

# Facing up to pension planning

It's pensions, but not as we know it – so take a deep breath and let **Joss Harwood** help you get to grips with your pension statement this year.

**COULD** bore you with a long explanation, but I want you to read on. Briefly then, for a combination of reasons, employers are no longer willing to take responsibility for – and pay most of the cost of – their employees' retirement income.

That's why, in future retirement, will typically be 65 or later.

This means that responsibility for your financial security in retirement probably rests with you. If you have been with the same large employer for a number of years or are a public sector worker, you may well still have the "gold standard" of a final salary pension scheme.

This provides a pension based on your years of service and salary at retirement. Your contribution could be relatively small, about six per cent salary or even nothing at all. A pension like this is a valuable asset and a reason to stay with an employer.

Perhaps you're not quite so lucky and, although still in a final salary scheme, have been asked to increase what you pay to maintain the benefits you were promised. Although a blow to your wallet, you are probably still getting good value and your employer still foots the bulk of the bill.

If your scheme is called a "money purchase" pension, then you and your employer are simply putting money into a bucket. The bucket will be emptied when you retire and used to buy you an income (annuity).

There's no direct link with service or salary, so you should check what level of pension you are likely to get.

Employers typically contribute a lot less to money purchase arrangements than to final salary schemes. That's why the pensions are usually smaller.

If you are a member of a "group personal pension", then you have an individual plan to which you and your employer contribute, but your employer may only be making a nominal contribution.

This by itself will not produce enough income for your retirement.

A "stakeholder pension" is the cheap and cheerful option that all employers with more than five employees must offer.

Nearly everyone gets the state pension and you can check your entitlement at the Department of Work and Pensions, although not at the moment because it is updating its computer systems.

Not in a company or personal pension scheme? If your employ-

## Top tips for employees

- Take control of your destiny.
- Resolve to understand your pension entitlements this year and work out what you are likely to receive at retirement. If you have several pension plans from previous employments, consult an advisor with expertise and qualifications in this area to explore your options.
- Work with your advisor to review your affairs and start working towards the income in retirement that you want, when you want it.
- Consider increasing the amount that you save for your retirement and ask your advisor where your contributions should go.

er will contribute at any level, take up the offer. Your alternative is to fully fund your retirement and that is an uphill task.

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**PENSION PROTEST:** Pensioners stand outside the Houses of Parliament, London, in 2003 to protest against the Government's state pension policy