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GUIDE TO

RETIREMENT MATTERS

Time to pay your pension some attention?

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GUIDE TO

RETIREMENT MATTERS

Time to pay your pension some attention?

WELCOME

Welcome to our *Guide to Retirement Matters*. Today, everything is different. Not only are we living longer, healthier and more active lives, most of us can now decide when, how, and even if, we retire.

It's never too early to start thinking about retirement planning. Whether you're just starting your career or you're a few years away from retirement, it's essential to start saving and investing for your future. But, worryingly, many of us may have no clear plan for what we want from our retirement and even more of us could be underestimating how much money we will need.

There are a number of important questions to consider when planning for your retirement: How much money do I want to have saved by retirement? What kind of lifestyle do I want in retirement? What are my sources of income in retirement? How long do I expect to live in retirement?

The most important thing is to get started on your retirement planning sooner rather than later. The sooner you start saving and investing, the more time your money has to grow.

As you approach retirement, you'll want to answer other questions. How long will my money last? Can I maintain my current lifestyle? Should I choose a lump sum? Should I buy an annuity? Do I stay invested and draw an income? How can I draw income tax-efficiently? Do I even use my pension at all for retirement or instead earmark it for my children? What will I do with my time? How will I keep myself busy? And most importantly, how will I financially support myself during retirement?

With the introduction of pension freedoms, there is no onus on us to cash in our pensions at set ages, and instead we can take our pension money any way we choose. But, with this freedom also comes responsibility, and for some, uncertainty. ●

DON'T WAIT, START PLANNING FOR YOUR ENJOYABLE RETIREMENT TODAY!
Whether you're looking to save as much as possible to build up your pension pot, or you want your money to stretch as far as possible in retirement, it makes sense to pay no more tax than you absolutely need to. We can help you look at the right options for your retirement plans. To find out more or to discuss your goals – please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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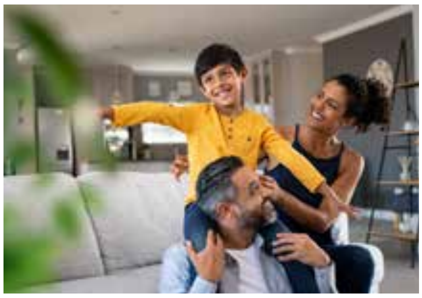


'SLEEPWALKING' TOWARDS RETIREMENT

Having a solid retirement plan in place is key to a worry-free future

As we enter our later years, it's more important than ever to have a solid retirement plan in place. Unfortunately, for many of us, that simply isn't the case. According to recent figures, one in six people over the age of 55 in the UK have no pension savings whatsoever[1].

PRIVATE PENSION

This leaves them potentially facing a very difficult future, especially if they are unable to continue working into their later years. There are a number of reasons why someone might not have any pension savings.

Perhaps they've never had a job that offered a pension. Or maybe they've been self-employed and haven't been able to contribute to a private pension pot. Whatever the reason, it's clear that there are many people out there who are not prepared for retirement.

SPARE INCOME

Despite the fact that the government has been trying to encourage people to save for their retirement through initiatives such as auto-enrolment, there are still too many Britons who have no pension savings at all.

Even prior to the cost of living crisis, there have been a number of reasons why this might be the case. For some people, they simply may not be aware of the need to save for retirement. Others may not have enough spare income to put into a pension pot after covering their essential living costs.

MORE COMFORTABLE

However, the most common reason is people believe they will have plenty of time to start saving later on in life. But this is not the case. Even if you are in your 20s or 30s, it is never too early to start saving for retirement. The sooner you start, the more time your money will have to grow.

Findings also highlight the fact that one in six people (16%) who are within sight of their retirement still have no private pension savings, and consequently are missing out on the

> AT LEAST 17% OF PEOPLE IN THE UK AGED 55 AND OVER ADMIT TO HAVING NO PENSION SAVINGS (OTHER THAN THE STATE PENSION)[1].

opportunity to make their life after work more comfortable.

ALARMING NUMBER

At least 17% of people in the UK aged 55 and over admit to having no pension savings (other than the State Pension), which is only slightly better than the average for Britons as a whole – 21% of whom say they have no private pensions.

What this research shows is that an alarming number of people are effectively 'sleepwalking' towards their retirement without adequate preparations. But, there are signs that as people grow older, they are becoming aware that a lack of pension savings is a problem – though perhaps not quickly enough.

PENSION DEFICIT

The issue is most visible among adults aged under 35. Nearly a quarter (24%) of this group claim to have no pension savings at all, despite being a generation to benefit from auto-enrolment into workplace pensions. After 35 this drops to one in five, and then to one in six for the over-55s. Clearly, people do start to save more as retirement draws nearer, even if they have missed out on the opportunity to save over many years.

Lack of pension savings is a particular issue for those not in full-time employment. Encouragingly, just 8% of respondents who worked full time said they had nothing in their pension. But among part-time workers this figure was one in four (24%), indicating that part-timers face a potential pension deficit when they retire.

WORRYING STATISTIC

The people worst affected tend to be those currently not working at all – whether because they are unemployed or because they are full-time parents. Nearly 60% of this group said they had no pension savings. Where this is because of full-time parenthood, the parent in question may be relying solely on their partner's pension in later life. This is a risky strategy, both because that pension may not be enough for both of them, and because of the risk of relationship break-up.

Another worrying statistic highlights that one in five people simply don't know how much they have in their pension savings. Curiously, this uncertainty grows rather than shrinks as people get older: while 14% of under-35s are unsure, this rises to 22% between the ages of 35 and 54, and then to 24% among the over-55s.

SUBSTANTIAL INCOME

It may be the case that many of those who think they have no pension savings are wrong, and that they do have pension pots from previous jobs (or even their current job) that they don't know about. The first step for anyone who thinks they are pension-less is to contact the government's Pension Tracing Service and search through their previous employers to see if they were ever a scheme member.

However, some people will reach the age of 55 (the earliest age that someone can access pension pots) and find that they genuinely have no pension savings. But this isn't a reason to give up and assume it's too late. Although a person close to retirement has a lower chance of saving enough to provide a substantial income, pensions can help your money to go a lot further. If you're in this situation, it's important to take action as soon as possible. ●

Source data:
[1] Survey by Unbiased and Opinium of 2,000 non-retired UK adults, conducted June-July 2020.

> **OVER HALF (57%) OF THOSE SURVEYED SAID THEY WERE CONCERNED ABOUT THEIR FINANCES IN RETIREMENT[1].**

RETIREMENT INCOME CRISIS

With the right plans in place, you can make your money go further

Despite the fact that most people know they need to start saving for retirement as early as possible, many are still not doing so. There are a number of reasons why people aren't saving enough for their retirement.

For some, it's simply because they don't have the spare cash to put into a pension pot. Others may feel like they're too young to start thinking about retirement, or that they'll never be able to save enough anyway.

There is no doubt that the UK is facing a retirement income crisis. With wage stagnation and rising living costs, many people are struggling to save enough for their later years.

NEVER TOO LATE TO START SAVING FOR RETIREMENT

Whatever the reason, it's important to remember that it's never too late to start saving for retirement. Even if you only have a small amount of money to put away each month, it will all add up over time. And, with the right plans in place, you can make your money go further.

This is particularly true for those on lower incomes, who are often unable to access employer-sponsored pension schemes. The situation is made worse by the fact that the State Pension is not enough to live on, and many people may not be eligible for it.

ADDRESSING THE RETIREMENT INCOME CRISIS

The government has introduced a number of measures to try to address the retirement income crisis, but these have so far failed to make a significant impact. The situation is only likely to worsen in the future, unless action is taken.

The average earner in their thirties is on track to see their pension pot reduce by £15,000 by the time they retire due to wage stagnation. The findings from a recent Retirement Report[1] has revealed that the average earners in their 30s who were auto-enrolled in a company pension scheme in 2012 will have potentially contributed £7,000 less by 2024.

COPING WITH THE FINANCIAL PRESSURES

These 'lost contributions' result in an overall £15,000 reduction to the individual's total pension pot at retirement due to lost compound interest. The survey found that four out of five adults (81%) are concerned about making ends meet in the current cost of living climate, with three-quarters (76%) saying they need to take action to cope with the financial pressures.

The study revealed that over a third (35%) plan to cut back on non-essential leisure and holiday spending, while others are being forced to make harder decisions, such as cutting back on essentials like food and utilities (16%).

SUSTAINING A DECENT LIVING IN RETIREMENT

UK pension contribution rates over the past few decades have been chronically low compared to European countries and, for the average saver, a joint employee-employer contribution rate of 8% will not be enough to sustain a decent living in retirement, leaving people with less retirement income over and above the basic safety net of the State Pensions and retirement benefits.

Over half (57%) of those surveyed said they were concerned about their finances in retirement, while a similar number (50%) revealed they don't feel they are preparing adequately for retirement.

INVESTMENT RETURNS ARE IMPORTANT

Almost a fifth (18%) said their pension savings are invested in cash or cash-like assets, or low-risk assets such as UK Government bonds, or that they are planning to invest their pension in such assets.

This means, according to the report, the average person between 35 and 54 years old – an age when investment returns are important – who holds half of their £36,200 pension savings fully in cash could be exposed to a reduction of over £1,300 in a single year in real terms, and over £2,100 in two years. ●

Source data:
[1] The survey for Scottish Widows included general questions on pensions and retirement planning and was carried out online by YouGov Plc: across a total of 5,025 adults aged 18+, weighted to be representative of the GB population, and separately for 1,002 adults aged 18+ to better understand the retirement prospects of minority ethnic groups. Fieldwork was carried out between 8–15 March 2022 for the nationally representative survey, and between 8–30 March 2022 for the survey focused on minority ethnic groups, through a 15-minute online survey.

ENJOYING A COMFORTABLE RETIREMENT

Steps you can take to ensure that you are prepared financially

One of the biggest concerns people have when nearing retirement is whether or not they will have enough money to maintain their current lifestyle. Retirement can be a time of great uncertainty, but there are steps you can take to ensure that you are prepared financially.

A new study[1] shows that only 25% of retirees feel very confident they've saved enough for retirement. As food prices continue to soar and petrol costs reach an all-time high in the UK, the rising cost of living is without doubt having an impact on many people's financial plans, both short and long term.

If you're approaching retirement or have already started taking money from your pension or other retirement savings, you wouldn't be alone in feeling a little anxious about the effect the cost of living crisis might have on your lifestyle in retirement.

While it's impossible to predict the future with complete certainty, there are a few things you can do to feel more confident about spending your money in retirement.

ADD UP ALL YOUR SOURCES OF INCOME

Your main source of retirement income may well be your pension plan. But when it comes to planning your finances in retirement, it's important to think beyond this. Consider other potential sources such as Individual Savings Accounts (ISAs) and other investments, as well as any rental income you receive from rental properties you let.

