

Retirement nest egg

Nearly a half of over-50s regret not saving into their pension earlier

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.

Saving enough for retirement is challenging for many people, but an era of changing demographic trends, such as increased longevity and delayed marriage, can make this journey even more difficult.

NOT FINANCIALLY STABLE ENOUGH TO CONTRIBUTE

New research^[1] 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.

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 31.01.2022–07.02.2022

[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>

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.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

PLANNING FOR A FULL AND HAPPY RETIREMENT?

To avoid sleepwalking into retirement it's important to understand how much you have in your pension, what that money might look like as retirement income and how long you might need that money to last. For advice on all your options to make your money last a lifetime, please contact us.