10 Ways to Boost your Pension

With the changes in the Budget – 2015 could be the year to boost your retirement planning. Our Top 10 Tips offer the potential to transform your savings including:

1. Stop procrastinating

   The earlier you start saving, the greater the impact will be. "Someone earning £25,000 per year at age 25 who starts a pension with an 8% contribution can look forward to a retirement income of around £7,500 per year at age 65" . "Delay 5 years and the figure drops to around £5,300".

   It is easy to put pension savings off because you don't feel you can save meaningful sums right now. However, every penny helps and behavioural economics tells us people who start saving early, even if they only put small sums by, are more likely to start saving more later on when their finances allow.

   It is always advisable to direct part of any pay rise into long-term savings. What you've never had, you don't miss.

2. Don't turn down free money

   All employers must offer their staff a Company Pension Scheme under the auto-enrolment system, which is currently being phased in – large and medium sized employers, are already covered by the new regime and smaller employers soon will be. Since the rules also require employers to make a contribution on your behalf, exercising your right to opt out of the Scheme is effectively giving up additional pay.

   Always join a Company pension scheme if you can. "Pay in as much as you can to obtain any additional matching employer contributions" – it's free money.

3. Set Up Salary Sacrifice

   Salary Sacrifice Schemes, where your employer deducts your pension contributions from your pre-tax salary are particularly tax-efficient. Your employer pays the amount you are sacrificing from your gross salary into your pension, saving you income tax on the amount sacrificed and the lower salary amount.

   An employee who is making a monthly pension contribution of £100 after tax relief could give up £176.50 of salary each month, which will leave them with the same take home pay. "The £16.23 monthly National insurance saving could be added to the pension contribution, resulting in a total contribution of £133.88 per month – at no extra cost to the employee or employer".

   This is not only an option for employees but also business owners too.

4. Be a smarter investor

   How much you pay into your pension funds is just one of the factors that determine your eventual income in retirement. Investors are often far too conservative, given the long-term nature of saving for old age.

"When you are younger and have a long period until your retirement date, you can afford to take more risk from your investments, especially if you are investing monthly". "Investing in equities is likely to give you the best long-term returns, although as you get closer to retirement you should put more money in other assets, such as cash, fixed interest and property, as capital protection should become as important as capital growth".

5. <u>Don't just save in a pension</u>

   For most people, the best approach for long-term savings is a combination of pensions and ISAs. "Pensions provide initial tax relief, which gives your savings an immediate uplift, but

   - Debt repayment.
   - Buying or enhancing your home with the intention of down-sizing in later life.
   - Property development or building a business to sell.

6. <u>Ditch under-performing investment funds</u>

   "Poor performance from investment funds is one of the main reasons why people are dissatisfied with their pensions." Keep a close eye on your pension fund and if it is failing to meet the annual growth rates in order to hit your savings target, ask your Adviser why.

   That is not to say you should leave all such investments automatically, but don't be afraid to switch out of funds which aren't keeping pace with Market benchmarks or their peers.

7. <u>Retire later</u>

   Annuity providers offer rates based on how long they expect you to live in retirement, so retiring later should net you a better deal. Our 25-year old saver on target for £7,500 per year at age 65 could delay retirement for 5 years and see their income figure jump to £10,300.

   The same applies to your pension from the State. Wait longer to claim your State Pension benefits and you are entitled to enhanced rates. Even a year's delay entitles you to 10% more.

8. <u>Increase your contributions</u>

   Adding just a bit to the amount you put away each month can really mount up. For example, assuming a real return of 3.5% per year (after charges and inflation), a 30-year old paying an extra £50 per month net into their pension until the state pension age of 68 would boost their pension pot by £57,000 in today's money.

9. <u>Get a State Pension Forecast</u>

   State Pension benefits may not be sufficient to deliver the standard of living you hope for in retirement, but they are a good start. "Find out what State Pension entitlement you have already by requesting a forecast from the Department for Work & Pensions". "If you have a gap, consider making Class 3 voluntary National Insurance contributions because this means the Government takes on the risk of inflation and you living too long".

10. <u>Get Expert help</u>

    An Independent Financial Adviser (preferably us!), will review your existing pension arrangements, provide projections of benefits to normal retirement age, review your existing funds and contracts on a regular basis to ensure that you are meeting your objectives and requirements. Whilst there is a cost, if the Financial Adviser can add value it is a service worth paying for – using a car analogy, few people tend to buy the basic model of a car, but choose additional features at a price usually worth paying.