Pension Planning – Staying Informed

Increasing numbers of pension holders are taking a closer interest in their plans and seeking advice on alternative retirement strategies.

WITH THE government under pressure to reduce state pension payments and the retirement age set to rise over the coming decades, it is vital that all pension plan holders ensure they are making the best possible provision for life after work.

CONTROL

A survey published by Friends First based on research conducted in August suggests that consumers are starting to take more control and become more educated when dealing with their retirement provision. Just over a quarter of those surveyed had switched to a new broker or financial adviser in the last 12 months, while 15% of those with a pension had changed where their pension is invested and half had changed the type of product that their pension is invested in.

As well as illustrating that changing your pension fund investment strategy is a relatively straightforward task, this last finding also underlines the extent to which consumers who have sought information and advice from specialist pension advisors are choosing more secure and lower risk investment options and moving away from traditional, equity-heavy managed pension funds.

In many cases, this means leaving funds on deposit, which is a low cost option for people who have opted for self-administered funds. During the last decade, many investors would have outperformed the leading fund managers by simply putting their funds into the best interest-paying account.

But pension planning is about more than where to put your money – you also need to consider how much to put away to provide for a reasonably prosperous retirement. Another recent survey, by the Irish Association of Pension Funds (IAPF) warns that younger people in particular need to think about the level of income they will require when they stop working.

The IAPF found that while 35% of adults under 34 believed they could survive on 50% or less of their working income when they reached retirement, only 17% of people of retirement age felt that this was enough. Only 27% were saving towards their pension.

PENSION PROVISION

The pension fund required to maintain a reasonable standard of living varies from person to person, but obviously the earlier you start saving towards this fund the lower the percentage of your income that will have to be put aside. For instance, a man aged 40 with no pension fund earning €40,000 and hoping to retire at 68 on half his current income (including the state pension) would need to put away about €5,000 a year.

In addition to financial advisors, the Pensions Board provides advice to people in workplace pension schemes as well as those without pension provision. It also plans to introduce an online interactive information 'lifecycle' facility later this year to provide information relevant to enquirers' personal circumstances (for example, employed or self-employed, starting their first job or getting married).