PENSION geeks

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The Geeks' Step-by-Step Savings Guide for your 40s and 50s

In your 40s and 50s there is plenty still to do to get ready for retirement: from consolidating pots to securing the full State Pension. No longer can you call retirement a mere speck on the horizon or an afterthought. This is the prime time for retirement planning – so let's get started.

Step 1: Keep contributing

As you start to prepare more actively for your retirement, you'll be working out what brings you joy – or, more simply, what you'd like to do. Once you've put some thought to this, you need to consider how you can attain your plan financially.

This brings us to your pension contributions. If you have a defined contribution pension (which most people do), it's required that your minimum total contribution to your workplace pension is 8%. That's made up by both yours and your employer's contributions - your employer pays 3% and you pay 5%. Plus, you get tax relief on your contributions from the government. So, will contributing this amount give you enough for a comfortable future and set you up to reach your goals? Well, as a handy rule of thumb, financial service provider, Fidelity recommends that anyone approaching retirement should be looking to save roughly half their age as a percentage of their salary.[1] Effectively, this means if you're 46, you might aim to save 23% of your salary into your pension as a contribution (made up by both you and your employer). Many employers will pay more into your pot than the minimum requirement though - and may even match your contribution up to a certain amount. Meaning, if you pay 10%, they may also pay 10%. It's well worth checking how much your employer will give you and getting as much as you can into your pot.

Remember, every little helps, so if that estimate isn't attainable, keep making the most of your contributions to a workplace pension scheme (which come with employer contributions and tax relief), so that you're proactively saving for retirement.

Step 2: Get a picture of your current financial landscape

Is your financial landscape as undulating as the Lake District? Different financial commitments, assets, debts, or multiple streams of income all add complexity to our financial situation. Think mortgage, cars, both you and your partner's salaries, or your investments if you have any. By establishing the state of play, you'll have a better idea of what you'll be going into retirement with.

Step 3: Find out what your State Pension is worth

The State Pension is a great way to supplement your saving. To make sure you'll receive the maximum amount of new State Pension once you reach State Pension age, you'll need to have made at least 35 years of qualifying National Insurance contributions. You'll receive something if you've built up at least 10 years of qualifying National Insurance contributions. You can check your progress here.

[1] https://retirement.fidelity.co.uk/retirement-savings-guidelines/#/savings-factor/article

If you're falling short, you can always top it up as you get closer to the State Pension age. Remember, it can be worth up to £221.20 per week for the 2024/25 tax year! Not to be sniffed at, that.

Step 4: Find lost pensions!

Have a vague recollection of having another pension hidden somewhere? According to Unbiased, there is over £19 billion held in lost, forgotten pension pots across the UK. That's 1.6 million pots, meaning that each has an average size of £13,000.[2]

Finding your lost pensions doesn't need to be an expedition, however. A great place to start the hunt is to scour old paperwork sent to you by your pension provider or employer.

Every pension provider is obliged to send its members an annual statement. If you can find out who your pension provider is, you can get in touch with them directly. It will help if you can give them your:

- Name
- Date of birth
- National Insurance number
- Pension policy number
- Relevant dates, such as when you think the pension was set up and when you last contributed.

Don't worry if you don't have all of these details - just supply what you can. If you don't know who your pension provider is, get in contact with your previous employer - they should be able to give you the pension provides details and tell you how to get in touch with them.

If you're still stumped, then the pension tracing service could help you to track down those pesky pensions.

Step 5: Consider bringing together your pensions

While you're at it, combining your pensions might be another way to set yourself up for retirement. Consolidating pots is where you literally combine them into one big fund by transferring older or smaller pots from one provider to another. However, sometimes it can make sense to keep them separate – especially if you want to diversify your portfolio of investments or if they come with benefit guarantees of any sort.

Combining your different pension pots very much depends on your individual circumstances. For more helpful reading on this, head to MoneyHelper.

[2] h ttps://www.unbiased.co.uk/news/financial-adviser/billions-lost-in-forgotten-pensions#:~:text=UK%20work ers%20have%20lost%20track,substantially%20worse%20off%20in%20retirement.

Step 6: Envisage your future

So, you know what you want, and you know what you've got. But what do you need? That's the real question.

Working out how much income could support your lifestyle in retirement isn't as tricky as it sounds, because the Retirement Living Standards have done most of the work for you. They've broken average retirement lifestyles down into three groups: minimum, moderate, and comfortable. Each has an income target for both single and married pensioners – giving you a rough estimate of how much you might need to support your kind of lifestyle. It's worth taking a look.

Step 7: Get an idea of your retirement options

Finally, it always helps to get ahead of the game by taking a look at your retirement options. It's a big decision, taking out your pension pot. You can usually take 25% of it tax free, but how you withdraw it is up to you. From taking it as a lump sum to leaving it all invested and making withdrawals bit by bit, you're almost spoiled for choice. Remember that you can typically take your money from the age of 55 (this is changing to age 57 from 6 April 2028).

Pension Wise, a government backed guidance service provides free, impartial help on this topic. If you're aged 55, or over, you're entitled to have a 60-minute appointment with one of their experts.

Speaking to a financial adviser could also help you to really help to iron out the details, and for more information, you can catch up with our live show about your options for withdrawing your pension, from Pension Awareness 2023.