

SAVE NOW, SURVIVE LATER

It's never too soon to start planning for your retirement but far too few of us are saving enough to be comfortable in our old age. Jonathan Fry explains



Research by the highly-respected pensions provider Scottish Widows suggests that nearly half the working population of Britain are not saving enough to provide for a comfortable retirement.

The report states that 49% of us are not saving enough towards our pension and, more worryingly, 20% are not saving for retirement at all.

When asked what they thought a comfortable income would be for their retirement, most people said that they were looking for about £24,300, a figure which itself illustrates how expectations have reduced as a result of the economic downturn. When the same question was asked in 2009, people said they would be looking for a pension of £27,900.

Nevertheless, despite there being recognition that pensions aren't going to pay as much as people hoped for, surprisingly few of us are taking steps to ensure that we save whatever we can for our old age.

The Scottish Widows report estimates that we need to be paying about 12% of our gross earnings throughout our working lives if, on average, we are going to realise our current ambition of £24,300. Some other pensions providers say that we should be paying up to 15% of gross earnings in order to be financially comfortable when we retire.

Despite the warnings, however, workers who are not in final salary pension schemes provided by their employers are currently saving only

about 9% of their gross earnings and one fifth of people, as previously stated, save nothing.

Of course, pensions providers do tend to paint a bleak picture of how poor we're all going to be in order to encourage us to entrust them with more of our hard-earned cash. But the warnings can no

take out.

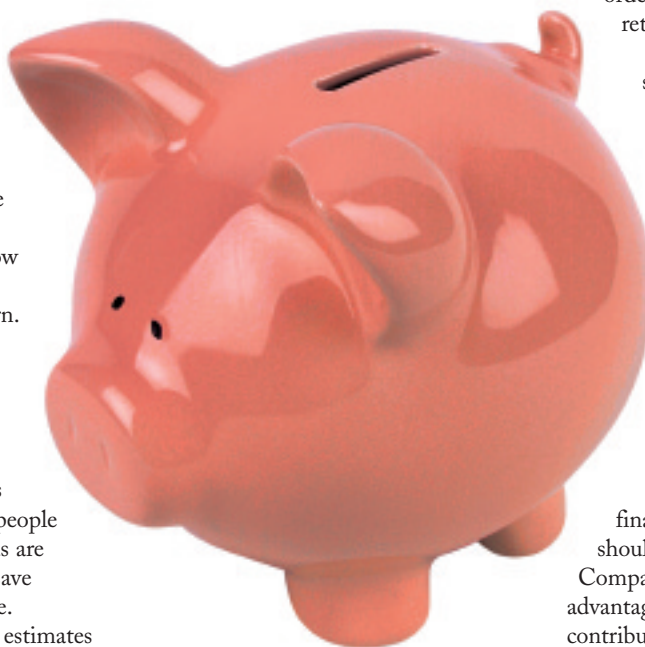
The coalition Government is trying to tackle the State pension shortfall by extending normal retirement ages for both men and women to 66 by 2020. Ministers are also warning that people might have to continue working after normal retirement age in order to live comfortably in their retirement.

For some people, the option to save now for retirement simply doesn't exist, especially if they're earning less than the £16,328 the Joseph Rowntree Trust estimates as the lowest 'living wage'. Even this is considerably higher than the statutory minimum wage of just over £12,000.

But for anybody who can afford to put a little away - or a little more away - for their retirement, the strong advice is to do so.

Seek professional independent financial advice to decide where you should best place your pension savings. Company schemes usually carry the advantage that the employers themselves contribute towards their employees' pensions but beware of the advice offered by banks and other commercial pensions providers - they will invariably try to 'sell' you their own products rather than consider all the options in deciding what is best for you. ■

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longer be regarded as alarmist when considers the 'black hole' that exists in many company pension schemes and, indeed, in the State pension fund.

People are living longer after retirement and, at current levels, both some private and the State pension schemes will not be adequate to pay out pensions at existing levels over the next 20 to 30 years. As a nation, either we put more in quickly or there'll be nothing there to