

OPINION | KENNY MELLOR

Pension Review Is Vital

With the recession imposing ever increasing challenges, there is a misconception that providing for retirement has become a lower priority for company directors and self-employed people. However, a recent survey by Irish Life shows that three out of four company directors and

self-employed people are planning on maintaining or increasing contributions to their pensions this year, despite the many challenges that their businesses face and in many cases the negative impact on their own personal income.

The research, undertaken in August, shows that regardless of the economic downturn, more than one in three directors and self-employed believe they are in control of their finances, while 90% are saving something towards their retirement. This is a very welcome fact and proves that even in the most trying circumstances company directors and the self-employed see providing for their retirement as a high priority.

Whether or not they are contributing enough to their pensions, however, is a different matter, and there is strong evidence that many directors and self-employed face the prospect of having to continue to work, even on a part-time basis, after retirement age if they wish to maintain their lifestyles.

The reality is that many directors may have long service with their companies but have not been contributing the maximum allowable amount into their pension plans, often because their company's profits fluctuate from year to year. In such cases, they have not been taking full advantage of the tax reliefs that could be available to them on those contributions.

There are other reasons why people have not been investing as much as they should into their pensions. Issues such as concerns about the income tax relief on pension contributions and the annual 0.6% levy on pre-retirement pension funds until 2014 have affected some people's commitment to their pension planning.

Notwithstanding these issues, it's important that people continue to plan for their retirement, and proper financial advice is needed, now more than ever, to help people navigate their way through the pension planning landscape.

It's vitally important for directors and self-employed to review their pension contributions with their broker or financial adviser every year and to see, for example, how they could turn their company profits into personal wealth for their retirement. Even if there are years when you can't afford to pay anything into your pension, you should always have an annual pension review to make sure you know exactly how your plan is performing.

Your pension is too important to be put on the long finger – no one will take care of your pension unless you do something about it yourself.

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