And don't forget the State Pension, which is currently £185.15 a week (£9,628 a year) for a single person with a full entitlement. Although the State Pension's annual increase is currently below inflation, every little helps and the total of all your savings and income might add up to more than you think.

WATCH OUT FOR UNNECESSARY TAX BILLS

Paying too much tax in retirement is a common pitfall for some retirees, and one that could be potentially avoided by having the right plans in place.

If you're already taking or plan to take income from multiple sources, you need to consider how that will be taxed. When and how you take your money can make a big difference to how much tax you pay and how long it will last. Taking money little and often could make all the difference when it comes to reducing your tax bill.

When it comes to your pension savings, you can typically take 25% tax-free from age 55 (age 57 in 2028), either in one go or

> **ONLY 25% OF RETIREES FEEL VERY CONFIDENT THEY'VE SAVED ENOUGH FOR RETIREMENT[1].**

spread out over a longer period. After this, any money you take from your pension savings, as well as your State Pension, is taxable just like any other income. That means you'll need to pay income tax on anything over your tax-free cash limit and any annual personal Income Tax allowance you get.

It's likely that the more money you take, the more tax you'll have to pay, although how much will depend on which tax band your income falls into. So if you take all of your pension savings at once, or in big lump sums, you could be paying more tax than you need to. But by taking your pension savings over a number of years and taking just enough to stay in the lowest tax band you can, you could keep more of your money overall.

MAKE THE MOST OF YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA)

Another way to avoid an unnecessary tax bill is to make the most of your ISA savings. You don't pay tax on any investment growth or interest you earn, or on the proceeds you take from an ISA. So it's a very tax-efficient way to save.

You could consider using any ISA savings you have first and delay accessing your pension savings, giving them more time to stay invested and potentially grow in value. Remember though, the value of all investments can go down as well as up, and you may get back less than you paid in.

Or, if you've already started taking an income from your pension, you could use your ISA savings to supplement that income. This could allow you to take smaller payments from your pension and avoid overpaying Income Tax on them.

Getting to grips with tax implications can be a bit overwhelming as there's a lot to consider. Tax rules and legislation can change, and personal circumstances and where you live in the UK also have an impact on your tax treatment. On top of that, tax varies for other sources of income like property, state benefits, or even your salary if you're planning on working in some capacity for a little longer.

KEEP TRACK OF YOUR INVESTMENTS

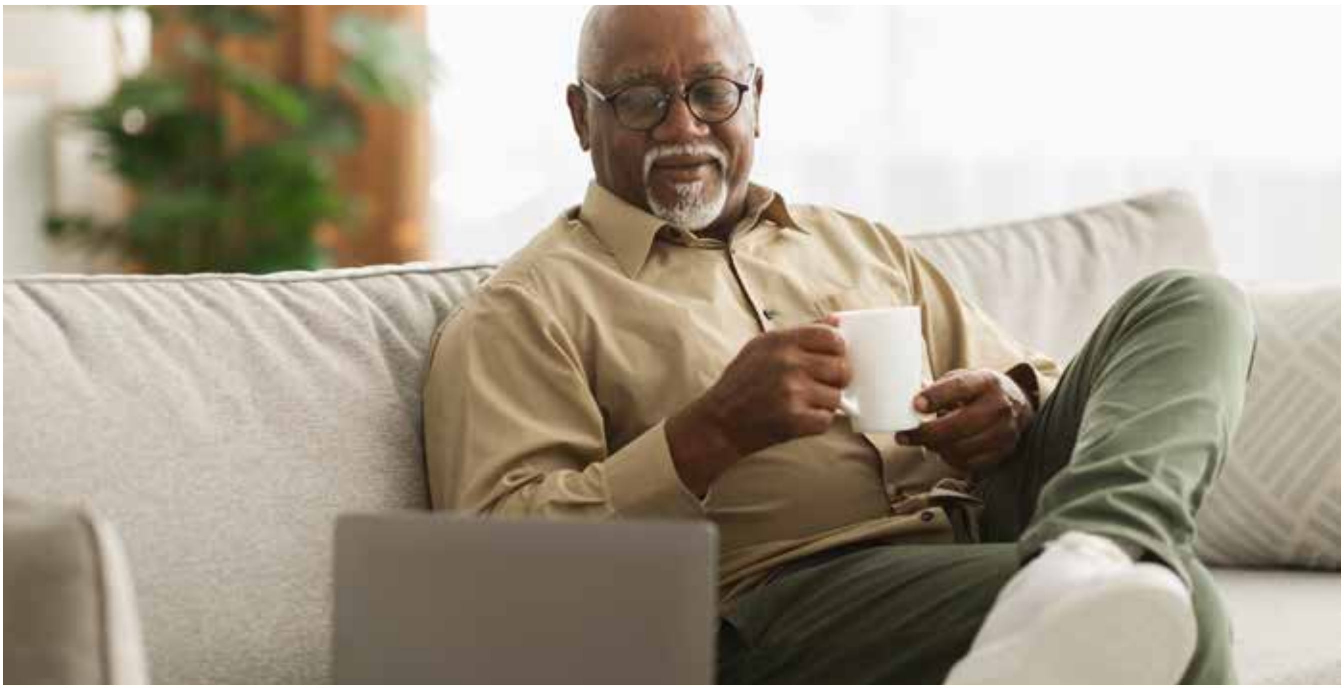
Where your money is invested could have the biggest impact on how long it will last in retirement. It's important to regularly review your investments to make sure they remain on track and remain aligned with your plans and attitude to investment risk.

For example, your pension savings may be invested in fairly high-risk funds that have the potential to grow significantly in value, but also are more likely to be impacted, particularly during periods of market volatility. Moving to lower-risk investments means that you're less likely to see big ups and downs in the value of your pension savings.

However, if you're relying on your pension savings to provide you with a comfortable income for the rest of your life, you also need to make sure that your investments will provide enough growth potential. This is particularly important in the current climate where your money faces the double challenge of rising inflation and potentially having to last for many years. ●

Source data:

[1] Class of 2022 UK retirement report consumer research of 2,000 UK adults for abrdn who were either planning to retire in the next 12 months, or who had retired in the 12 months prior. Research was conducted by Censuswide in late November / early December 2021.



GENDER PENSIONS GAP

Women's pensions at retirement are half the size of men's

The gender pensions gap is the difference in the average amount of money that men and women have saved for retirement and it begins at the very start of a woman's career.

Women are more likely to take breaks from work to raise children or care for relatives, which can reduce their earnings and pension contributions over time. They also tend to live longer than men, meaning they need to have enough saved to last them through retirement.

As a result, women's pensions at retirement are half the size of men's, regardless of the sector they work in, research has highlighted[1].

LONG-TERM FINANCIAL IMPACT

The research found that every single industry in the UK has a gender pensions gap, even those dominated by female workers. Considering women are likely to live four years[2] longer than men, this issue deepens as they need to have saved around 5% to 7% more at retirement age.

Worryingly, more than a third (38%) of women who have taken a career break were not aware of the long-term financial impact it would have on their pension.

THREE KEY INDUSTRIES

According to the research, the gender pensions gap exists regardless of average pay across different sectors, and ranges from a gap of 59% in the healthcare industry to 13% in courier services.

The healthcare (59%), construction (51%), real estate/property development (48%), pharmaceutical (46%), aerospace, defence and government services (46%) and senior care (45%) sectors were found to have the largest gender pensions gaps. Of these six sectors, three are key industries for female employment – healthcare, pharmaceuticals and senior care[3].

There are many reasons for the gender pensions gap, ranging from women holding fewer senior positions and being paid less, resulting in lower pensions contributions, to the fact they are more likely to take career breaks due to caring responsibilities.

GENDER CONFIDENCE GAP

Another potential driver is a significant gender confidence gap when it comes to managing pension pots. More than a quarter (28%) of women said they had confidence in their ability to make decisions about their pension, compared to almost half (48%) of men[5].

This lack of confidence extends further to other financial decisions, with women less likely than men to feel confident managing their investments (22% of women versus 41% of men) and their savings (56% of women versus 67% of men).

While many factors behind the gender pension gap are out of most people's control, there are some actions you can take to help reduce it:

- Contribute as much as you can to your pension – and start early. Compound interest remains hugely underrated and poorly understood by both some men and women.
- Check the charges on your historic pension pots. If appropriate, see if

consolidating your pots will bring them down.

- Check how much your State Pension will be and when you'll get it. If it's not going to support your ideal lifestyle, plan how you'll cover any shortfall.
- Put a bit more into your pension whenever you get a pay rise.
- Talk through your pension planning with your partner. Make sure you know about each other's saving plans, contribution limits and that you are both on the same page.
- Keep a regular eye on your pension to make sure you're in full control of it and saving for your ideal future.

There are a number of ways to close the gender pensions gap. Employers can offer flexible working arrangements that allow women to balance work and family life. Governments can also provide tax incentives for pension contributions. And finally, individuals can look to save more for retirement. ●

"MORE THAN A THIRD (38%) OF WOMEN WHO HAVE TAKEN A CAREER BREAK WERE NOT AWARE OF THE LONG-TERM FINANCIAL IMPACT IT WOULD HAVE ON THEIR PENSION[4]."

Source data:

[1] The analysis is based on LGIM's proprietary data on c.4.5 million defined contribution members as at 1 April 2022 but does not take into account any other pension provision the customers may have elsewhere.
[2] ONS: Life expectancy at birth in the UK: 82.9 years for women vs 79 years for men; Office for National Statistics, 2018–2020. Average four years.
[3] According to the ratio of female members across the Legal & General book of business.
[4] Legal & General Insight Lab survey of 2,135 workplace members was conducted between 4–26 July 2022.
[5] Opinium survey of 2,001 UK adults was conducted between 4–8 February 2022.

> **THERE HAS BEEN AN INCREASE IN ECONOMIC ACTIVITY (THOSE IN WORK OR LOOKING FOR WORK) OF 116,000 AMONG THE OVER-50S IN THE PAST YEAR.**

COST OF LIVING CRISIS

Signs of more economically active people over the age of 50

Older people in the UK are increasingly returning to work, according to new research[1]. The cost of living crisis is now affecting many pensioners drastically. The research also found that the proportion of older people who are self-employed has more than doubled over the same period.

It is clear that many older people are choosing to return to the workforce and this trend is likely to continue as the population ages and more people reach retirement age.

The findings from the research identified economic activity levels among the over-50s are now at their highest level since the COVID-19 pandemic began.

IMPACTING PENSIONS

Analysis of official statistics appears to show the first signs of a return to the long-term trend of more economically active people over the age of 50 – a decades-long trend which, it said, was reversed by the pandemic.

