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Retirement savings longevity

Are you facing a pensions challenge?

We all want to ensure we have sufficient funds when we retire so we can spend our time the way that we want to. But how realistic are your current retirement plans?

Our average life expectancy will soon exceed 90 years for the first time ever, according to an international study^[1] that suggests people will be living far longer in 2030, with the gap between men and women starting to close. This then raises the very important question: who will live longer, you or your pension?

These improvements in life expectancy reflect the advances in medicine and public health, as well as rising standards of living, better education, improved nutrition and changes in lifestyle. This will mean that as time goes by, you will need to reconsider your financial plans to keep everything on track.

HAVING ENOUGH TO SEE YOU THROUGH YOUR LATER YEARS

There is no commonly accepted definition of when old age begins. For some, the cut-off for when old age starts is 65 years, but this is somewhat arbitrary and is often simply associated with the age one can begin to receive a pension and other benefits. But how will living longer affect your retirement plans? Will you have enough to see you through your later years?

This is particularly concerning in this day and age, because increased longevity means higher retirement savings will be necessary to avoid running out of money. Much will be dependent on how much monthly income you draw from your pension pot and if you take any lump sum payments.

MAINTAINING YOUR STANDARD OF LIVING IN RETIREMENT

Retirement could last for 30 years or more depending on when you retire and how long you live. Your income in retirement is likely to come from several sources, including your State Pension, any other pensions you've built up while working, and any savings and investments you have.

Prices tend to rise over time, so if you want to maintain your standard of living, you'll need your retirement income to keep pace with inflation. The State Pension increases by at least the rate of inflation each year, and if you receive a retirement income from a past employer, this often rises by the rate of inflation or a set amount each year.

ENOUGH MONEY TO LIVE ON FOR THE WHOLE OF YOUR RETIREMENT

If you'll need to rely on your savings and investments to boost your income, you'll probably also need to increase the amount you take from these over the years if you want your income to go as far as it used to. But if you take more income than your savings and investments earn each year, you will gradually reduce your capital.

The longer this goes on, the less savings you'll have and the greater the risk of these running out. So before you give up work, you need to make sure these will provide you with enough money to live on for the whole of your retirement. ■

PLAN YOUR FINANCIAL FUTURE

The way you accumulate your retirement money and how you use it during your retirement will have a big impact on how long it will last – and also on the amount of tax you pay. Contact us today to discuss your retirement options and to understand which income solutions could help you. We look forward to hearing from you.

Source data:

[1] www.thelancet.com/journals/lancet/article/PIIS0140-6736%2816%2932381-9/fulltext

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