CHADSAN

Is My Workplace Pension Scheme Enough To Retire On?

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The number of UK employees enrolled in a workplace pension scheme has risen rapidly over the last 7 years.

The Office for National Statistics estimates that in 2019, **77%** of all UK employees were members of a workplace scheme, which compares to fewer than half prior to 2012.

This is undoubtedly a positive trend as a higher proportion of the UK population will now have a larger sum of money to put towards their retirement.

However, the problem lies in understanding "Is my workplace pension scheme enough to retire on?" Often, I find our clients come to us with the following questions:

- How much money do I need to live comfortably in retirement?
- How is my workplace pension invested? Are the investments ethical?
- How much am I being charged? Is this cheap? Expensive?
- Should I be contributing more? If so, how much?

Crucially, the lack of understanding in this area has led to a huge pension savings gap in the UK, with the average UK citizen estimated to outlive their savings by 10 years according to research carried out by the World Economic Forum.

Even for younger professionals who are unlikely to have started thinking about retirement, it's important to keep on top of pensions and have a retirement plan. This will not only save a lot of time and hassle in years to come, but also put you in a better position financially.

Here are my top 3 things you can do which will help you to manage your workplace pensions so that you can have achieve a comfortable standard of living in retirement:

1 Track them down

Before any review of your pensions can be undertaken – the first obstacle is tracking them down.

The two key things you'll need to know is the pension provider and plan number. However, as the average UK employee has had 11 jobs in their lifetime, you probably have more than one pension and losing track of this is very easy to do.

A good place to track down lost pensions is the government pension tracing service. Once you enter your former employer's name, the website will display who their chosen pension provider was. You can then contact them to obtain your plan details.

If you find yourself too busy to track your pensions down yourself, there are number of companies and Financial Advisers who can do the 'digging' on your behalf. These companies often also offer to combine your old pensions into one easy-to-manage plan to save you further hassle in the future.

2 Review your pensions

Once you get a hold of your pension provider and plan details, you can contact them to provide you with access to your online account.

On this account you'll be able to see an overview of your pension including how much you've got, the fees you're paying and how your pension is invested.

Whilst it's important to gain an understanding of these things, the key thing you'll want to know is – is my pension enough to retire on?

A really simple way to check this is to use our pension calculator. After you enter a few details, the calculator will help identify:

- The size of pension pot you'll need
- The impact of inflation on this figure
- If there is a shortfall, it will calculate much you need to save to meet your retirement goal.

3 Options to boost pension savings

If the pension calculator has identified a shortfall, there are a few things you can do:

1. Contribute more – to bridge the shortfall in your pension savings, you can typically pay into it via a monthly direct debit or a one-off lump sum. Each has their advantages; however, the main thing is to understand how much you need to save by your desired retirement date, factoring in inflation and investment growth.

2. Optimise your asset allocation: the most cost-effective way to increase the growth of your pension savings is to review the asset allocation of the underlying investments. By structuring your asset allocation in line with your investment time horizon and attitude to risk, you can avoid missing out on the higher returns that assets like equities are likely to provide over the long term. However, this is a complex area and investments may fall as well as rise.

3. Delay retirement or plan for a more modest one – increasing pension contributions isn't always possible, and it can become costly if you leave it until later in life. The longer you pay into your pension, the more chance it has to grow, and due to compounding returns, the amount that it grows increases over time. So, delaying retirement by even a couple of years can significantly increase your retirement income. Depending on your retirement goal, you might find that you can live off less without seeing much impact on your standard of living.

Please note this list isn't exhaustive and there are other things to consider in saving for retirement such as the state pension, defined benefit schemes and legislative allowances.

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