Spiralling inflation, a cost of living crisis and turbulent financial markets impacting pension funds are causing some people to unretire and find work again. There has been an increase in economic activity (those in work or looking for work) of 116,000 among the over-50s in the past year. More than half of the increase is being driven by men over the age of 65.

RETIRING COMFORTABLY

In some ways, the pandemic forced the hands of many and gave them an opportunity to trial retirement. An early retirement can often seem like a dream when you're stuck in the thick of the daily grind but, for many, giving up work abruptly can also result in a loss of structure, social connections and purpose, which can leave people feeling lost at times.

The current economic climate means that some people who thought they could retire comfortably during the pandemic are now having to unretire and find work again to bring in some extra income and top up their pensions while they still can.

If you're an older person considering a return to work, there are a number of things to think about.

Here are some tips:

- Make sure you're up to date with the latest skills and technologies. Older workers may need to brush up on their computer and social media skills.
- Consider flexible working arrangements. Many employers are now offering part-time, flexible, or remote working options which can be ideal for older workers.
- Don't be afraid to negotiate. Older workers often have a wealth of experience and knowledge to offer, so don't be afraid to ask for what you're worth.

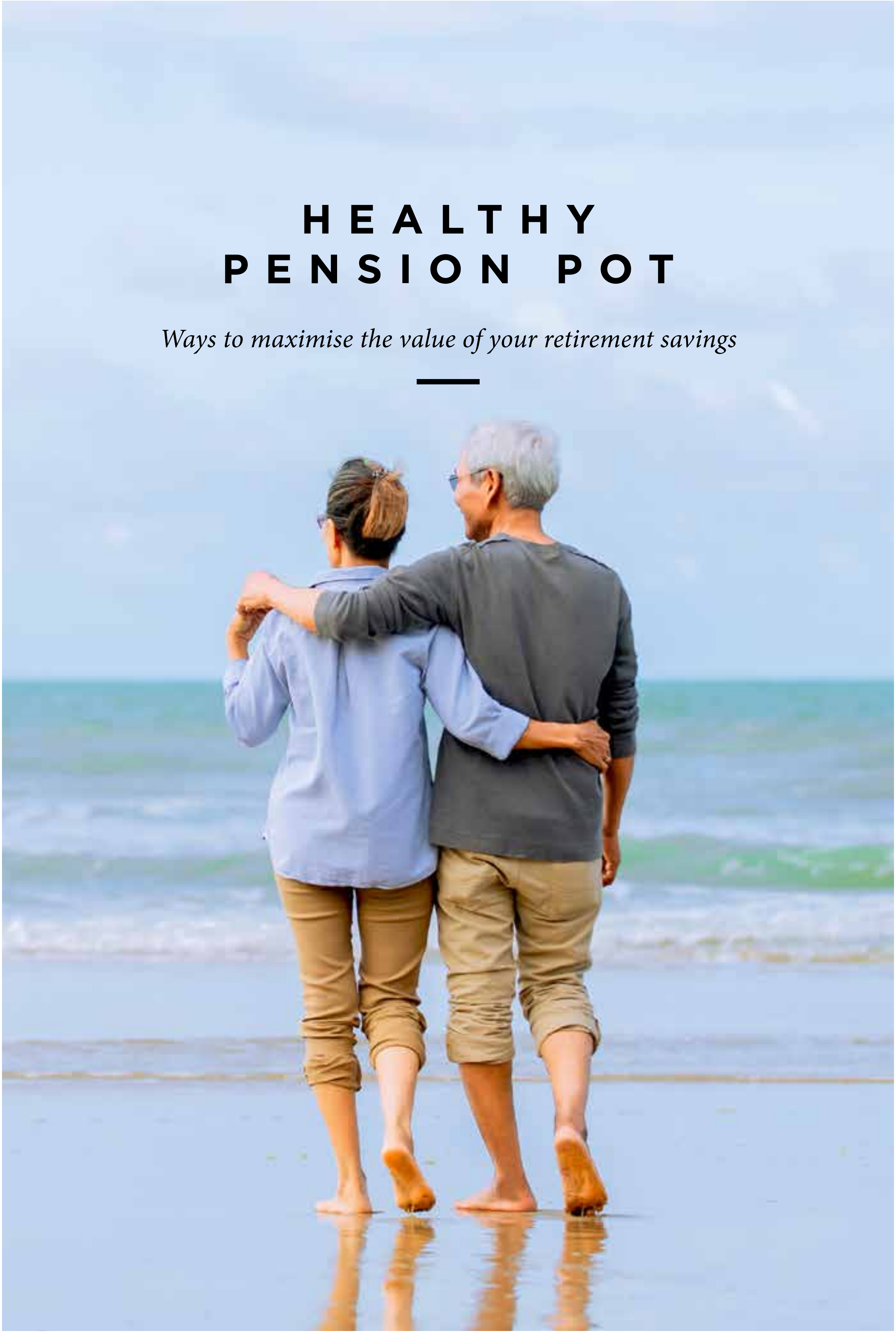
Returning to work can be a great way to stay active, engaged and earn some extra income. With a little planning and preparation, it can be a smooth and enjoyable transition.

Source data:

[1] Analysis by www.restless.co.uk – Economic activity levels amongst people over the age of 50 hit their peak of just over 11 million just before the pandemic in the three-month period from December 2019 – February 2020. Since then, we have seen a decades-long trend reverse, with economic activity levels of workers aged over 50 falling by as much as 223,000 during the pandemic.

HEALTHY PENSION POT

Ways to maximise the value of your retirement savings



> **WHEN OFFERED THE OPPORTUNITY TO JOIN A WORKPLACE PENSION, IT'S NEARLY ALWAYS A GOOD IDEA TO DO SO.**

If you're aiming to build a healthy pension pot to fund your retirement, there are a few key mistakes you'll want to avoid. These can set you back and make it harder to reach your goals.

Understandably, many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost of living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future.

However, even in the current climate there are ways to maximise the value of any pension savings you do have.

The most common mistakes people make when trying to build their UK pension pot:

FREE MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings) which are deducted from your salary, often before you pay tax, making it easier to save, and your employer's contribution, which at the very least must be equivalent to 3% of your earnings.

Many employers offer more than this or match any extra payments you make, so it's worth checking if you're getting the most out of this valuable benefit.

EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments.

How you receive tax relief depends on the type of plan you have and the rate of income tax you pay. But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you get 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

THE STATE PENSION WILL NOT TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s and may not cover all of your outgoings.

Currently, pensioners who are entitled to the full new single-tier State Pension get £185.15 a week in 2022/23, worth £9,627.80 for the year. But remember that what you get depends on your National Insurance record, so you could get less.

Pensioners who reached State Pension age before April 2016 and receive the basic State Pension get £141.85 a week, or £7,376.20 a year.

KEEP A TRACK OF ALL YOUR PENSION PLANS

If you have moved jobs or home a few times and not informed your pension provider, then one of these 'lost' pension pots could be yours. It's worth spending time tracking down any potential missing pots to help boost your future finances.

THE MINIMUM CONTRIBUTION IS UNLIKELY TO BE ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important, therefore, to have a retirement lifestyle in mind – the PLSA calculations can be helpful here as they can give you a real figure to aim for, and you can then work out what's feasible and put the necessary steps in place to help you achieve your goals.

REVIEW YOUR PENSION PLAN REGULARLY

You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Understanding your workplace or private pension, making sure you know how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

UNDERSTAND WHERE YOUR POT IS INVESTED

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement. ●

JUST TWO OUT OF FIVE (37%) OVER-55s HAVE PLANNED FOR THE IMPACT OF INFLATION ON THEIR SPENDING POWER WHEN THEY STOP WORK[1].

EFFECTS OF INFLATION

Being aware of how it can impact your retirement plans

When it comes to planning for your retirement, one important factor to consider is the impact of inflation on your future pension income. While the cost of living will obviously increase over time, the rate of inflation can have a significant impact on how far your pension income will go in retirement.

While there are ways to help protect yourself from the effects of inflation (such as investing in assets that tend to keep up with or exceed the rate of inflation), it's still important to be aware of how it can impact your retirement plans.

FUTURE RETIREMENT INCOME

Retirement planning can be complex at the best of times, so it is easy to understand how some people can find it daunting to take into account factors like inflation. The reality is that inflation hurts everyone, but it can be especially harmful to retirees.

Whether it's the price of food, fuel, energy or other goods and services that we purchase, inflation is definitely increasing. The current economic climate clearly illustrates just how important it is to consider the impact of inflation on your future retirement income and take proactive steps to manage this.

REACHING HISTORIC HIGHS

Just two out of five (37%) over-55s have planned for the impact of inflation on their spending power when they stop work, according to new research[1]. As the consumer price inflation continues to reach historic highs, many over-55s who are either approaching retirement or have retired are facing an inflation shock as they try to manage their retirement income.

Indeed, 41% admitted they had not planned for inflation or did not know whether they had. The other 22% say they just have not planned their retirement income at all. Interestingly, the current discussion around inflation has impacted people's approach to retirement, with 43% of those who are working full-time planning to factor this challenge in – up from 39% of those who have already retired.

RETIREMENT SPENDING POWER

The current challenging economic situation is also encouraging a more thoughtful approach to retirement, with only 15% of the employed confessing to a lack of retirement planning compared to 23% of those who are already retired.

Among those who say they have planned for the impact of inflation on their retirement spending power, more than a third (34%) say they can rely on the State Pension keeping pace with rising prices while 33% believe their company pension will rise in line with inflation.

INFLATION ROSE SHARPLY

As well as looking to the State Pension and company pensions, the 30% of those who have prepared for inflation say they have anticipated the need for their income to rise each year and have approached their savings accordingly.

Around a quarter (26%) say they have considered how much spending they might need to cut if inflation rose sharply. The main reason for failing to take account of inflation was its unpredictability – 31% say they did nothing because they could not forecast it, while 30% say they had been caught out by the recent increase in inflation after years of stability.

EXPLORE DIFFERENT OPTIONS

The importance of future-proofing your finances is clearly moving up the agenda and when you compare retirees with those over-55s who are still working, you can see that the recent inflation shock has encouraged people to plan more carefully.

No one wants to find that as they age, they need to cut back more and more just to make ends meet. While saving as much as possible for retirement and careful planning are clearly important, it is also vital to consider all your assets and to explore different options, whether it is boosting your tax-free savings, downsizing or accessing your housing equity. ●

Source data:
[1] Key Advice 18 May 2022.

> **ONE IN FIVE PEOPLE SURVEYED (21%) WHO HAVE A PENSION SAY THAT THEY SAVE INTO A PENSION TO ENSURE THAT THEY HAVE A MINIMUM STANDARD OF LIVING IN RETIREMENT[1].**

START SAVING EARLY AND OFTEN

What kind of lifestyle do you want to maintain?

