PENSIONS

Why saving for your retirement is important

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According to national surveys retired couples spend around £27,000 on the basics and occasional luxuries, and £39,000 on a very comfortable retirement. At the other end of the scale a very basic retirement might be achievable on an annual income of £18,000[1].

Sadly, it doesn't make much difference if you retire as a single person. A basic retirement will cost you about £10,000, a comfortable retirement about £20,000, and a very comfortable retirement about £30,000[2].

What kind of retirement could you afford?

	Basic	Comfortable	Very comfortable
Retired couple	£18,000	£27,000	£40,000
Retired single	£10,000	£20,000	£30,000

Sources: How much will you need to retire?, Which July 2019 Retirement living standards, Loughborough University 17 October 2019.

If you have 35 full years of National Insurance payments, the New State Pension will provide roughly £9,000 a year in today's terms or £18,000 per couple[3].

So if you dream of a comfortable retirement, you could be faced with having to generate between £10,000 and £25,000 per year in income from other sources.

Bridging the gap

There are many ways you could achieve this, but one of the most effective is through a pension plan.

You can save into a pension throughout your working life up to the age of 75. If you earn £150,000 or less a year you can contribute up to 100% of your salary to a maximum of £40,000. You can still contribute to a pension even if you have no regular income but the amount is limited to £3,600 a year[4]. You should also watch out for the lifetime limit. Currently you cannot save any more than £1,073,100 in pension savings over your working life[5].

The main feature of a pension is its tax efficiency. Every time you pay money in, the government gives you a financial boost of up to 45% depending on what type of taxpayer you are.

Most companies are now compelled by law to offer their employees the chance to save into a pension plan and your company will pay contributions into your plan alongside your own. This can provide a nice boost to the rate at which you save.

But whether or not your company offers a pension scheme, you can set up a personal pension plan of your own as long as you do not breach either the annual or lifetime allowances. But don't forget to tell the tax man how much you've paid in at the end of each tax year, as you could qualify for a tax refund.

If you'd like to discuss your retirement options, or your wider financial planning needs, you could speak to one of our national advisers. To find out more visit our website at **spw.com**, and book a call-back.

1. www.which.co.uk/money/pensions-and-retirement/starting-to-plan-your-retirement/how-much-will-you-need-to-retire-atu0z9k0lw3p
2. www.lboro.ac.uk/news-events/news/2019/october/retirement-living-standards/
3. www.gov.uk/new-state-pension, correct as at 09 July 2020
4. www.moneyadviceservice.org.uk/en/articles/tax-relief-on-pension-contributions
5. www.gov.uk/tax-on-your-private-pension/lifetime-allowance

Personal freedom

The great thing about a personal pension is the freedom of choice it can provide. Saving for the future isn't just about saving for your retirement. It's about building up a pot of money that gives you freedom and flexibility later in life.

The current state retirement age is 67. But you can usually access your personal pensions any time from the age of 55, although this might rise in the future in line with increases in the state retirement age. Whilst you might not have saved enough to make full-time retirement work, it could be sufficient for you to move to part-time working or turn to short-term contracting. Maybe three or four days a week rather than five, or three months on/three months off.

It can therefore pay to start early and to save regularly.

