, mandating savings, or cutting benefits – while Britain continues to delay. The result will likely be a state pension that arrives later, grows more slowly, or does less to support living standards.

Small business owners cannot afford to wait for government fixes. Treat your retirement as a business project: plan it, invest in it, and review it annually. Maximise pension contributions, diversify assets, and plan your exit from your business early. Save more than you think you need, and prepare for flexibility in how and when you retire.

By acting now, you put yourself – not the state – in charge of your retirement future.