KEEN
DICEY
GROVER
CHARTERED ACCOUNTANTS
TEL: 01753 652098

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Are you Still on Track for Retirement?

Most of us can remember the day we left school or university to begin our working life. However, today you may be closer to retirement than to the day you began your first job.

Throughout the 1980s and 90s people became accustomed to thinking of building savings through pension plans and individual pension policies as the key to providing an income in retirement. During those years commentators could be heard warning that people were not investing adequately for retirement. So what is the state of retirement planning today? In recent years, what some have termed the 'pensions crisis' has resulted in something of a conundrum, with many people either not knowing the extent of their retirement income shortfall or not knowing how to address the problem.

Your pension plan may not seem to merit your urgent attention. However, with warnings that people are still saving far too little towards retirement, the challenge is evident. Action is necessary if the state pension is not to be the major (and wholly inadequate) source of income.

Consider these Key Drivers:

Inadequate state pension

The state pension is paid to all eligible pensioners, but in reality it represents only a small proportion of average earnings and will only provide for the very basics of everyday living.

The impact of stock markets

Payouts from pension policies have taken significant falls in recent years. Remember that pension forecasts have historically taken into account a compounding return and so markets need to do more than just recover lost ground if pension plans are ever to regain their status as the primary cornerstone in retirement planning.

Living longer is now a habit

Government figures suggest that life expectancy in the UK is continuing on an upward trend for both men and women.

Reducing annuity rates

Falling interest rates have been accompanied by inevitable reductions in annuity rates. In January 1997 a pension fund of £100,000 would have bought a man aged 65 an annuity of over £11,000. Today, that annuity could have fallen to under £6,000 (for a single-life level annuity), although the exact amount will be dependent upon state of health and type of annuity selected.

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When will you retire?

Where previously there was a trend towards early retirement, fuelled by the momentum of the stock markets, in recent years that trend has been reversed and retirement at 60 or beyond is now almost inevitable for the majority.

Whether you are just starting out in the workplace or close to retirement, you are, like all of us, facing the need to reckon for the future. You may be apprehensive about this aspect of your future or, as some surveys suggest, not focused on the challenge. Perhaps you have heard the call to invest more but it has not been at the top of your agenda. Some business people are planning to be financially independent of their business by the time they are 55, thus leaving themselves free to retire or continue in business as they choose.

Never too late – or too early

More and more people are realising that while it is never too late to act, nor is it ever too early to begin putting pension and retirement planning in order. Whatever your situation, we would welcome the opportunity to discuss this essential aspect of your future with you, helping you to plan in such a way that you do not experience a pension crisis.