CALLING ALL SAVERS -
MAKE SURE YOUR PENSION IS ON TRACK

Making sure your savings are on track for retirement is crucial.

The good news is that there's been an uptick in 45-54-year-olds taking action to save more for retirement, according to a recent study[1].

Six in ten said they had put a hold on short-term splurges, holidays and luxury items, opting to get ahead and save more for retirement - with a fifth (18%) cutting back on these already.

Over two-fifths (44%) would consider giving up eating out and takeaways and three in ten (29%) would even cut back on Christmas spending - recognising that small sacrifices build up to make more substantial savings.

More significant lifestyle changes include considering downsizing their home (10%) and applying for a second job (8%) to save more for retirement.

With good news, there's bad news. And the bad news is that many savers have a significant shortfall to make up. The study revealed that the 45-54 age group need £160,000 more on average for a moderate standard of living in retirement.

That figure is based on needing a retirement savings pot of £248,000[2] to achieve this so-called 'moderate' standard of living in retirement - assuming full state pension entitlement.

The Pensions and Lifetime Savings Association defines a moderate retirement standard of living, which allows for a car and one foreign holiday a year, recommending an income of £31,300 per year is needed[3].

For those still working and saving for the future, ensuring pensions are on track to meet your retirement goals has never been more critical.

HERE ARE FIVE WAYS TO KEEP YOUR PENSION ON TRACK

1. It's never too early to think about pensions

It's important to stay on top of your retirement savings as you go along. Ignoring your pensions until you need them could backfire if you find out too late that you don't have enough money for the standard of living you want. Identifying any shortfall earlier gives you more time to make up the difference. It's never too soon to think about pensions. Your older self will thank you for getting involved from an early age.

2. Maximise tax perks - increase contributions

The tax relief on pension savings is extremely valuable. You get tax relief on contributions at your marginal rate of income tax up to £60,000 a year - or 100% of your earnings, whichever is lower. It's easy to stick with the minimum contributions into your work scheme or invest the same amount into your personal pensions for years. However, an annual review of the level of your contributions will reveal if there's scope to increase them and boost your retirement savings. If you've only ever saved in a workplace scheme, you can turbocharge your savings by starting a self-invested personal pension (SIPP) and up the contributions as your income rises.

3. Review investment selection

How your pension savings are invested is an important factor in how your money grows. Ask your scheme provider for a breakdown if you haven't looked at how your workplace pension is invested. If you have a private pension and haven't reviewed your investment choices for a while, it's time to do so. You may need to adjust your portfolio to take more risk, diversify a little more, or invest in new opportunities.

Stock markets don't move in a straight line. And so, if your investment performance isn't looking as positive as you would like, there's no reason to panic. With time on your hands until you retire, you can take comfort in the fact the stock market and pension savings should recover.

However, you must ensure that your chosen investments still reflect your attitude to risk and goals.

4. Consider consolidation

Rather than having a bunch of pension schemes running from previous jobs - and having to keep in touch with a string of providers - you might prefer to combine them into one scheme. Keeping track of just one pot will likely be much easier, and it can be a better option all round, as some older-style pension schemes might only offer access to a limited range of investments and come with higher charges. A more modern pension, such as a SIPP, could have a wider choice of investments and be cheaper to run.

5. Keep going

It might be tempting to take a break from paying into your pension if you need to reduce pressure on monthly outgoings. But the dent in your pension savings caused by stopping payments means you might have to work longer than planned to reach your goal - or settle for a less comfortable lifestyle than you would have liked.

Even though you might think about making up the payments further down the line, it might not be easy, and you can't get back lost time for compound growth.

GET RETIREMENT PLANNING

An adviser can help with retirement planning so you have peace of mind your pension is on track - and stays on track. They can help identify what you have already and what you might need to plug the gap and help you retire when you want. When the time comes, your adviser can help you take the right route to generating the income you need.

[1]https://www.thephoenixgroup.com/news-views/over-five-million-midlifers-taking-action-now-to-save-more-for-retirement/

[2]https://www.theguardian.com/money/2023/apr/15/uk-pensions-how-much-retire-cost-of-living-inflation-income

[3]https://www.retirementlivingstandards.org.uk