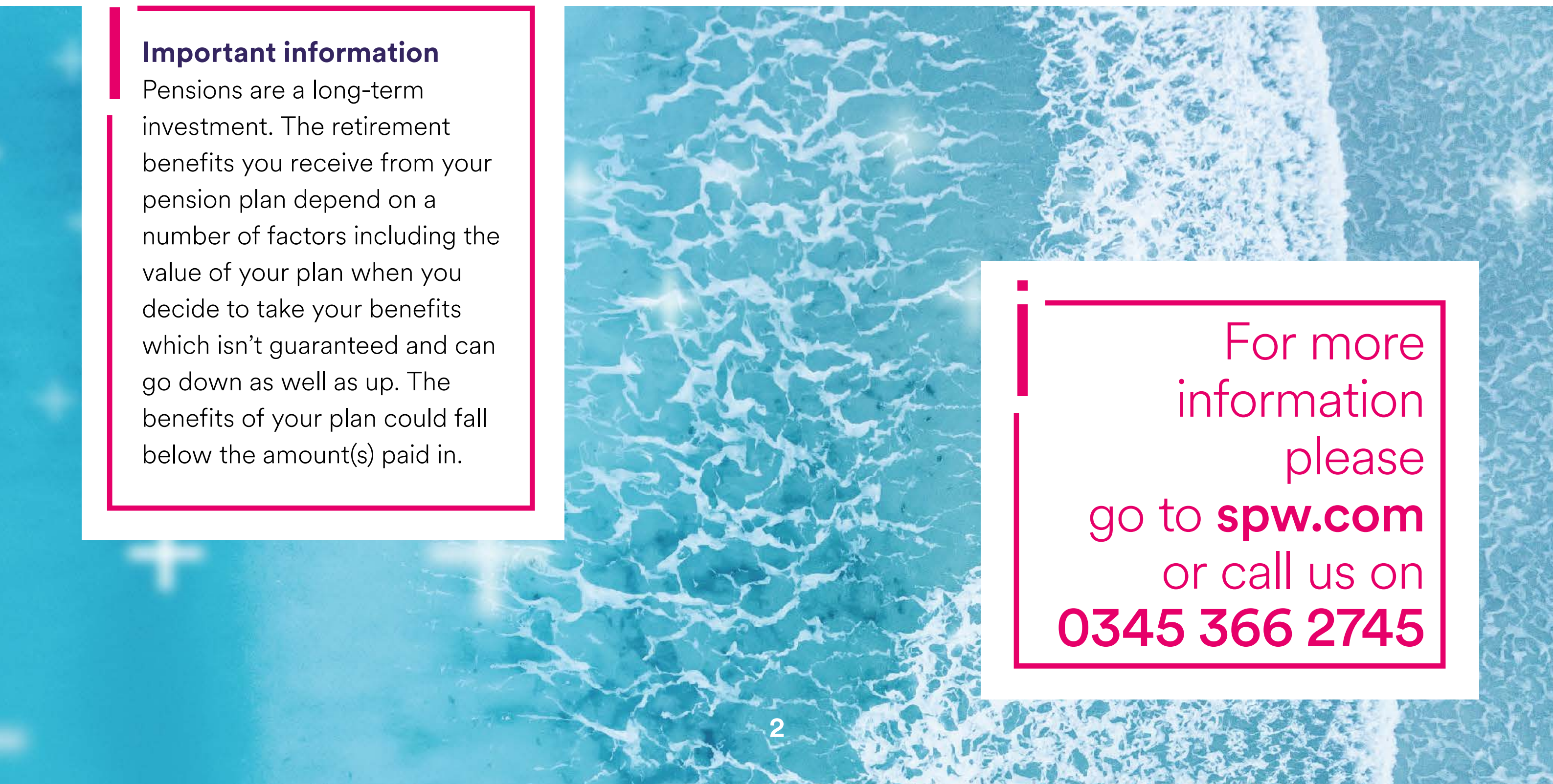
As the table below shows, whether you start at 25 or 35 and just saving £100 a month can make a significant difference to your outcomes. Obviously, starting early will go some way to increasing your potential retirement pot just from the fact that you have paid an additional 10 years' contributions. But it is the potential for an additional 10 years' growth that really makes the difference.

How starting early could deliver a better investment outcome

	40 years' savings	30 years' savings
Total sum invested	£48,000	£36,000
Annual investment growth	5%	5%
Total amount	£152,602.02	£83,225.79

Source: www.thisismoney.co.uk/money/saving/article-1633419/Monthly-lump-sum-savingscalculator accessed on 31 July 2020

For illustrative purposes only and not a reliable guide to actual results. The value of investments and the income from them can fall as well as rise and are not guaranteed. The investor might lose their initial investment.



Important information
Pensions are a long-term investment. The retirement benefits you receive from your pension plan depend on a number of factors including the value of your plan when you decide to take your benefits which isn't guaranteed and can go down as well as up. The benefits of your plan could fall below the amount(s) paid in.

For more information please go to **spw.com** or call us on **0345 366 2745**

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