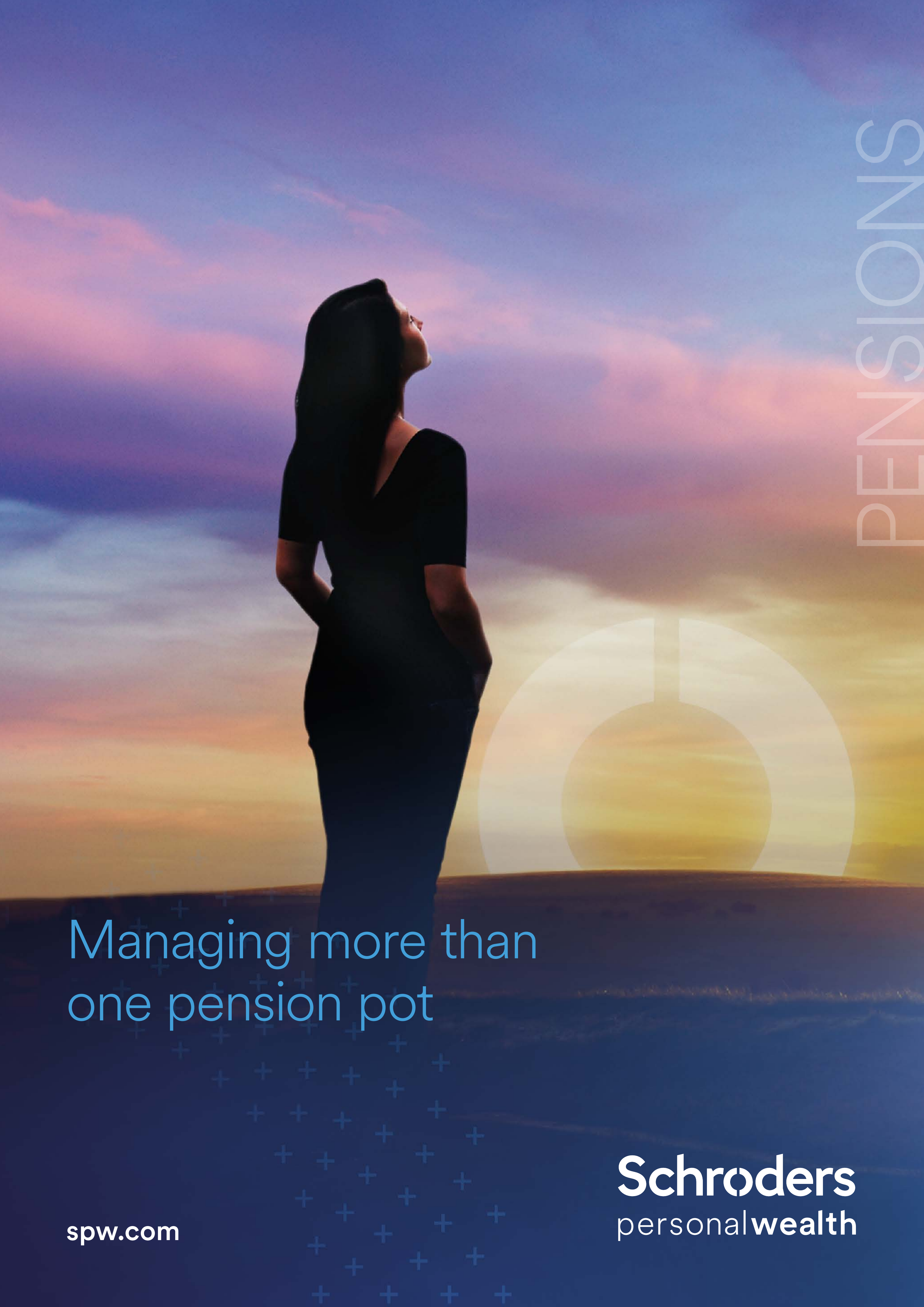

PENSIONS

Managing more than one pension pot

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It's essential we review our pension savings regularly. For most of us, our pension is our second-biggest asset after our homes and making the most of our pension savings could have a significant impact on our happiness in retirement. Getting it right could mean achieving a higher income, or the potential of an earlier retirement date. If we find a shortfall, the need for action is clear.

According to BPS world, staff usually stay with one employer for an average of 4.5 years[1]. With government legislation aiming to increase the number of employees saving for retirement, most of us can expect to be auto-enrolled into a new plan every time we start a new job. Over a working life the average UK worker is therefore likely to have ten jobs and therefore ten pensions.

Accumulating numerous workplace pensions from different employers can make things complicated when creating a coherent retirement strategy. Especially when you consider that nearly a quarter of us have lost track of at least one pension[2]. The government offers a free pension tracing service if you're struggling with this[3].

When we join our employer's pension scheme we may be offered a choice of investments, but as very few of us are investment gurus, the temptation is to plump for the default option. There is nothing intrinsically wrong with that: it is usually designed to meet the broad needs of most of the scheme's members. But that doesn't necessarily mean it meets your specific long-term goals.

But we move on and our needs change, and over time the historical investment policy and strategy might no longer be appropriate. Furthermore, there's a danger these left-behind plans end up languishing in expensive, poorly performing funds.

1 www.recruitment-international.co.uk/blog/2017/12/employees-staying-average-of-4-dot-5-years-in-a-job-finds-bps-world

2 www.ageuk.org.uk/latest-news/archive/nearly-one-in-four-lose-track-of-pension-pots

3 www.gov.uk/find-pension-contact-details

The upsides

If you have several different pension pots, there are potential advantages to consolidating them into one.

You:

- Can keep track of and manage your pension savings more easily
- Could save money if you transfer from higher-cost schemes to a lower-cost one
- Could access a greater choice of investments if you're consolidating your pension pots into one flexible scheme.
- Could get a better idea of your retirement income, leaving you better prepared in case there'll be less to live off than you think.
- You can move your pension pot from a scheme with limited or restricted retirement options to one offering the full range of pension freedoms.

The downsides

There are potential downsides to watch for, too:

- Do any of your existing pension schemes offer guaranteed annuity rates or a guaranteed minimum return? If they do, you should consider the implications carefully before transferring out. Even with the potential for future returns, you might not be able to match the income you could achieve by remaining in the scheme.
- Likewise, do any of them offer enhanced tax-free cash sums or other features?
- Will you be charged for transferring money out of a scheme? Some charge an exit fee expressed as a percentage of the value of the assets transferred.
- In general it's a bad idea to transfer out of defined benefit (final salary) pension schemes without taking professional financial advice. And if your plan has a value of more than £30,000 you won't be able to move it at all without having taken advice.
- The guaranteed retirement income that defined benefit schemes offer can shield you from investment risk and they can also offer a spouse's pension as standard.

Conclusion

Consolidating your pension schemes has the potential to provide you with a wider range of investment options and could allow you to tailor your investments to your personal objectives. But this can seem overwhelming and you could end up making the wrong choices for the right reasons. For example, taking too much risk in the hope of achieving higher returns because you feel you need to make up for lost opportunities. Or not taking enough risk for fear of losing money over shorter time periods.

Talking to your Personal Wealth Adviser can help you understand what could be realistic to achieve and the most appropriate ways of reaching your long-term aims.

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.

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Please contact your Personal Wealth Adviser if you'd like this information in an alternative format such as Braille, large print or audio.

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