How much you'll need to retire depends on a number of factors, including how long you expect to live in retirement and what kind of lifestyle you want to maintain.

One of the biggest mistakes you can make is not saving enough for your retirement. This can leave you struggling to make ends meet in your later years, and may even force you to rely on others for financial support. It's never too early to start saving, and the sooner you start, the better off you'll be.

The question of whether or not you are saving enough for your retirement is a difficult one to answer. It depends on a number of different factors, including your age, your current income, your anticipated expenses in retirement and the amount of time you have left to save.

COST OF LIVING CRISIS

According to a new survey, just over a quarter of savers surveyed (26%) who have a workplace pension think that their current amount of pension saving will not be enough to get by on when it comes time to retire[1].

With UK households feeling the pinch off the back of the cost of living crisis, the war in Ukraine and two years of COVID-19 restrictions, savers have reported that they have long-term concerns as to their financial health when they stop working.

LOW-INCOME HOUSEHOLDS

In the survey, those aged between 35 and 54 (29%) were most concerned that they wouldn't have enough to live off, compared to those aged over 55 (20%). Just under a third of women were concerned (31%), compared to one in five men (21%).

Furthermore, 35% of those in low-income households whose total income is up to £14k, and 31% with an income of £14k–£28k, stated their concerns. This figure drops to just one in five (20%) for those in households with an income of over £48k.

MINIMUM STANDARD OF LIVING

One in five people surveyed (21%) who have a pension say that they save into a pension to ensure that they have a minimum standard of living in retirement – a pension that meets all their basic needs.

The findings show that a majority of people save to get either a moderate (41%) or comfortable (33%) Retirement Living Standard. However, far fewer people think their current pension saving will achieve this, with slightly over a quarter (27%) saying moderate and just 14% comfortable.

REACHING YOUR FUTURE GOALS

There are some key questions that will help give you a sense of whether you're saving enough for retirement. These include: How much have I saved so far? How much will I need to save? What is my expected rate of return? What sources of income will I have in retirement?

Keep in mind that these are just general guidelines. The best way to know if you're on track for retirement is to obtain professional financial advice to develop a personalised retirement plan and make sure you're on track to reaching your goals.

SAVE A LITTLE BIT EACH MONTH

No matter what your specific retirement goals are, it's important to start saving early and often. The sooner you start saving, the more time your money has to grow, and the less you'll need to save overall.

So if you're not already doing so, start setting aside money for retirement now. Even if you can only afford to save a little bit each month, it will add up over time. ●

Source data:

[1] The research was conducted on behalf of the PLSA by Yonder Data Solutions from 10/01/22 to 11/01/22 with a nationally representative sample of 2,093 adults.

EMBRACING EARLY RETIREMENT

'Enjoy more freedom while still being physically fit and well enough to enjoy it'

The traditional retirement age is no longer what it used to be. More and more people are choosing to retire early, and there are a number of reasons why this is becoming increasingly popular.

One of the biggest reasons for embracing early retirement is the fact that people are living longer and healthier lives. This means that they can enjoy their retirement years more, and don't have to worry about health issues as much.

MAKE SURE YOU'RE FINANCIALLY PREPARED

Another reason for retiring early is that many people simply want to enjoy their lives sooner rather than later. They don't want to wait until they're 65 or older to start enjoying life, and so they retire early instead.

Whatever your reasons for wanting to retire early, it's important to make sure that you're financially prepared for it. Make sure you have enough saved up to cover your costs.

ENJOYING A MORE RELAXED LIFESTYLE

Of course, there are also financial considerations to take into account when deciding whether or not to retire early. For some, it may be based on health reasons, while others may want to take advantage of government benefits or simply enjoy a more relaxed lifestyle. However, one of the most common factors that determines when people choose to retire is their age.

So, what is the most popular age to retire early? Sixty is the most popular age to retire early, according to new research[1] which reveals the key steps people have taken to embrace early retirement and examines the costs and benefits of doing so.

WANTING TO ENJOY MORE FREEDOM

One in four (25%) are planning to celebrate their 60th birthday by leaving work behind. With the State Pension age currently standing at 66, the findings show one in six (17%) people who have taken early retirement did so when they were 60, making it the most common age to make an early exit from working life.

This is also the most popular target age for people who intend to retire early in the years ahead, with one in four (25%) planning to celebrate their 60th birthday by leaving work behind. The desire to retire early is primarily driven by 'wanting to enjoy more freedom while still being physically fit and well enough to enjoy it.'

EMBRACING A NEW LIFESTYLE

Nearly one in three (32%) people who have retired early or plan to do so gave this reason for embracing a new lifestyle. Financial security is the second most common factor prompting people to embrace retirement. More than one in four (26%) early retirees say their decision was a result of 'being in a financially stable position' so they can afford not to work.

The influence of money matters is also visible in people's choice of early retirement age. One in five (20%) people targeting early retirement have set their sights on 55 to make the transition from working life. This is likely to be influenced by their ability to access their pension savings from this age.

'TOO TAXING AND STRESSFUL'

Other key factors encouraging people to seek early retirement include reassessing their priorities and what's important to them in life (23%), wishing to spend more time with family (20%) or finding they are either 'tired and bored' of working (19%) or find it 'too taxing and stressful' (19%).

The research suggests the impacts of early retirement are wide-ranging and broadly positive in many areas of life. Most notably, more than two in three (68%) people who have retired early say their happiness improved as a result. In terms of the world around them, 44% of early retirees say their family relationships improved and 34% reported improvements in their friendships.

BOOST TO MENTAL WELLBEING

When it comes to their health and wellbeing, more than half report that early retirement has delivered a boost to their mental wellbeing (57%) and half (50%) say their physical wellbeing improved.

However, the findings suggest these benefits come at a cost, with nearly half of early retirees finding their finances worsening as a result (47%).

Women are the most likely to have felt a negative financial impact from retiring early (50% vs. 44% of men). Across both genders, only 22% feel they have benefited financially from their decision to retire early.

STEPPING STONE TO RETIRING EARLY

Among those people who have retired early, one in three (32%) identify having a defined benefit (final salary) pension among the main measures that enabled them to take retirement into their own hands. This suggests the concept of early retirement may get harder for younger generations to achieve, with the majority of the private sector workforce now saving into defined contribution pension schemes.

However, the findings suggest that people can still take positive steps to make an early retirement possible. Paying off your mortgage (30%) is identified as the second most common stepping stone to retiring early, while almost three in ten early retirees (29%) say saving little and often was one of their main strategies. Nearly one in five (19%) say they also saved extra whenever they received a pay rise or a bonus during their working life.

> **"ONE IN FOUR (25%) ARE PLANNING TO CELEBRATE THEIR 60TH BIRTHDAY BY LEAVING WORK BEHIND[1]."**

THE MAIN MEASURES ENABLING PEOPLE TO RETIRE EARLY OR THINK ABOUT RETIRING EARLY

- 32% – Having a defined benefit (final salary) pension
- 30% – Paying off one's mortgage
- 29% – Saving little and often
- 19% - Saving extra whenever receiving a pay rise or bonus
- 16% – Receiving a redundancy payout
- 14% – Receiving an inheritance

WANTING A NEW SENSE OF PURPOSE

Among those who take early retirement, the research also reveals there is a small contingent who have returned to work (17%) or envisage themselves doing so in the future (15%). Over one in four (27%) cite the reason for returning to work is because they 'wanted a new sense of purpose', making this the most frequent driver, followed by 'missing the company and social interactions with colleagues' (26%). However, a similar number (24%) of early retirees find themselves heading back to work having experienced financial issues.

While happiness soars in retirement, many people find their finances take the strain when they retire early and money worries are one of the biggest factors resulting in people returning to work. If you aspire to retire early, it's vital you plan your finances to be sustainable for the long-term. ●

Source data:
[1] https://www.aviva.com/newsroom/news-releases/2021/12/sixty-the-most-popular-age-to-retire-early/

CASH MAY NOT BE KING

Choosing what to do with your pension is a big decision

If you've been saving into a defined contribution pension (sometimes called 'money purchase') during your working life, from age 55 (age 57 in 2028) you need to decide what to do with the money you've saved towards your pension when you eventually decide to retire.

Before you do anything, there are things you should consider. One is the tax implications of taking cash. Depending on how much money you withdraw, you may be liable for income tax on the sum.

Another key factor is what you plan to do with the money to withdraw – if you're hoping to use it for retirement income, it's important to make sure that you won't run out of funds too quickly.

It's also important to bear in mind that if you withdraw cash from your pension pot, you can't put it back in – so make sure you're certain that this is the right decision for you.

Note: this article doesn't cover pension schemes where the pension you'll be getting is worked out as a proportion of your pay.

HOW MUCH MONEY DO YOU NEED TO RETIRE?

Before you take any cash out of your pension, you need to calculate how much money you actually need. Do you need a lump sum of cash all at once? If so, what are the tax implications? Or would you be better off with a regular income stream?

Remember that retirement could be 30 to 40 years, or more. As well as what you'll need to cover everyday living expenses, do you have any specific plans for your retirement, such as regular holidays or enjoying a hobby? Or are you thinking of any big one-off purchases or expenditure, like a new car or home improvements? Once you know how much money you need, you can start to look at your options.

WHAT ARE THE TAX IMPLICATIONS?

Taking cash out of your pension can have tax implications if you withdraw more than your tax-free element (typically 25% of your pension). You can leave the rest invested until you decide to make more withdrawals or set up a regular income.

However, you need to make sure you understand those implications before you make any decisions. Otherwise, you could end up with a significant tax bill that you weren't expecting.

> **OVER A THIRD (35%) OF PENSION HOLDERS DO NOT KNOW ABOUT THE DIFFERENT OPTIONS AVAILABLE TO THEM FOR WHEN THE TIME COMES TO RETIRE[1].**

WHAT ARE THE FEES?

When you retire and start taking money out of your pension, you may be charged fees by your pension provider. Some pension providers will charge a fee for each withdrawal you make, while others may charge a flat rate or percentage of your pension pot.

There may also be other charges, such as an administration fee. Taking money out of your pension will also reduce the amount of income you have in retirement, so it's important to think carefully before you decide to take any money out of your pension pot.

HOW LONG WILL THE MONEY LAST?

Consider how long you'll need the money to last. If you take a lump sum of cash, it's likely that it won't last as long as if you take an income. This is something to keep in mind when you're making your decision.

WHAT IF YOU NEED MORE MONEY LATER?

If you take cash out of your pension now, it may not be there if you need it later on in life. This is something to consider if you think you may need more money down the line. Even if you've seen the value of your pensions fall that doesn't necessarily mean that you'll have to delay your retirement altogether.

