Godalming Business Club

Meeting Summary

20 September 2013

Do pensions work?

Task 1: Factors to take into account when considering pension contributions. How can a pension be used as part of one's plan for financial security in retirement?

Factors to consider

- Few can ignore pensions. The state scheme is not generous and likely to get worse.
- Age, including stage of life. Start early. Balancing pension against short terms preferences or needs. Budget / affordability.
- Your salary / income and desired level of pension and retirement age. So that you can calculate how much you need to contribute. Review this regularly. Few people expect a significant upgrade in their lifestyle on retirement but even less want a significant drop.
- For employees, whether your employer will also contribute.
- Tax. Corporation tax on company profits or personal income tax. Contributions, whether corporate or personal are generally tax deductible, within limits.
- The pension input period and contributions already made (Only contributions up to a certain level are permitted in each pension input period).
- Is it the right type of scheme for you, and do you trust 'the system'. What other provision have you made for your financial wellbeing in retirement?
- Your lifetime allowance. (A pension fund in excess of the lifetime allowance £1.25m may be subject to a 55% tax charge).
- Use of an IFA to understand options, identify the right scheme, help choose investments and monitor ongoing performance.
- Ask about the fees paid by your fund / IFA charges and commissions.
- Actively monitor and manage the investments held by your pension. Match the investment risk according to your age. (Less risk nearer retirement).

Key strategies pursued

- Pensions part of an overall strategy - not the only contributor to financial wellbeing in retirement. Make a plan.
- Consider other investments; paintings, antiques, classic cars, sometimes best held outside a pension fund. Buy property - consider using your pension fund, if possible.
- Self invested personal pensions?

- Choose your pension provider carefully and spread your risk by having several providers.
- Consider tax free cash from pension fund on retirement.
- Remember to claim higher rate tax relief for personal contributions as only basic rate relief is given 'at source'. £80 paid in, £20 reclaimed by pension provider but higher rate taxpayer can save an additional £20 in tax.
- Anticipate changes and build in flexibility.
- Have family to look after you when you are old!
- Work in the public sector where final salary schemes are more common!(?)
- Avoid divorce if possible!

Task 2: Quiz

The correct answers are those highlighted. Delegates responses were these

Question 1 According to Government research last year, what proportion of workers in the private sector did not pay into a retirement scheme?							
A	30%	B	50% 18%	C	70% 82%	D	85%

Question 2 What is the current state pension for a single person?							
A	£3,432	B	£5,727 64%	C	£7,808 27%	D	£9,936 9%

Question 3 What percentage of income must be contributed to a pension fund from age **25** to achieve a pension equal to half of final salary at age 65*							
A	12.5% 46%	B	18.7% 36%	C	31% 18%	D	68%

Question 4 What percentage of income must be contributed to a pension fund from age 55 to achieve a pension equal to half of final salary at age 65*							
A	12.5%	B	18.7%	C	31% 9%	D	68% 91%

Shipleys Business Breakfast people

Please ask for a Godalming business breakfast team sheet or visit www.shipleys.com for more about our team and how they may be able to help you, and information about past meetings.

					
Simon Robinson	Stuart Dey	Jane Eden	Cat Seddon	Carol Stevens	Wei Yin Taylor

Please also join our linkedIn group - Shipleys Godalming business club