

## Are you saving enough for retirement?

One in six over-55s have no pension savings yet

Despite the fact that the government has been trying to encourage people to save for their retirement through initiatives such as auto-enrolment, there are still too many Britons who have no pension savings at all. Research reveals that a fifth (20%) of people still have no pension savings at all, and people nearing retirement aren't doing much better<sup>[1]</sup>.

Even prior to the cost-of-living crisis there have been a number of reasons why this might be the case. For some people, they simply may not be aware of the need to save for retirement. Others may not have enough spare income to put into a pension pot after covering their essential living costs.

### MORE COMFORTABLE

However, the most common reason is people believe they will have plenty of time to start saving later on in life. But this is not the case. Even if you are in your 20s or 30s, it is never too early to start saving for retirement. The sooner you start, the more time your money will have to grow.

Findings also highlight the fact that one in six people (16%) who are within sight of their retirement still have no private pension savings, and consequently are missing out on the opportunity to make their life after work more comfortable.

### ALARMING NUMBER

At least 17% of people in the UK aged 55 and over admit to having no pension savings (other than the State Pension), which is only slightly better than the average for Britons as a whole – 21% of whom say they have no private pensions.

What this research shows is that an alarming number of people are effectively 'sleepwalking' towards their retirement without adequate preparations. But, there are signs that as people grow older, they are becoming aware that a lack of pension savings is a problem – though perhaps not quickly enough.

### PENSION DEFICIT

The issue is most visible among adults aged under 35. Nearly a quarter (24%) of this group claim to have no pension savings at all, despite being a generation to benefit from auto-enrolment

into workplace pensions. After 35 this drops to one in five, and then to one in six for the over-55s. Clearly, people do start to save more as retirement draws nearer, even if they have missed out on the opportunity to save over many years.

Lack of pension savings is a particular issue for those not in full-time employment. Encouragingly, just 8% of respondents who worked full time said they had nothing in their pension. But among part-time workers this figure was one in four (24%), indicating that part-timers face a potential pension deficit when they retire.

### WORRYING STATISTIC

The people worst affected tend to be those not currently working at all – whether because they are unemployed or because they are full-time parents. Nearly 60% of this group said they had no pension savings.



Where this is because of full-time parenthood, the parent in question may be relying solely on their partner's pension in later life. This is a risky strategy, both because that pension may not be enough for both of them, and because of the risk of relationship break-up.

Another worrying statistic highlights that one in five people simply don't know how much they have in their pension savings. Curiously, this uncertainty grows rather than shrinks as people get older: while 14% of under-35s are unsure, this rises to 22% between the ages of 35 and 54, and then to 24% among the over-55s.

## SUBSTANTIAL INCOME

It may be the case that many of those who think they have no pension savings are wrong, and that they do have pension pots from previous jobs (or even their current job) that they don't know about. The first step for anyone who thinks they are pension-less is to contact the government's Pension Tracing Service and

search through their previous employers to see if they were ever a scheme member.

However, some people will reach the age of 55 (the earliest age that someone can access pension pots) and find that they genuinely have no pension savings. But this isn't a reason to give up and assume it's too late. Although a person close to retirement has a lower chance of saving enough to provide a substantial income, pensions can help your money to go a lot further. ■

## READY TO DESIGN YOUR RETIREMENT?

There are a number of ways you can save for retirement, such as through a workplace pension or a personal pension. So if you haven't started, now is the time to do so. It may seem like a long way off, but the sooner you start saving, the better prepared you will be for your future. If you would like to discuss your situation or concerns you may have about a pension shortfall, please contact us.

## Source data:

[1] Survey by Unbiased and Opinium of 2,000 non-retired UK adults, conducted June-July 2020.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

