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FACTSHEET

Future financial health

Taking the time to take back control over retirement savings

With all that has been going on in the world this year, for many people it's been really difficult to feel as though they're in control of much. However, some people have been in the fortunate position of being able to take the opportunity to invest in both their physical and emotional health while in lockdown.

Worryingly, though, research suggests that some people might have overlooked their future financial health[1] as result of the coronavirus (COVID-19) outbreak. So as life begins to normalise, now is a good time to take back some of that control, starting with retirement savings.

TIME TO REVIEW AND BETTER ORGANISE FINANCES

Establishing financial security is an important goal, but it doesn't happen overnight. We need to cultivate good financial habits over our lifetime to reliably grow and maintain our retirement nest egg. All of our financial decisions and activities ultimately have an effect on our financial health.

Of those who spent the months of lockdown working from home, some might have been able to make financial savings as a result. Some employees, including furloughed employees, will have been entitled to employer pension contributions that may now need reviewing. People entering or approaching retirement in 2020 should carefully plan how and when to access their pension in order to maximise annual allowances and tax-free benefits.

MORE BADLY ORGANISED THAN BEFORE THE PANDEMIC

According to the research findings, 21% of people say they have taken the time to review and better organise their finances since the start of the pandemic. The younger generation of 18-34-year-olds (31%) were more likely to have organised their finances than those aged 35–54 (22%) and 55+ (13%), while men (23%) were more likely to have done this than women (19%).

Just 9% said that they hadn't reviewed their finances and that they were more badly organised than before the pandemic. This was much more likely among men (42%) than women (32%) and also more common among the younger generations, with 49% of 18-34-year-olds compared to 36% among 35-54-year-olds and 28% of over-55s.

10 TIPS TO ENJOY THE RETIREMENT YOU WANT

For the previous six months, understandably, people have been focused on the short term. Retirement savings may have been neglected by many.

- Review your spending habits and consider if you have the scope to save a little more each month.
- Look up your annual benefit statements – you may have saved with more than one employer's pension scheme.
- Think about what financial milestones you'd need to reach in order to increase your pension contributions and review your investment choices.

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- Find out more about your current pension plan. If you pay in more, does your employer match your contributions?
- Track down old pension schemes, using the Government's finder service https://www.gov.uk/find-pension-contact-details or request contact details from the Government's Pension Tracing Service on 0800 731 0193 or by post.
- Check your Expression of Wish form is up to date. This is a request setting out who you would like to receive any death benefits payable on your death.
- Check your State Pension entitlement. To receive the full State Pension when you reach State Pension age, you must have paid or been credited with 35 qualifying years of National Insurance contributions. Visit the Government Pension Service https://www.gov.uk/contact-pension-service for information about your State Pension.
- Add up the savings and investments that you could use for your retirement. A pension is a very tax-efficient way to save for your retirement, but you might also have other savings or investments that you could use to increase your income when you retire.
- If you're getting close to retirement and the amount you're likely to retire on is less than you'd hoped, consider ways to boost your pension.
- Decide when to start taking your pension. You need to set a target date when you want to start drawing an income from your pension – and remember you don't have to stop working to take your pension, but you must be aged at least 55 (you might be able to do this earlier if you're in very poor health).

SAVING NOW SO YOU CAN SPEND LATER IN LIFE

If we've learnt anything from this COVID-19 pandemic, it's the importance of financial resilience, including having savings for later life. You need to save now so you can spend later in life. And making plans now for how you will pay the bills later when you are no longer working will avoid panic setting in when you suddenly find yourself retiring. ■

PURSUE AND ACHIEVE YOUR GOALS

There are two ways that wealth can slip away: slowly and quickly. Good financial health is about organising your resources in such a way as to allow you to pursue and achieve your goals while ensuring a reasonable degree of financial security. For help with your situation, please contact us.

Source data:

[1] Aegon research with Opinium surveyed 2,000 adults between 15 and 19 May 2020

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.