



ROBERTS MACKIE WINSTANLEY

INDEPENDENT FINANCIAL ADVISERS

Significant impact on retirement prospects and planning

£5.3 billion lost from over-50s' retirement pots throughout the course of the pandemic

Over-50s workers in the UK could have a £5.3 billion hole in their collective pension pot due to cutbacks on retirement savings over the course of the pandemic, according to new research^[1].

The new findings estimate that approximately 10% of pre-retired over-50s – 1.4 million people^[2] – are continuing to save less every month when compared to before the pandemic. At present, those over 50 saving less have reduced their monthly savings by £155 a month. However, at the peak of the pandemic this was an average of £219 less a month.

SAVING LESS TOWARDS RETIREMENT

Overall, over-50s saving less towards retirement will have contributed £3,283 less on average over the course of the pandemic than they otherwise would have. Over-50s workers who are continuing to save less are doing so for a variety of reasons, such as pay decreases (39%), redundancies or job losses (22%) and the impact of being furloughed (13%).

One in five over-50s saving less (20%) have also had to reduce their retirement contributions in order to provide more monetary support to their loved ones.

SIGNIFICANT IMPACT ON RETIREMENT

It's completely understandable that those who have faced financial hardship as a result of the pandemic may have looked for opportunities to cut back on their outgoings. However, the research shows that saving less, particularly for those in their 50s, could have a significant impact on retirement prospects and planning.

As we look ahead towards a period of recovery, the best thing people can do is commit to spending

a day sorting through their affairs to better understand the options at their disposal, rather than burying their head in the sand. ■

FINANCING YOUR RETIREMENT

It's never too early to start planning the future you want. Whatever stage of life you're at – nearing retirement, already retired or just starting to think about it – we can help you make the most of your pension options. We're here to talk you through your options. To find out more, please contact us.

Source data:

[1] Opinium survey of 2,160 UK over-50s in the UK who have not retired between 9 - 13 August 2021, 224 of which are saving less towards retirement, compared to before the pandemic.

Opinium and L&G ran two studies amongst pre-retirees aged 50+, and asked them how much less they were saving, if at all. Up to Jan, the average amongst all in this group were saving £27.01 less per month. Up to August, the average was £16.17. Applied across the relevant months from April 2020 onwards, this means this group on average saved £383 less

overall. $£383 \times 13,944,731 = £5,344,851,289$ or £5.3 billion.

[2] Opinium estimates there are currently 13,944,731 over-50s who are not retired in the UK. 224 out of 2,160 pre-retirees aged 50+ said they are saving less towards their retirement. $224 / 210 \times 13,944,731 = 1,446,120$ or 1.4 million.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

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.