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UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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FACTSHEET

Over-50s with no pension provision

Consequences of not saving enough for retirement in our twilight years

Planning ahead for retirement will help ensure you're on track to achieve the financial future you want. However, millions of retirees may face the prospect of living in poverty during their twilight years and having to rely only on the State Pension as a result of failing to plan ahead for their retirement, according to new research[1].

People are living longer. This is good news, but more than a third (35%) of women and a fifth (20%) of men over the age of 50 do not have a private pension. Worryingly, 33% of over-50s don't think they have enough money to provide them with a sufficient income for their retirement – with women more worried about not having enough money in later life than men.

ADAPTING FINANCIALLY TO A NEW LIFESTYLE

One of the most common problems in retirement is adapting to a lifestyle that meets our new level of income. After all, it can be difficult to adjust to a drop in income that comes as a result of retiring from a full-time role and then having to live solely off our own pension – or, even more challenging, only the State Pension.

How much retirement money you're going to need will depend on the type of lifestyle you want. However, one of the great things about saving into a pension is the tax relief you receive. This means that if you're a basic-rate taxpayer, for every £100 saved into your pension, the cost to you is just £80. This could effectively be even less if you're a higher or additional-rate taxpayer.

DID YOU KNOW?

The maximum State Pension is a lot less than the amount most people say they hope to retire on – for the financial year 2020/21, it's £175.20 a week, or £9,110.40 a year.

RELYING ON A PARTNER'S PRIVATE PENSION

The report also highlighted that 36% of women over 50 don't think they have enough money to fund their retirement, with just 13% suggesting they were confident they would have enough to fund a comfortable retirement.

Overall, the vast majority of over-50s thought pensions – state and private – will be the biggest contributor to funding their retirement, with 27% saying they will rely on their partner's private pension, rising to 30% for women.

RETIREMENT IS NOT AN AGE ANY MORE

Many over-50s will look to other sources of income according to the report, with 12% expecting to use 'income from work' in later life, and 11% saying they expect to receive an inheritance. Property was also seen as an important source of income for homeowners: 14% are planning to downsize, and another 6% planning to use equity release.

It can be even more difficult for those reaching retirement who have either a reduced pension or no pension at all. However, it's important to remember that retirement is not an age. Not any more, anyway. Gone are the days of being told to stop working one day and picking up your state or company pension the next. Today, you have new pension freedoms to decide when and how you retire. ■

HOW CAN I START SAVING FOR MY RETIREMENT?

If you didn't manage to set up a pension in your twenties or thirties, the good news is that it's never too late to start putting plans in place to fund your future retirement. There are various ways to save for retirement. To find out more about what we can do to help you, please contact us – it's important not to delay any further.

Source data:
[1] https://www.sunlife.co.uk/siteassets/images/finances-after-50/finances-after-50.pdf/

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.