

Pensions: What you need to know

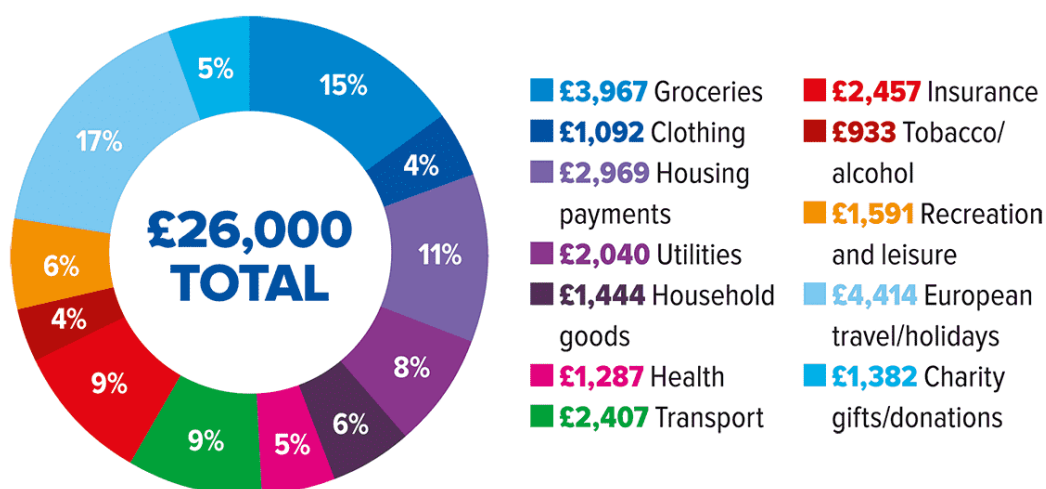
Preparing for the Future

It's against this backdrop that millions of people neglect their retirement, with more than a third of Britain's 5.2 million micro-businesses holding no pension plans. We hear a lot of: life is expensive and retirement can feel like a distant expense. But as the sums show, it's better to start saving sooner rather than later. Your pension needn't be abandoned and with some small lifestyle changes you could start saving tomorrow, without noticing the impact on your pocket too much.

Why a comfortable retirement might not be as expensive as you think

There are a lot of figures thrown around when it comes to retirement, and it can be tricky to work out exactly what you'll need to save. However, perhaps the best source of inspiration is Britain's pensioners, as who knows the cost of retirement better than them?

To this end [Which?](#) recently conducted some research, surveying close to 2,000 pensioners. On average, retired couples in their study found they needed £18,000 a year to cover household essentials – such as food, utilities, transport and housing costs – rising to £26,000 allowing for extras, such as a European holiday and leisure activities. Check out the pie chart below for an in-depth breakdown.



This £26,000 figure works out per person at £13,000 a year. So, if you're entitled to the full state pension of £8,296, then according to the Which? research you only need to supplement it with around £5,000 per year. Still, that's not a negligible amount when you've got plenty of other costs to pay – so how can you reach the £5,000 that's required?

How some small lifestyle changes can have a big impact

To generate that Which? sum of £26,000 a couple would need a pot of £210,000 in today's money, in addition to their full state of pension £8,296 per year. Based on the current retirement age and state pension entitlements this means that couples who are starting from scratch need to be saving:

£131 a month from age 20

£198 a month from 30

£338 a month from 40

£633 a month from 50

Take a minute to consider those figures – they're not too scary, are they? Especially given that they're based on a couple saving for retirement together. Break them down per person and they become even less daunting, for instance:

£65 a month from age 20

£99 a month from age 30

£169 a month from age 40

£316 a month from age 50

Now start thinking about your spending habits – dinners out, expensive lunches, your coffee habit perhaps – and it's possible to see where that extra pension money might come from. For instance, the average Brit eats out six times a month and spends up to £53 per meal, bringing the average annual restaurant spend to £4,000 per person. If that sounds familiar then by simply cutting back on eating out, you could start funding your retirement!

The same goes for those lunches grabbed when you're out and about, and those coffees from expensive chains. Every one of us has a guilty pleasure that we know we spend a little too much on, so start by identifying these costs and work out how you can spend less.

But hold on, why is it so necessary to make these sacrifices? What makes a pension so essential?

Why a pension is so important

As things stand, the average life expectancy is around 81, and it's a number that's only expected to rise in the coming years. In parts of the UK, babies being born now are expected to live up to 105 and beyond, illustrating the shifting demographics of the country.

All of this change is having an impact on the state retirement age, with one recent government report suggesting that by 2050 it could be increased to 70. Whichever way you look at it the wait for your state pension is only likely to get longer, so your personal pension will become more important than ever. The good news is that

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pensions are a tax-efficient way to save and with a bit of digging you might discover you have more saved than you think.

There's an estimated £400 million in unclaimed pensions out there in old workplace schemes, so if you've ever worked for someone else it could be worth doing some searching. Chances are you may have been signed up to their pension scheme, so sift through that old pension paperwork if you think this might be the case. Alternatively, contact the government's Pension Tracing Service and see if they can help.

Ultimately, the state pension alone is unlikely to be enough to support you in later life, so a personal pension is essential if you want a comfortable retirement.

Above all else don't panic, as there's still time to build that comfortable retirement! Some small sacrifices really can go a long way, whether in your 30s, 40s or 50s.

For more information on how pensions can be tax-efficient for you then please [click here](#).

If you would like more information on starting up a private pension then why not contact [ASC Financial Services](#) and arrange a free consultation by mentioning Bidwell Accountancy when making your booking.



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