A Guide To Your Workplace Pension:

how does it work and is it 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 how these pensions work and if they will be 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 your 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 much better position financially.

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

1 Track them down

Before any review of your pension 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.

If this is you, then the government have a **pension tracing service** which is a good place to start. You can enter your former employer and the website should display which pension provider your employer offers their workplace pension scheme through. You can then contact them to obtain your plan details.

If this option doesn't work, you can contact your former employer directly and enquire with HR who the workplace scheme is with.

If you find yourself too busy to track your pensions down yourself, there are a number of companies and Financial Advisers who can do the 'digging' on your behalf.

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 (if at all).

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 comfortably 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 how much you need to save to meet your retirement goal.

3 Options to boost pension savings

If our pension calculator has identified a shortfall, there are plenty of things you can do:

1. **Optimise your asset allocation:** reviewing your pension asset allocation is very prudent as you may be missing out on the higher returns that equities are likely to provide above fixed income securities over the long term. However, this is a complex area and your investments may fall as well as rise. Therefore, speak to a Financial Adviser for a professional recommendation.

2. **Start a personal pension:** If you feel you don't have the time or expertise to manage your retirement plans, you can always start a personal pension with a Financial Adviser. Even though you won't receive employer contributions, you'll still receive tax relief from the government and the adviser can provide professional advice on the level of contributions, tax relief and asset allocation.

3. **Combine your old pensions into one:** Keeping track of multiple pensions can be time-consuming if you even know where to look. Combining your pensions into one easy-to-manage plan that has a single fee structure could save you a lot of time in the long term, as well as making your retirement plan easier to stay on top of. Before moving your old pensions, check if there are any exit fees or other penalties that could make it worth keeping them where they are.

4. **Delay retirement or plan for a more modest one:** 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. Increasing pension contributions isn't always possible, and it can become costly if you leave it until later in life. Depending on your retirement goal, you might find that you can live off less without seeing much impact on your standard of living.

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