P.B. SYDDALL & CO
Chartered Accountants & Business Advisers

Maximising your pension savings

Ways to hit your desired retirement income target.

Weighing up when you want to retire, estimating how much money you will need for a comfortable retirement and the number of years left until you can actually call it a day will be familiar trains of thought for anyone planning their retirement. But the need to seek alternative ways to boost your retirement income without eroding your pension pot has never been more pressing.

In an era of low interest rates, the question facing many individuals who are approaching the end of their career is how to make the most of their pension savings to secure a comfortable retirement.

Extending contributions

Depending on your circumstances, delaying when you access your retirement income can boost your savings by making more contributions towards your workplace pension.

The number of over-65s in some form of employment has more than doubled in the last 13 years with almost 1.2 million employed people over the age of 65 in July 2017, according to the ONS.

Doing this can offer you the chance to claim a pension while also benefitting from employer contributions for longer.

Those who are delaying their retirement by five years can boost their pension pot by around an average of £46,000. For example, research from Aegon claims a 65-year-old who remains in work until the age of 70 and contributes £355 a month would add £46,388 to their savings over the five-year period. This could see their monthly retirement income increase from £457 to £771.

Increasing contributions

The earlier you can increase contributions towards your pensions, the easier it will be to hit your pension pot target. As a rule of thumb, industry experts suggest you should save half your age as a percentage. For instance, if you are 20 years old you save 10%, 30-year-olds save 15% and so on. Raising the amount you pay into your workplace pension will ensure you benefit in the form of employer contributions and government tax relief.

Getting full state pension

If you choose to work past your state pension age, you don't pay any further national insurance contributions (NICs). However, you can usually top up your state pension if you have missed any payments over the previous six years through ill health or unemployment. This can be done by paying voluntary NICs.

If you defer taking your state pension beyond when you reach state retirement age, it will be enhanced and pay a higher amount when you finally take it. Working out if this is beneficial for you can be complicated so it's worth seeking advice to understand how this could affect you.

Auto-enrolment

One of the simplest ways to boost your retirement savings at any age is by taking full advantage of your workplace pension. Most employers now have a legal duty to automatically enrol you into a workplace pension if you are:

- employed in the UK
- not already in a suitable workplace pension scheme
- aged between 22 and state pension age
- earning more than £10,000 a year in 2017/18.

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Auto-enrolment is where you pay a minimum percentage (currently 1% in 2017/18) of your earnings between £5,876 and £45,000 and your employer also has an obligation to contribute. The 1% minimum contributions towards your workplace pension will increase over the next two years:

Date	Employee	Employer	Total
April 2017	1%	1%	2%
April 2018	3%	2%	5%
April 2019	5%	3%	8%

You can choose to divert more of your salary towards your workplace pension if you wish, while obtaining contributions from your employer for the remainder of your career makes this an easy way to grow your pension pot.

For workers who are a long way off reaching their retirement age and therefore have a long time to plan for their retirement, it can be an effective way of forming the nucleus of your retirement savings strategy before considering other options.

If you want to maintain your current standard of living in retirement you may need to contribute more than the minimum. This is particularly true for higher earners as income above £45,000 is not considered when calculating contributions.

Investment options within pensions

Even if you have a workplace pension, your involvement doesn't end there. All schemes have default funds, so you can join the pension scheme without having to actively choose where your money is invested. However, the default funds may not be the best choice for everyone.

Most defined contribution schemes will offer you the choice to invest in alternative funds. Some schemes will offer a single fund, while others have a broader selection of investments to choose from. If you opt to take control of your investment options, you need to choose a fund (or funds) which are aligned with your own broad investment strategy.

Investment funds usually invest in shares, bonds and cash. Shares are for the long-term investor who wants to see their investment grow over a period of time. While they historically offer better returns than bonds and cash, it is not guaranteed.

Your attitude to risk is likely to change as you approach retirement, so regular reviews – usually annually – are recommended.

Tracing lost pensions

The government estimates there is more than £400 million languishing in unclaimed pensions, which prompted the Department for Work and Pensions to launch its new Pension Tracing Service (PTS) website in 2016.

This free service was set up to help people locate their hard-earned savings from a database containing the details of more than 320,000 workplace and personal pension schemes.

Assuming you have the name of your former employer or pension provider, you can phone the PTS on 0845 600 2537 or submit a tracing request online by visiting www.findpensioncontacts.service.gov.uk

The PTS will check your information against its database and usually provide you with contact details of the administrator who handles the pension scheme.

The service will only give you the details to get you started, it will not tell you the pension's value or if you have a pension with that scheme.

It's therefore handy to know your national insurance number and the dates you started and stopped work before you contact your former employer.

Once you have all the necessary details, your former employer should be able to provide you with details of their pension provider, even if your employer provided access to a personal or stakeholder scheme.

Consolidating pensions

Pension consolidation is the process of bringing multiple pensions into a single pension pot. It could save you money, while also making it easier to manage your savings in one place.

If you've got several workplace pensions from previous jobs over the course of your career, consolidating your pensions may be an attractive proposition. Having numerous pensions could mean paying multiple charges, such as annual management fees or investment charges.

It can make it easier for you to keep tabs on how your savings are performing, while also potentially simplifying the process of buying an annuity or placing your money into income drawdown when the time comes.

While pension consolidation has its obvious pluses, one size doesn't fit all. For example, transferring out of a final salary scheme or a scheme with other guarantees or enhancements could mean you lose significant financial benefits.

For pension benefits of this type worth more than £30,000, it is a legal requirement to take advice before transferring them.

Contact us to make the most of your pension.