Could you take less from your pension savings until their value recovers, and use other savings instead to bridge the gap? And could you put off any big purchases you'd planned?

WHAT ARE THE RISKS?

Taking cash out of your pension comes with risks. There's the risk that you could outlive your money or that the value of your pension could go down. You need to make sure that you understand all of these risks before you make a decision.

OPTIONS FOR USING YOUR DEFINED CONTRIBUTION PENSION IN RETIREMENT

- Keep your pension savings where they are – and take them later.
- Use your pension pot to buy a guaranteed income for life or for a fixed term – also known as a 'lifetime' or 'fixed term annuity'. The income is taxable, but you can choose to take up to 25% (sometimes more with certain plans) of your pot as a one-off tax-free lump sum at the start.
- Use your pension pot to provide a flexible retirement income – also known as 'pension drawdown'. You can take the amount you're allowed to take as a tax-free lump sum (normally up to 25% of the pot), then use the rest to provide a regular taxable income.
- Take a number of lump sums – usually the first 25% of each lump sum withdrawal from your pot will be tax-free. The rest will be taxed as income.
- Take your pension pot in one go – usually the first 25% will be tax-free and the rest is taxable.
- Mix your options – choose any combination of the above, using different parts of your pot or separate pots.

UNDERSTANDING THE DIFFERENT OPTIONS

This is a very complicated topic and choosing what to do with your pension is one of the most important decisions you'll ever make and will impact on your future standard of living in retirement.

Worryingly, over a third (35%) of pension holders do not know about the different options available to them for when the time comes to retire, according to research[1]. ●

Source data:
[1] Online omnibus conducted by Opinium in June 2021 for LV – 4,000 representative UK adults surveyed nationally.

COMBINING MULTIPLE PENSION POTS INTO ONE SINGLE POT

Simplify your finances and make it easier to keep track of your retirement savings

> **THERE IS AN ESTIMATED £9.7 BILLION OF UNCLAIMED UK DEFINED CONTRIBUTION PENSION FUNDS[1].**

If you have ever changed jobs, moved homes or had a company you worked for change ownership or close down, then you know how easy it is to lose touch with your pension savings provider. This can happen for a variety of reasons, but it often means that your savings are no longer as secure as they could be.

The employment landscape has evolved significantly over the last few decades and changing jobs multiple times before retirement is now very much the norm. But did you know, there is an estimated £9.7 billion of unclaimed UK defined contribution pension funds?[1].

VALUABLE PENSION SAVINGS

All these events over time may make it very difficult to find your valuable pension savings. So that means potentially ending up with a number of different pension pots. If you're one of the millions of people with multiple pensions, it may be appropriate to consider consolidating your defined contribution pension pots and bring them together.

While it can be difficult to keep track of your pension savings, it is important to do what you can to protect your hard-earned money. By taking a few simple precautions, you can help ensure that your savings are always accessible and secure.

NUMBER OF DIFFERENT PENSIONS

Even if you have not had many jobs, you could still have a number of different pensions to keep track of. If appropriate, pension consolidation can simplify your finances and make it easier to keep track of your retirement savings.

Having said this, not all pension types can or should be transferred. It's important to obtain professional advice so you know and can compare the features and benefits of the plan(s) you are thinking of transferring.

WHAT IS PENSION CONSOLIDATION?

Pension consolidation is the process of combining multiple pension pots into one single pot. This can be done with a pension transfer or by opening a new pension and transferring your other pensions into it. You may want to do this to make it easier to keep track of your retirement savings, or to try and get a better rate of return on your investment.

But there are a few things to consider before consolidating your pensions, such as any exit fees that may be charged, and whether or not you will lose any valuable benefits such as guaranteed annuity rates.

CONSOLIDATING YOUR PENSIONS

Reasons why you may not want to consolidate your pensions:

Simplify your finances: If you have multiple pension pots, it may be difficult to keep track of them all. Consolidating your pensions into one pot could make it easier to manage your retirement savings.

Save on fees: If you have multiple pensions with different providers, you may be paying multiple annual fees. Consolidating your pensions may help you save money on fees.

Get better investment options: Some pension providers offer a limited number of investment options. By consolidating your pensions it could give you access to a wider range of investments.

REASONS WHY YOU MAY NOT WANT TO CONSOLIDATE YOUR PENSIONS

Loss of valuable benefits: One key disadvantage is that you may lose out on valuable benefits that are specific to certain pension schemes. For example, some schemes may offer better death benefits than others, so consolidating your pensions into one pot could mean giving up this valuable protection.

Paying higher fees: Another potential downside is that some schemes may have higher charges than you are actually currently paying, which means you would end up paying higher fees. This is something that needs to be carefully considered before making any decisions.

More difficult to access: It's important to remember that once you consolidate your pensions, it may be more difficult to access them early if you need the money for an emergency. This is something that should be taken into account when making any decisions about pension consolidation.

LOCATE YOUR PENSION FUNDS

If you think you might have lost a pension pot from a previous job, you can use the government's Pension Tracing Service at www.gov.uk/find-pension-contact-details. This enables people to locate money previously saved for retirement that is unclaimed. So, it is worth checking if you could have pension funds that have not been claimed.

Finally, one thing you also need to bear in mind is that pension savings are big targets for fraudsters. If someone contacts you unexpectedly offering to help you transfer your pot, it's likely to be a scam. If you're concerned, contact the Financial Conduct Authority (FCA) to check they're legitimate. ●

Source data:
[1] https://www.pensionspolicyinstitute.org.uk/media/2855/201810-bn110-lost-pensions-final.pdf

ACCUMULATING A NEST EGG

Why saving enough for retirement is challenging for many people

One of the biggest financial challenges people face is saving enough money for retirement. There are a number of factors that can make this difficult, such as low income, high living costs and unexpected expenses.

The days of working for a single employer for your entire career and retiring with a comfortable pension are largely gone. The responsibility for accumulating a retirement nest egg now rests with individuals as opposed to their employers.

START SAVING FOR RETIREMENT AS EARLY AS POSSIBLE

There are many factors that can make saving for retirement challenging. For some people, it may be difficult to set aside money each month. Others may have unexpected expenses that eat into their savings. And still others may simply not have enough income to save as much as they would like.

No matter what your situation is, it's important to start saving for retirement as early as possible. The sooner you start, the more time you'll have to let your money grow. Even if you can only save a little bit each month, it will add up over time.

NOT FINANCIALLY STABLE ENOUGH TO CONTRIBUTE

Research into the attitudes of the over-50s towards their pension has uncovered that nearly a half (49%) regret not saving into their pension earlier, and almost two-thirds (64%) wish they had contributed more into their retirement savings at an earlier stage[1].

Just over a quarter (26%) stated that they only started paying into their pension after they turned 30 years old, primarily because they did not feel financially stable enough to contribute any sooner (51%).

Many, understandably, prioritised raising children (42%) and paying off their mortgages (40%) before putting any surplus cash into their pension. However, a third put leisure/holidays (32%), clothing (21%) and their pets (10%) before their retirement income.

'MODERATE' STANDARD OF LIVING IN RETIREMENT

Almost four in ten (39%) people over the age of 50 believe that an income of between £10,000 and £20,000 per annum in retirement will be enough to live 'comfortably'.

This is despite figures announced stating that £20,800 per annum will only provide an individual with a 'moderate' standard of living in retirement. To enjoy a 'comfortable' standard of living, the amount would need to increase to £33,600 per year.

Just under a quarter (24%) of those aged over 50 believe that a personal contribution of between 0% to 5% of their salary is an 'appropriate and achievable' level to attain a savings pot big enough to support them in retirement.

TAKING PROFESSIONAL FINANCIAL ADVICE IS KEY

When asked about financial advice, worryingly, more than 70% of over-50s say they have never sought professional financial advice regarding their pension. Almost a third (30%) say they feel they know what they are doing and don't need financial support, whilst 10% say they rely on their family and friends for support and advice.

However, after hearing that they could add as much as £47,000 to their pension[2] (over a decade) by taking professional financial advice, half of them say they would.

Pensions are more important to more of us than ever before. Automatic enrolment has brought pension savings to millions, but this was only introduced in 2012 and for many, especially those over the age of 50, it is perhaps too little, too late.

TAKE STOCK OF YOUR FINANCIAL SITUATION EARLY

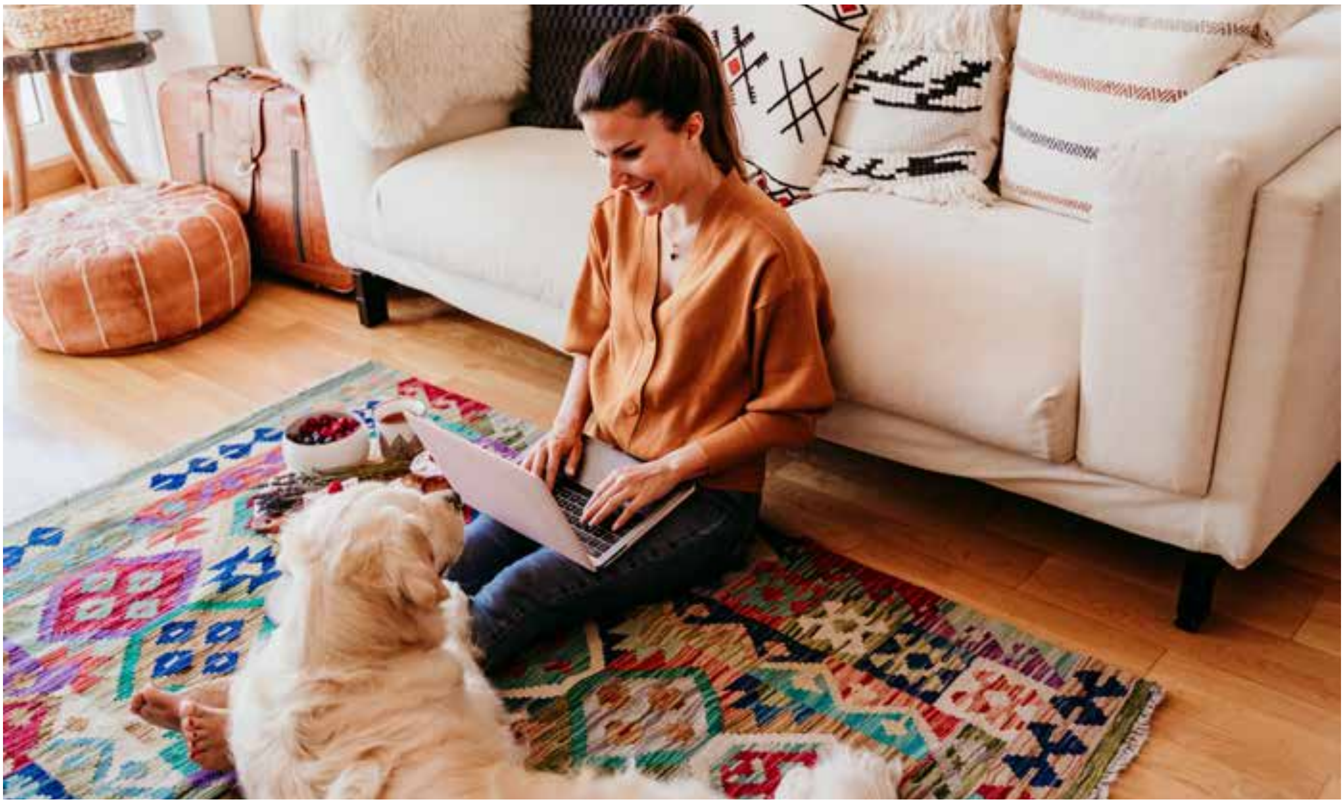
Hindsight is a wonderful thing and life in your 20s and 30s can often take over, with children to raise, debts to pay and holidays to be had. However, it's important to take stock of your financial situation early. You may think you have enough spare cash, or that you have years until you retire, but most people over the age of fifty (64%) wished that they had paid more into their pension pot, earlier.

