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Forgotten pensions

Out of sight, out of mind

The extent to which pension policies are being forgotten has been revealed in research from Aviva. A survey of almost ten thousand people who hold a pension has revealed that just under one in eight (13%) admitted they have at least one pension that they had forgotten about^[1]. This is equal to more than 2.5 million pension policies currently sitting in the back of people's minds^[2].

MISPLACED PENSION POT

Among those with a forgotten pension, the majority believe they have misplaced one pot (77%), although 17% think they have forgotten about two and 6% have forgotten three or more.

According to Government figures, there is an estimated £400m in unclaimed pension savings^[3]. At the same time, almost three in five (59%) UK adults are worried about not having enough money to last them in retirement^[4].

ANNUAL STATEMENT

Most pension schemes of which you've been a member must send you a statement each year. These statements include an estimate of the retirement income that the pension pot may generate when you reach retirement.

If you're no longer receiving these statements – perhaps because of changes of address – then to track down the pension there are three bodies to contact: the pension provider, your former employer if it was a workplace pension, or the Pension Tracing Service.

BOOST TO RETIREMENT

Although tracking down a lost pension can provide a valuable boost to retirement income, those who delay could receive a smaller amount than expected. Forgotten pensions may have been subject to charges and not invested in the best way suited to the policyholder, making it worth less than it would have been if it was actively managed.

The research revealed the lack of engagement around pensions. More than a quarter of savers (28%) admitted to never reviewing their

retirement savings, while almost a fifth (19%) of those with a pension said they review it less than once every five years^[5].

FUND CHOICES

Since the introduction of the Pensions Act 2008, every employer in the UK must put certain staff into a pension and contribute to it – this is called 'automatic enrolment'. Since the introduction of automatic enrolment, the number of pension savers who are unaware of their fund choices or have never reviewed them has risen to almost 1.5 million people or 15% of private sector employees, up from 9% at the start of 2013^[6].

It's also important to be aware of the potential consequences of having a number of different pension pots with small amounts of money in each. It's likely that there will still be charges taken out of those pots for their management and administration and that can have implications if you are no longer contributing into them. ■

Source data:

[1] YouGov survey of 9,910 people in the UK (Jan-Dec 2015) who hold a pension carried out on behalf of Friends Life, now part of the Aviva group

[2] ABI Key Facts 2015 says there are 20.8m individual pension policies in force. 13% of 20.8m = 2.7m

[3] DWP: <https://www.gov.uk/government/news/new-pension-tracing-service-website-launched>

[4] Research conducted for Aviva by Censurwide, with 2002 General Consumers aged 18+ in GB between 30 September and 5 October 2016. The survey was conducted from a random sample of UK adults.

[5] YouGov survey of 9,498 people in the UK carried out on behalf of Friends Life, now part of the Aviva Group

[6] Aviva's latest Working Lives Report and analysis of data from the Office for National Statistics (ONS).

ACHIEVE YOUR RETIREMENT GOALS

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. For more information about how we could help you achieve your retirement goals, please speak to us.