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Boost your pension savings

Planning to achieve your retirement goals sooner

Are you 'mid or late career' or planning to retire within ten years? If the answer's 'yes', then you probably want to know the answers to these questions: Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?

But, for many different reasons, planning for retirement is a commonly overlooked aspect of personal financial planning and this can often lead to anxiety as your age of retirement approaches. We've provided five ways to boost your pension savings and help you achieve your retirement goals sooner.

REVIEW YOUR CONTRIBUTIONS

Sometimes the simplest solutions are the most effective. If you want to boost your retirement savings, the simplest solution is to increase your contributions. You may think you can't afford to, but even a slight increase can make a big difference.

For those lucky enough to receive a pay rise in line with inflation every year, increasing your pension contributions by just 1% could add thousands to your eventual pension pot. The reason why a relatively small increase in pension contributions can result in such a large increase in the value of your pension pot is because of the power of compounding.

The earlier you invest your money, the more you benefit from the effects of compounding. Adding more money to your pension pot by increasing your contributions just makes the compounding effect even better.

REVIEW YOUR STRATEGY

A missed opportunity for many pension holders is failing to choose how their pension is invested. Some people leave this decision in the hands of their workplace or pension provider.

Firstly, you should know that you don't have to hold a pension with the provider your employer has chosen. You can ask them to pay into a different pension, allowing you to choose the provider while considering the type of funds they offer and the fees they charge.

Secondly, many pension providers will give you several options for investment strategies. If you're in the default option, you could achieve higher returns with a different strategy (though this will usually mean taking on more investment risk). Note that this may not be appropriate in all circumstances, particularly if you are close to retirement.

KNOW YOUR ALLOWANCES

When you save in a pension for your retirement, the government adds tax relief on top of the money you contribute, helping you to grow your savings faster. However, there's a limit to the amount of contributions you can claim tax relief on each year, which is called your 'annual allowance'. It's currently £40,000 (tax year 2021/22), and in some cases may be be lower.

If you want to contribute more than your annual allowance into your pension in one tax year (for example, if you've received a windfall and want to put it aside for the future), it's worth knowing that you can use any unused allowance from up to three previous years.

So, if you have £10,000 of unused allowance in each of the past three years, that's another £30,000 you can claim tax relief on this year. The tax relief on this amount would be at least £7,500, depending on your tax band.

TRACE LOST PENSIONS

Usually, starting a job with a new employer means starting a new pension. And, when that happens, some people may overlook the pension they had with their last employer. As a result, many people have pensions with previous employers that they've lost track of – and rediscovering them can give a huge boost to your retirement savings.

You can trace old pensions by getting in touch with the provider. Look through any documentation you still have from your past employers to see if you can find your pension or policy number. If you can't, you can contact the provider anyway and they should be able to find your pension by using other details, such as your date of birth and National Insurance number.

If you're not sure who the provider is, start by asking your previous employer. ■

WILL YOU ACHIEVE THE RETIREMENT YOU DESERVE?

When the future is unclear, the thought of retirement may well feel more daunting than exciting. We'll advise you on how to build the wealth you need to achieve the retirement you deserve. Don't leave it to chance – to discuss your requirements, please talk to us.