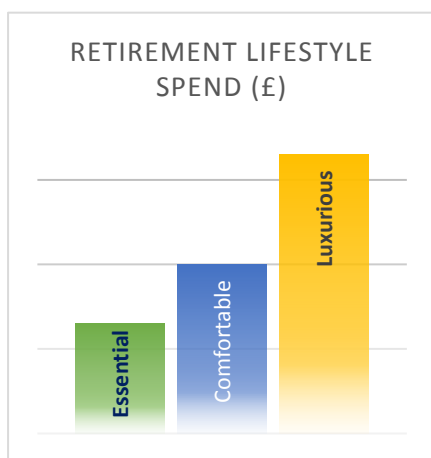


Saving and Planning for Retirement

Retirement may seem a long way off for some, but have you ever considered how much money you would need to maintain your desired lifestyle when you retire?

Retirement can last for 30 years or more and the common perception is that you need between half and two-thirds of the pay you received whilst working to live on in retirement. Obviously the exact amount varies depending on the type of lifestyle you're aiming for. This estimate assumes you've paid off your main debts, for example a mortgage, that you no longer have any financial dependants and don't spend money on commuting to work.

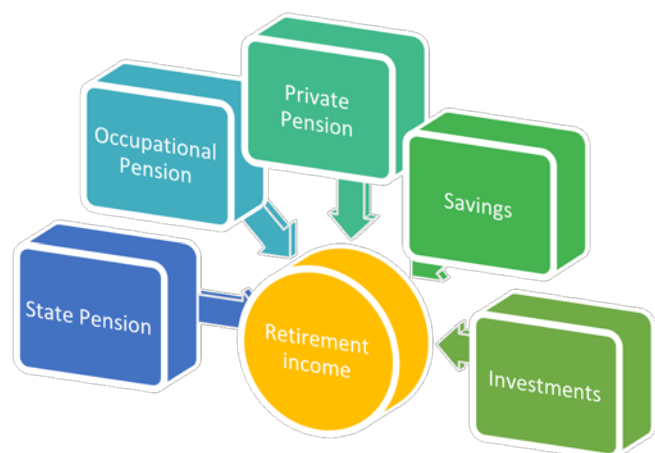


When you retire you may find that you spend more on day to day activities, holidays, hobbies etc. and you might also see utility bills increase as you spend more time at home. All of these need factoring in to the equation.

Recent analysis by [Which?](#) found that retirees spent between £20k to £33k a year depending on their lifestyle; that's for a single person. Retired couples spent around £27k to £42k.

Where does your retirement income come from?

For most people it's their pension; which can be a combination of the State Pension, Occupational (workplace) pensions and private pensions. Pensions tend to be Defined Benefit (DB), like the RCPS, which are based on your time in the scheme and your earnings or Defined Contribution (DC) which is based on the return on investments. Some people might also have savings, other investments or assets. State Pension and Defined Benefit pensions have a guaranteed income.



State Pension

The full State Pension is currently £168.60 per week (£8,767.20 per year). You only get a full State Pension if you have 35 years of National Insurance Contributions. To get any State Pension at all you need 10 years of National Insurance Contributions.

You can find out how much State Pension you will receive from this link <https://www.gov.uk/check-state-pension>. You can also check your State Pension Age, for most people it will be either 65, 66, 67 or 68. The State Pension isn't automatically paid, you need to claim it.

Defined Benefit (DB) pension

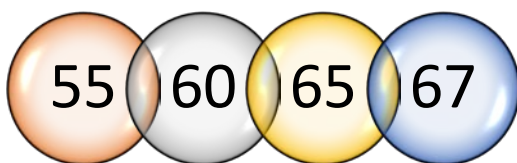
Income from these schemes depend on how long you were in them and how much you earned. Some are based on your final salary, some are based on your average earnings. Check your latest Annual Benefit Statement to see what you have accrued already. Depending on your provider your statement may also tell you what your pension will be at the scheme pension age.

Defined Contribution (DC) pension

These schemes are based on how much money was paid into your pot, where it's invested and how that grows. If you've been paying into one (or more) of these then you have some more freedom with your pot. For instance you could take it in one go, you could make regular drawdowns or use it to purchase an annuity (a guaranteed regular income for life). Your benefit statements will tell you what the value of your pot is and may also estimate the annuity it could purchase.

DC pensions may also be referred to as money purchase, executive pension plan, group personal pension plan, master trust pension, self-invested personal pension (SIPP), small self-administered scheme (SSAS) or stakeholder pension.

Pension Age



Different schemes have different pension ages, for example there is a minimum retirement age of 55 for most people. Some public sector pension schemes have pension ages of 60 or 65, and some are linked to the State Pension Age. If you draw a DB pension early it will more than likely be reduced for early payment.

The later you start saving the more you have to pay in?

This might seem obvious but many people don't consider it. If you have longer to save for something it is generally more achievable, so the theory follows that if you start pension saving in your 20's you're more likely to reach your retirement income goal than if you start saving in your 50's. Saving means paying into a pension scheme.





Use the Money Advice Service's [pension calculator](#) to estimate your retirement income.

What else?

Assuming you're not working that will reduce travel costs, you'll also be eligible for a free bus pass (at State Pension Age in England, and at age 60 in Scotland, Wales and Northern Ireland¹).

If you remain in employment past your State Pension Age then you will stop paying National Insurance contributions. The current rate of NI for most people is 12%.

The Money Advice Service has some useful information about the benefits available in retirement: <https://www.moneyadviceservice.org.uk/en/articles/benefits-in-retirement> and they also have a useful pension calculator, budgeting tool and lots more information about retirement planning <https://www.moneyadviceservice.org.uk/en/pensions-and-retirement>



Anyone that is 50 or over with a DC pension can also use the governments free advice service Pension Wise <https://www.pensionwise.gov.uk/en>



Scams

Pensions are a target for fraudsters, they can take your whole pension savings leaving you with no pension income and possibly even a large tax charge.

Warning signs are:

- Cold calls, emails, texts and even being approached in person without any prior discussions. Although cold calling about pensions was banned in January 2019 it still happens. You shouldn't be contacted by any company unless you asked them to.
- When a company doesn't let you call them back, or their address is a PO Box and their website only has mobile phone numbers listed
- When you're being pressurised into making decisions, given "time limited" offers, even having documents couriered for signatures
- Being told you can get cash from your pension before you're 55
- Phrases such as, "free pension review", "pension liberation", "loan", "loophole", "cashback", "pension release"

¹ Information correct at time of writing



The Financial Conduct Authority has a warning list you can check companies on: <https://www.fca.org.uk/scamsmart>



Read The Pension Regulators '[How to spot a scam' guide](#) for more information on scams.

Some other useful websites:



Which? give quite a bit of information regarding how much you will need when you retire along with some examples: <https://www.which.co.uk/money/pensions-and-retirement/starting-to-plan-your-retirement/how-much-will-you-need-to-retire-atu0z9k0lw3p>



Age UK <https://www.ageuk.org.uk/information-advice/money-legal/pensions/> have some useful pension and annuity information.



Moneywise <https://www.moneywise.co.uk/work/earning-money/how-much-cash-would-you-need-quit-work> gives examples from five 40-something wage earners and their pension plans.



Gov.uk <https://www.gov.uk/plan-retirement-income> provides information on planning your retirement.