It's also important that people are realistic about how much they might need to live on in retirement. With more people continuing to pay rent or mortgages after they finish working[3], it is unlikely that an income of between £10,000 and £20,000 per year will be sufficient to have a 'comfortable' lifestyle. ●

Source data:
1,034 UK adults over the age of 50 (retired and non-retired) interviewed between 31/01/2022 and 07/02/2022

[1] https://www.retirementlivingstandards.org.uk/news/retirement-living-standards-updated-to-reflect
[2] https://ilcuk.org.uk/financial-advice-provides-47k-wealth-uplift-in-decade/
[3] https://www.bbc.co.uk/news/business-42193251

"NEARLY A HALF (49%) OF PEOPLE REGRET NOT SAVING INTO THEIR PENSION EARLIER[1]."



GOLDEN YEARS

Pensions represent our biggest single source of private wealth

As we live longer and fewer of us have the security of a final salary pension, it's more important than ever to think about our retirement income.

There are a number of different ways to save for retirement, but pensions still remain one of the most popular and effective options.

STILL WORKING

Saving money for retirement is important because you'll need a nest egg when you're no longer working. The best way to guarantee an income when you're in your golden years is to save and invest as much as you can now while you are still working.

For the majority of people, pensions represent our biggest single source of private wealth and a record number are saving more money in occupational defined contribution pensions. In short, pensions are more important to more of us than ever before.

PENSION LANDSCAPE

However, despite these record highs, pensions remain a mystery to most. Worryingly, new research reveals a widespread lack of understanding among savers.

The annual study of the pension landscape from The Pensions Regulator reports record membership of occupational defined contribution pensions, at 23.4 million[1]. This is up from 21.7 million last year.

BIGGEST DRIVER

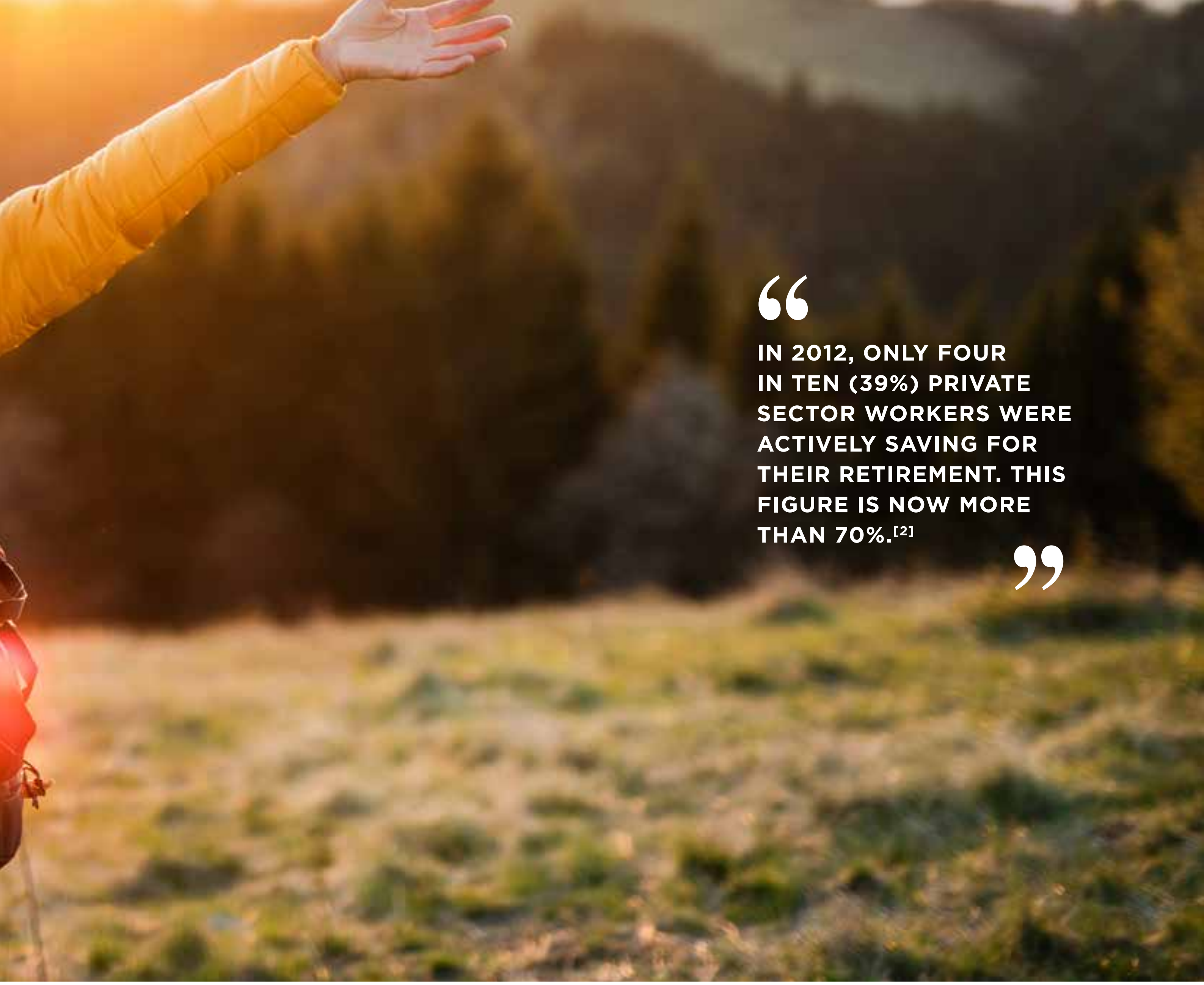
This adds to other recent data highlighting the importance of pensions for millions. In early January, data from the Office for National Statistics[2] reported that individuals in the UK hold a record £15.2 trillion of private wealth, and pensions represent the largest proportion of this figure at £6.4 trillion. This exceeds £5.5 trillion in property and £3.3 trillion in other assets, including around £2 trillion in cash.

The need to close the gap between pension participation and understanding is now critical. Overall, auto-enrolment has been the biggest driver of participation into pension saving over the last decade. When it was introduced in 2012, only four in ten (39%) private sector workers were actively saving for their retirement. This figure is now more than 70%.

CONFLICTING RELATIONSHIP

However, it is risky to assume that this participation rate has driven clearer understanding. Despite a significant increase in participation rates, the proportion of adults who agree they 'understand enough about pensions'[3] has only increased by one percent point in the last ten years (from 43% to 44%).

Other research[4] has found a conflicting relationship between value and understanding of various elements of 'wealth'. Seven out of ten (69%) Britons can confidently estimate the current value of



their cash savings and two in five of them (41%) are very confident. This 'confident' figure rises to three-quarters (75%) of those aged 55+. Cash savings represent around 12% of total private wealth in the UK.

Four reasons why pensions are so important:

1. Pensions provide a guaranteed income in retirement.
2. Pensions offer tax relief on your contributions.
3. Pensions can be used to supplement your other retirement income sources.
4. Pensions can give you peace of mind knowing that you're prepared for retirement financially.

'VERY UNCONFIDENT'

More than half (53%) of those surveyed could also estimate the value of their property quite accurately. This figure rises to 61% of those who are retired. Property represents around 36% of total private wealth in the UK.

However, despite pensions potentially being their biggest combined asset, only 39% of people could confidently estimate the value of their pension pot. One in ten people surveyed were 'very unconfident' about estimating the current value of their pension savings. Pensions represent about 42% of total private wealth in the UK.

PENSION PARTICIPATION

The need to close the gap between pension participation and understanding is now critical. Over the next century it is estimated that the pensioner population in the UK will increase from 12 million to 20 million, meaning that more than one in four people will be pensioners.

Automatic enrolment has brought pension savings to millions. And the pension freedoms have given us unprecedented choice in how we can use that money when we reach age 55. But we risk sleepwalking into our retirement if we don't understand how much we have in our pension pots, what those savings might look like as retirement income and how long we need that money to last. ●

Source data:
[1] DC trust: scheme return data 2021 to 2022 | The Pensions Regulator (Memberships do not equate with individuals. One individual can have multiple memberships. The figure of 23.4 million excludes 'micro' occupation DC schemes with fewer than 12 members).
[2] Office for National Statistics
[3] Survey by Unbiased and Opinium of 2,000 non-retired UK adults in June – July 2020
[4] Aviva Research was conducted between 5–7 January 2022 by Censuswide. Surveyed 2,000 UK respondents (national representative sample).

'HOME IS MY PENSION' GENERATION

People using property to support their retirement lifestyle

The significant increase in property prices in recent years has likely shifted many people's expectations about the role property wealth will eventually play in supporting their retirement. With people spending longer in retirement, one of the challenges that many need to overcome is how to fund it and how to meet the financial demands they may face in later life, such as the cost of long-term care.

Failure to save enough for old age is forcing more people to use their property to provide income. Research shows so-called 'Hippies', or the 'Home is my Pension' generation, are increasing at a significant rate. 22% of people are planning ahead for their retirement and expect to use the value of their home[1]. The findings indicate that just over a third of all people who aren't currently retired (35%) own a property but have less than £10,000 saved in their pension pot.

HOLDING NO PENSIONS SAVINGS

Worryingly, a further 22% of people hold no pensions savings at all. The significant number of small or empty pots, coupled with the 24% increase in median house price values in England and Wales since 2016[2], could be driving more people to consider using their property wealth to fund their retirement.

Property is often the largest asset someone has when they reach retirement, especially if they have lived there for quite a while, and will often significantly outweigh any pensions savings they have.

