



People need pensions – don't give up on your savings

Is it really worth my while saving for my retirement?

For the vast majority of people the answer is a very definite 'yes.' For most people, every pound you pay into your pension is topped up with extra money from the Government, through tax relief. And if you are in a workplace pension your employer will typically pay about double the amount that you pay in. So if you are not saving it is almost definitely worth starting now, because you will get extra money on top of what you save.

If you are currently saving, don't stop. If you do stop saving, you will lose out on money from the tax man and very probably on money from your employer. Stopping saving may well have a real impact on the amount of money you will have to live on in retirement. Remember, it is very easy to say you will cut back now on your pension contributions and restart when you can afford it, but in practice, many people never get around to re-starting and live to regret it when they come to retire.

The stock markets have plunged and I've lost a lot of money.

We all know about the recent recession and the fall in stock market values. But pensions are a longterm investment. Many people start saving in their 20s and 30s, and so could be saving for 30 or 40 years. Over the long term, stocks and shares have been shown to perform well, so investment in a pension remains worthwhile. Remember also that if you are paying in regularly, when the stock market is low you will benefit from any upturn in the markets. And it's not just your own money being invested - the tax man and possibly your employer are putting in money for you as well.

I am very close to my retirement and I have no time to make up for a loss in my fund.

People who are close to retirement at the moment are in a difficult position. However, many people nearing retirement are in what are known as 'life styled' investments. That means their money has been switched in the years just before retirement to lower risk investments, which will to some extent protect them when the market falls. If you are within, say, 10 to 15 years of retirement you should check with your pension provider whether you are in a life styled pension, and if not, think about moving in that direction. It may also be worthwhile getting independent financial advice.

Not only have I lost a lot of my fund but I have to buy an annuity and rates have got worse over the last few months.

An annuity is the product you buy with the money saved in your pension. It gives you a guaranteed income, typically monthly, for the rest of your life. It can also provide an income for your partner after you die. It is true that annuity rates have suffered as a result of several factors, including the general economic climate. The issues to think about include:

- Do I need to take my retirement income now, or should I consider putting off buying an annuity for the moment?
- Shopping around for the best rate available for you and getting the best value for money. Remember that you do not have to buy your annuity with the provider you saved with.
- There are various different types of annuity you could buy. You should ensure you buy the type that best suits your circumstances and preferences.
- For example if you are in poor health, or are a smoker, you may be able to buy an annuity that gives you a higher income. You can also decide whether or not your annuity pays to your partner after you die.

Check out the FSA website, www.fsa.gov.uk, for more information.

I read that tax relief on pensions was cut in the recent Budget. Is it still worth my while saving?

The recent Budget did change tax relief, but only for a very small number of people in the very top earnings brackets. For the vast majority of people, tax relief hasn't changed at all, so the incentive to save is as strong as ever.

What if my employer goes bust or my scheme goes under?

If you are in a final salary scheme, the Pension Protection Fund (PPF) provides a safety net. Check out their website www.pensionprotectionfund.org.uk, for more details.

If your savings are with an insurance company, it is extremely unlikely that the company would be unable to pay your pension. Although there have been significant problems with the banks, the insurance industry is run in a different way, with insurers required by their regulator to hold money in reserve to make sure that they are able to pay pensions to their customers when they are due. In the very unlikely event that there was a problem, the Financial Services Compensation Scheme (FSCS) provides a safety net, paying out the first £2,000 in full, then 90% of the rest of your pension.