Dental & Medical Financial Services
1 Market Square, Horsham,
West Sussex RH12 1EU

T: 01403 780 770
F: 01403 780 771
E: info@dentalandmedical.com
W: www.dentalandmedical.com

Rising prices can wipe years off retirement pots

How to protect your pension income against inflationary pressures

For anyone feeling the effects of rising inflation rates, it's important to ensure that your retirement fund isn't significantly impacted. While this can be challenging in such an uncertain economic climate, there are measures you can take to ensure that your savings don't suffer.

Here are some tips to help you protect your pension income for the future.

POSTPONING RETIREMENT

Retiring later can have multiple advantages. It can be a financially wise decision to postpone retirement when inflation is high. Postponing retirement also gives you more time to invest and contribute funds towards your pension pot, allowing you to enjoy a larger sum of money when you eventually retire. Additionally, individuals who choose to retire later can benefit from longer periods of regular income which can be used for extra retirement savings to combat the impact of inflation in retirement.

Furthermore, delaying retirement will allow you to better prepare for future financial commitments such as mortgage repayments and other cost of living outgoings. If appropriate, by postponing your retirement you can make sure that you have the financial security and peace of mind needed for a comfortable retirement.

CONSIDER WHERE YOUR PENSION IS INVESTED

When inflation rates are high, it's important to take steps to ensure that your retirement savings aren't adversely affected. Not only will this give you peace of mind about the future value of your pension pot, but it may also prove to be financially rewarding in the long run. One of the most effective ways to do so is by diversifying your investments and spreading out your money across different asset classes.

Having a diverse portfolio can help protect you from losses due to market volatility or inflation and provide access to a broad range of investments while reducing risk. Keeping track of these fluctuations enables you to plan ahead and adjust your investment strategy as necessary. By taking all these factors into consideration, you can ensure that your retirement savings are secure even in a period of high inflation.

KEEP CONTRIBUTING

Despite inflationary pressures, continuing to contribute to your pension pot can be a wise decision. Not only is your retirement fund likely to outperform cash savings, but it also allows you to take advantage of the tax relief top-up on contributions offered by the government.

The amount of relief you receive is based on the rate of Income Tax that you pay. If you are in the highest rate Income Tax bracket you can claim additional relief through your self-assessment tax return, enabling you to save even more for your retirement. However, depending on how your pension scheme works, if you don't pay tax you might not receive tax relief.

ALREADY WITHDRAWING A PENSION

For those with a defined contribution pension who are already taking an income, it might be beneficial to reduce the amount you are withdrawing in order to keep more of your pot invested. This strategy can help protect your retirement fund against volatile markets and rising inflation levels as the fund manager will monitor the investment performance, making necessary adjustments.

Those with a defined benefit pension need not worry about adjusting for inflation as this is taken care of automatically. ■

WHERE ARE YOU ON YOUR RETIREMENT JOURNEY?

Regularly revisiting your financial plan and retirement planning is essential in order to ensure your long-term security and prosperity. No matter what strategies you decide to implement going forward, we will provide valuable insights into making the right choices for your future. Please contact us to discuss your future plans.