> **"JUST OVER A THIRD OF ALL PEOPLE WHO AREN'T CURRENTLY RETIRED (35%) OWN A PROPERTY BUT HAVE LESS THAN £10,000 SAVED IN THEIR PENSION POT.[1]"**

ACCESSING PROPERTY WEALTH

Based on current house prices in England and Wales, the average homeowner could access over £72,988 in equity release, for instance[3]. People who aren't currently retired expect to downsize their property (10%), sell their property (9%) or access equity via a lifetime mortgage (6%) to help fund their later life.

While many people looking ahead to retirement are hoping to access property wealth, there are a significant number of retired homeowners who could also benefit from considering the role their property might play in funding their lifestyle.

MAIN SOURCE OF INCOME

Nearly two-thirds of people over 65 are dependent on the State Pension as their main source of income and are also homeowners.

The findings show there are a large number of people currently in retirement who may be on a limited income and could benefit from the likely increases in the value of their home. ●

Source data:

[1] Opinium survey of 4,000 UK adults between 31 October and 3 November 2021
[2] Office for National Statistics, House price statistics for small areas in England and Wales: year ending March 2021, Nov 2021
[3] Legal & General customers accessed, on average, 24.5% of the value of their home through equity release, putting the expected amount that can be accessed across England and Wales at £72,988: Office for National Statistics, House price statistics for small areas in England and Wales: year ending March 2021, Nov 2021

DEVELOPING A ROBUST RETIREMENT PLAN

How much it will cost and how you are going to pay for it?

People planning for retirement should think hard about what they want to do when they eventually stop work. It is helpful to have a good idea of the lifestyle you want, how much it will cost and how you are going to pay for it.

With so much going on in your life – from family and work to pursuing your passions – retirement planning may not have been your priority. But now you want to make sure your pension and overall financial situation will allow you to keep up your current lifestyle and enjoy your golden years. The more enthusiastic you are about retiring, the more likely you are to develop a robust retirement plan.

DIY APPROACH TO RETIREMENT

Obtaining professional financial advice is key to ensuring you achieve the retirement you want. But 8 million people are planning a DIY approach to retirement and many don't know how to avoid running out of money, avoid a big tax bill or leave an inheritance, new research has highlighted[1].

Millions of people don't understand their retirement options when they stop work. More than a third (35%) of pension holders admit they know nothing about the product options at retirement and the pros and cons of each option.

PRODUCT OPTIONS AT RETIREMENT

And more than one in five (22%) of those planning to retire in the next five years know nothing about the product options at retirement. And they don't understand some of the big risks in retirement. Worryingly, 35% of pension holders know nothing about how stock market falls can affect retirement savings.

Of those surveyed, 34% commented they don't know how to ensure they will not run out of money in retirement. Half of people with a pension over £100,000 didn't know a good amount about how to take money from their pension in a tax-efficient way.

TAKING PROFESSIONAL FINANCIAL ADVICE

Only 34% of married people understand how to ensure their spouse will be left with enough pension if they die. Although people are unclear about their options, worryingly many are not considering taking professional financial advice.

Only 39% of pension holders are planning on taking financial advice when they retire, with 31% planning to DIY their retirement. Only half (52%) of mass affluent people – those with assets of between £100,000 and £500,000 excluding property – are planning to take professional financial advice.

SERIES OF BIG DECISIONS TO MAKE

The top occasions where mass affluent consumers feel that people should seek professional financial advice are: choosing to invest a large lump sum (43%), Inheritance Tax planning (44%) and deciding how to access a pension (40%).

People have a series of big decisions to make as they approach the end of their working life and each one can make a huge difference to their retirement. For example, should you drawdown your pension in one go or over a period of time? Should you take your 25% tax-free cash or leave the money in your pension fund to grow? Should you buy an annuity to guarantee an income for the rest of your life or go for drawdown? These are questions your professional financial adviser will help answer.

MAKING BIG FINANCIAL DECISIONS

Obtaining advice compensates for the emotional biases people have when they make big financial decisions. A DIY approach to managing large pension funds at retirement is fraught with risk.

People can easily buy the wrong products, incur unnecessary tax bills or simply exhaust their retirement funds too quickly, whereas an adviser will provide an impartial, cool-headed approach to their client's finances and offer solutions that the client will not even have considered. ●

Source data:

[1] The LV= Wealth and Wellbeing Monitor is a quarterly survey of 4,000+ consumers which examines their attitudes to spending, saving and retirement. The Monitor also surveys the attitudes of mass affluent consumers, those with assets of between £100,000 and £500,000 excluding property, who are a key target market for financial advisers. LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.

SAFEGUARDING YOUR PENSION

Providing an income for your loved ones to enjoy, long after you are gone

If you've spent a lifetime saving for retirement, you'd probably like any remaining money to go to a loved one after your death. But whether pension benefits are payable to a beneficiary, and how they'll receive them, is dependent on the type of pension you've chosen and how you've accessed it in your retirement.

Thanks to changes in the way that pensions are taxed, more of your fund can survive your death and provide an income or nest egg for your loved ones to enjoy, long after you are gone. Since April 2015 it has been easier to safeguard your pension for your heirs, but it's important to make sure you're keeping up with the changes.

The way that you decide to take your pension will affect what you can do with it when you pass away. And while it's not always easy to talk about, the way you eventually pass on your pension has the biggest impact on other people, so it could help if you talk to your spouse, partner, children or other people close to you when you're deciding how you take your pension savings.

PENSION DEATH BENEFITS

If you have not yet accessed your pension, or you have made withdrawals from your pension but left some money invested, it can usually be passed to a beneficiary after your death. The specifics, for example, in what form they will receive these death benefits and whether they will pay tax, will depend on your individual circumstances (such as your age) and the scheme rules.

> **"IF YOU HAVE NOT YET ACCESSED YOUR PENSION, OR YOU HAVE MADE WITHDRAWALS FROM YOUR PENSION BUT LEFT SOME MONEY INVESTED, IT CAN USUALLY BE PASSED TO A BENEFICIARY AFTER YOUR DEATH."**

You should always obtain professional financial advice to assess your specific situation. But if your pension scheme allows you to choose a beneficiary, ensure you have named the person you intend to leave your money to.

ANNUITY DEATH BENEFITS

If you have used your pension savings already to purchase an annuity, this can only be passed on to a beneficiary in certain cases, which must be established when the annuity is purchased. A typical lifetime annuity only provides a guaranteed income for the lifetime of the annuity holder, regardless of how long this is.

For your annuity income to go to a loved one after your death, you must choose either an annuity with a guarantee period (which provides an income for a set period, whether you are still living or not) or a joint life annuity (which provides an income for life for whichever partner lives longest).

STATE PENSION INHERITANCE

In certain circumstances, your partner can continue to receive your State Pension after your death. For example, if you're a man born before 1951 or a woman born before 1953, and you're receiving the Additional State Pension, this can be inherited by your partner (husband, wife or registered civil partner) after your death if they have reached the State Pension age. ●

IS RETIREMENT THE RIGHT CHOICE FOR YOU?

General guidelines that can help you determine whether you're ready to retire

One of the most difficult decisions you'll ever have to make is when to retire. It's a personal choice that depends on many factors, both financial and non-financial. There's no single right answer, but there are some key things to consider that can help you decide if retirement is the right choice for you.

There is no one-size-fits-all answer to the question of when to retire. Ultimately, the decision of when to stop working is a personal one, and will depend on a variety of factors specific to your individual situation. However, there are some general guidelines that can help you determine whether you're ready to retire.

The best time to retire will depend on a variety of factors, including your health, your financial situation and your personal preferences. If you're in good health and you have a solid financial foundation, you may be able to enjoy a long and active retirement. On the other hand, if your health is declining or you're struggling to make ends meet, retiring sooner may be the best option.

SPENDING POWER EACH YEAR

It's not easy to know when the time is right to retire. There are a number of factors to consider, and it's different for everyone. Ultimately, the decision of when to retire is a personal one. It's important to do some soul-searching and research before making a final decision. Once you've decided when the right time for you is, be sure to plan carefully to make the most of your retirement years.

Some people may now need to think about the impact that inflation could have on their retirement income, and to consider whether they can afford to retire yet. Rising inflation can wipe years of retirement income off pension pots as savers must increase the amount they withdraw to maintain the same spending power each year.

IMPACT ON RETIREMENT PLANS

Inflation can have a significant impact on your retirement plans. If inflation is high, the purchasing power of your savings will decrease over time. This means that you will need to save more money in order to maintain your standard of living in retirement.

To offset the impact of inflation, you may need to adjust your retirement plans. For example, you may need to save more money so that you can maintain your standard of living in retirement. Additionally, you may need to invest in assets that are less vulnerable to the effects of inflation. Bonds are one type of investment that can help protect your portfolio from inflation risk. In general,

they can offer relative stability, but you need to take your age and risk tolerance into consideration.

POTENTIAL EFFECTS OF INFLATION

While inflation can have a significant impact on your retirement plans, there are steps you can take to offset its effects. By saving more money and investing in assets that are less vulnerable to inflation, you can help ensure that your retirement plans remain on track. Additionally, by being aware of the potential effects of inflation, you can make adjustments to your plans as needed to account for its impact.

As you get closer to retirement, it's important to start thinking about how inflation could impact your plans. While inflation can be a good thing if it leads to higher wages and increased economic activity, it can also be a problem if prices start rising faster than your income, as we've seen this year with inflation reaching a new 40-year high amid a cost of living squeeze.

There are some general principles that can help guide your thinking on this important topic:

The first principle is that it's never too early to start planning for retirement. The sooner you start saving and investing for retirement, the more time your money has to grow. This is due to the power of compounding – which essentially means that your money earns interest on itself over time.

The second principle is that retirement planning is not a one-time event. Your retirement timeline will likely change as life circumstances change. For example, you may need to adjust your timeline if you have children or other family members who depend on you financially.

The third principle is that retirement is not an all-or-nothing proposition. You don't have to retire completely in order to enjoy a comfortable lifestyle in retirement. Many people choose to work part-time or pursue other interests during retirement instead of (or in addition to) simply sitting around and doing nothing.

TIME TO UTILISE CASH FLOW MODELLING?

Planning for retirement is a complex task, made even more difficult by the fact that most of us don't have a crystal ball to predict the future. This is where retirement cash flow modelling can be incredibly useful. This can help you estimate your future income and expenses in retirement and give you a better idea of how much money you'll need to have saved in order to maintain your current lifestyle.

By creating a model of your expected income and expenses, you can better plan for your retirement and make sure that you have enough money to cover your costs. This type of modelling can also help you to identify any potential shortfall in your retirement savings, so that you can make adjustments to your plans accordingly.

If you are nearing retirement or are already retired, cash flow modelling can help you: understand how much income you will need in retirement; work out how long your retirement savings will last; determine the best way to use your retirement savings to generate an income in retirement; and find out how different life events (such as taking a career break or downsizing your home) could impact your retirement cash flow.

WOULD AN ANNUITY BE BENEFICIAL?

Annuities can be a good way to combat rising inflation. Increasing annuities guarantee a stream of income that can offer protection against the cost of living. However, it is important to choose an annuity that has a high enough rate of return to outpace inflation, as otherwise you may end up losing purchasing power over time.

Some annuities offer built-in protection against inflation. For example, some annuities offer cost-of-living adjustments that increase payments to keep pace with inflation. This can help retirees maintain their purchasing power and keep up with the rising costs of living. While annuities are not the only solution for combating rising inflation, they can be a helpful tool for retirees.

Ultimately, whether or not an annuity is a good way to combat inflation depends on your individual circumstances. If you are concerned about preserving your purchasing power in retirement, an annuity can be a helpful tool. However, you should obtain professional financial advice to weigh the costs and risks associated with an annuity before making a decision.

ARE YOU SITTING ON TOO MUCH CASH?

If you're sitting on too much cash right now, with inflation on the rise, that cash could be losing value, so you may want to rethink your strategy. Inflation is a natural occurrence that happens when the prices of goods and services start to increase. This can erode the purchasing power of your money, which means that you'll need more money to buy the same items.

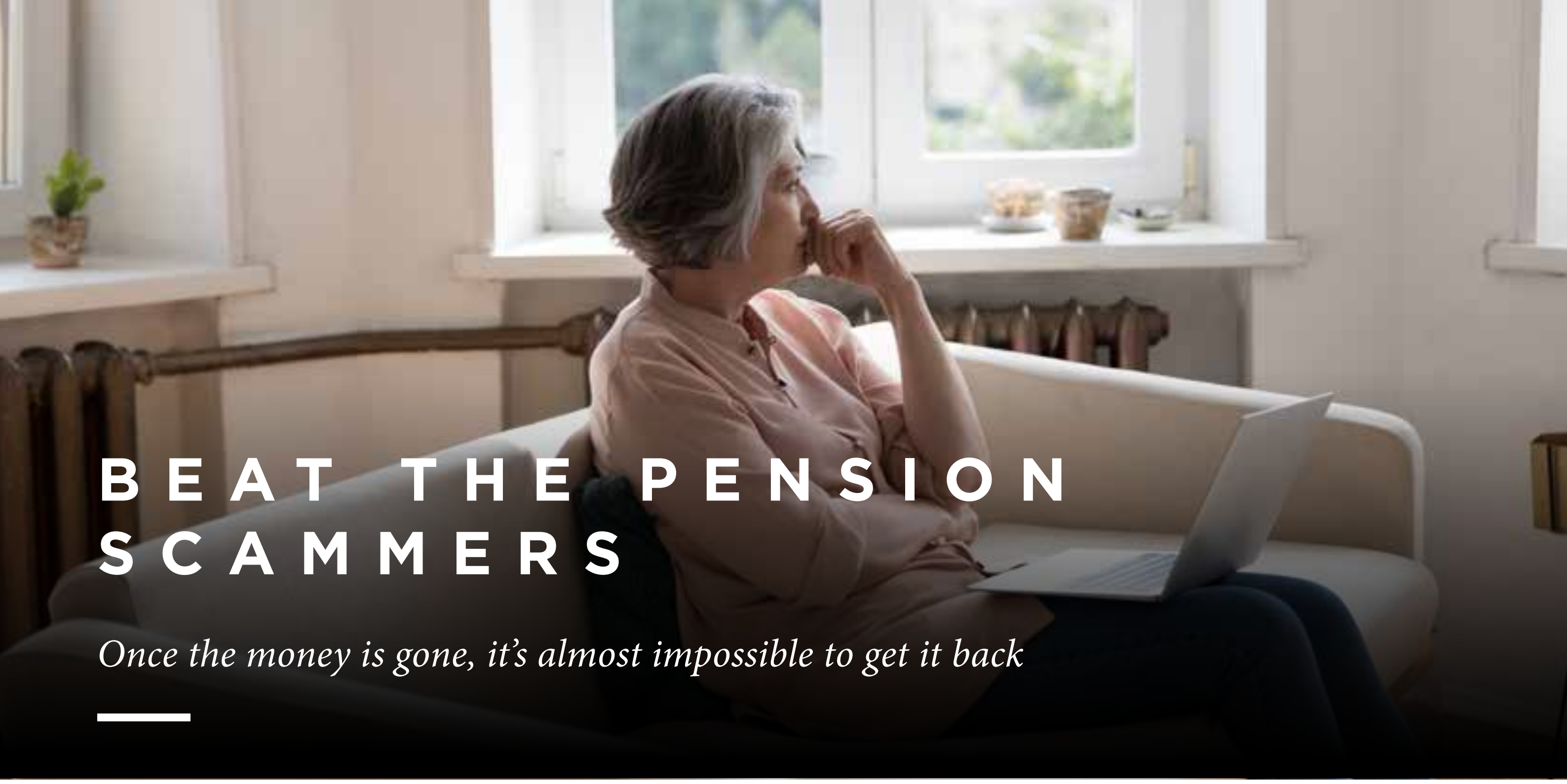
There are a few ways to combat inflation and ensure that your money keeps its value. One option is to invest in assets that may appreciate in value, such as stocks and shares or property. No matter what strategy you choose, it's important to be aware of the impact that inflation can have on your finances. By being proactive, you can ensure that your money keeps its value over time.

WHAT IS YOUR ATTITUDE TO RISK?

When pension planning, your attitude to risk will play a big role in how your portfolio is structured. If you're willing to take on more risk, you may be rewarded with higher returns. But if you're not comfortable with risk, you may want to focus on preserving your capital.

Once you have a better idea of your risk tolerance, you can start to allocate your assets accordingly. For example, if you're okay with some volatility, you may want to put some of your money into stocks and shares. But if you're not comfortable with any volatility, you may want to keep your money in cash and bonds.

No matter how much risk you're willing to take on, it's important to remember that all investments come with some risk. There's no such thing as a completely risk-free investment. But by understanding your risk tolerance, you can make sure that your portfolio is structured in a way that meets your needs. ●



BEAT THE PENSION SCAMMERS

Once the money is gone, it's almost impossible to get it back

Your pension is one of your most valuable assets, and for many it offers financial security throughout retirement and the rest of their lives. But, like anything valuable, your pension can become the target for illegal activities, scams or inappropriate and high-risk investments.

Fraudsters promise high returns and low risk, but in reality, pension savers who are scammed can be left with nothing. When savers realise they've been scammed, it can be devastating – many lose their life savings. Once the money is gone, it's almost impossible to get it back.

HOW PENSION SCAMS WORK

Anyone can be the victim of a pension scam, no matter how savvy they think they are. It's important that everyone can spot the warning signs.

Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping.

The pension money is often invested in unusual, high-risk investments like:

- Overseas property and hotels
- Renewable energy bonds
- Forestry
- Parking
- Storage units

Or it can be simply stolen outright.

WARNING SIGNS OF A PENSION SCAM

Scammers often cold call people via phone, email or text – this is illegal, and a likely sign of a scam. They often advertise online and can have websites that look official or government-backed.

Other common signs of pension scams:

- Being approached out of the blue: by text, phone call, email or at your front door
- Phrases used like 'free pension review', 'pension liberation', 'loan', 'legal loopholes', 'savings advance', 'one-off investment', 'cashback', 'government initiatives'
- Recommendations of transferring your money into a single overseas investment, with returns of 8% or higher
- Guarantees they can get better returns on pension savings
- Help to release cash from a pension before the age of 55, with no mention of the HM Revenue & Customs (HMRC) tax bill that can arise
- High-pressure sales tactics – time-limited offers to get the best deal; using couriers to send documents, who wait until they're signed
- Unusual high-risk investments, which tend to be overseas, unregulated, with no consumer protections
- Complicated investment structures
- Long-term pension investments – which often mean people who transfer in do not realise something is wrong for a number of years
- Claims that they are from a legitimate organisation like the Pension Service, Pension Wise
- Visits from a courier or personal representative to pressure you to sign paperwork and speed up your transfer
- There may be an authentic-looking website, but these can be cloned from legitimate organisations
- There will be little or nothing in the way of contact names, addresses or phone numbers

SCAMS CAN TAKE MANY FORMS

Many scammers persuade savers to transfer their money into single member occupational schemes, or other occupational pension schemes.

It's good to remember that pension scams can take many forms and usually appear to most to be a legitimate investment opportunity.

WHAT TO DO IF YOU THINK YOU'VE BEEN OR ARE BEING SCAMMED

If you think you might have already been targeted and you've agreed to transfer your pension, you should:

1. Contact your pension provider immediately – they may be able to stop the transfer if it has not already gone through.

2. Contact Action Fraud on 0300 123 2040 and report the scam.

3. Action Fraud website contact form: https://www.actionfraud.police.uk/contact-us-form ●

MAKE RETIREMENT THE BEST YEARS OF YOUR LIFE

Take control of your finances
– 10 tips to enjoy the retirement you want

1. Review your spending habits and consider if you have the scope to save a little more each month.

2. Look up your annual benefit statements – you may have saved with more than one employer's pension scheme.

3. Think about what financial milestones you'd need to reach in order to increase your pension contributions and review your investment choices.

4. Find out more about your current pension plan. If you pay in more, does your employer match your contributions?

5. Track down old pension schemes using the government's finder service https://www.gov.uk/find-pension-contact-details. Or request contact details from the government's Pension Tracing Service on 0800 731 0193 or by post.

6. Check that your Expression of Wish form is up to date. This is a request setting out whom you would like to receive any death benefits payable on your death.

7. Check your State Pension entitlement. To receive the full State Pension when you reach State Pension age you must have paid or been credited with 35 qualifying years of National Insurance contributions. Visit the Government Pension Service https://www.gov.uk/contact-pension-service for information about your State Pension.

8. Add up the savings and investments that you could use for your retirement. A pension is a very tax-efficient way to save for your retirement but you might also have other savings or investments that you could use to increase your income when you retire.

9. If you're getting close to retirement and the amount you're likely to retire on is less than you'd hoped, consider ways to boost your pension.

10. Decide when to start taking your pension. You need to set a target date when you want to start drawing an income from your pension – and remember, you don't have to stop working to take your pension but you must be aged at least 55 (you might be able to do this earlier if you're in very poor health). ●

READY TO START TALKING TO US TODAY ABOUT YOUR FUTURE RETIREMENT PLANS?

We can help you make sure it's a resilient one. We understand our clients' goals, aspirations and dreams – we'd love to understand yours too. It's time to start talking.

To find out how we can help you – please contact us.

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