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FACTSHEET

Dreaming of escaping a working life for retirement?

Getting your date right will help your plans stay on target

Some people will have set their retirement date when they were in their 20s or 30s, and a great deal will have changed since then, including their State Pension age and perhaps their career plans.

It may seem like a finger-in-the-air guess when you're younger, but the date that you set for retirement on a pension plan does matter. It will often dictate how your money is being invested and the communications you receive as you get nearer to that date.

MATCHING HOPES FOR THE FUTURE

But according to new research[1], most over-45s are not making plans to match their hopes for the future. The vast majority (86%) of those aged 45 or over are already dreaming about escaping their working life for retirement, but only 8% of the same age group have recently checked the retirement date on their pension plans to make sure it is still in line with their plans.

Over half (56%) don't have a clear idea when they want to retire, and only one in ten (10%) have worked out how much income they'll need when they decide to stop working. The study reveals it doesn't get much clearer as you go up the generations: less than a fifth (17%) of those aged between 55 and 64 have recently checked to see if the retirement date on their pension policy is still fitting in with their plans.

FOUR REASONS TO KEEP YOUR RETIREMENT PLANS UP TO DATE

1. Right support, right time: if the date you plan to retire changes, or you simply want to take some of your pension without stopping working, it's important to tell your pension company. Otherwise you may not receive information and support about your pending retirement at the most helpful times, as they'll be basing this on your out-of-date plans.

2. De-risking investments: some investment options will start to move your pension savings into lower-risk investments as you get closer to retirement. If you don't have the right retirement date on your plan, you could be moving into these investments at the wrong time. For example, if you move into them too early, you could potentially miss out on investment returns which could increase the value of your pension savings. But if you move too late, you could be exposing your life savings to unnecessary risk.

3. Investment pot: the size of pension pot you need to build up to maintain your lifestyle when you come to retire will depend on when you plan to do so.

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4. Income: if you're planning to buy an annuity at retirement, which will guarantee you an income for the rest of your life, the amount of income you'll get will depend on the size of your pot and annuity rates at that time. If you prefer to use your pension savings more flexibly, you can keep your money invested and take it as and when you need. You're then responsible for making sure your life savings last as long as you need them to.

WORKING LONGER, OR RETIRING EARLIER

Reviewing your retirement date regularly as you get older makes real sense, and most modern pension plans enable you to change and update this date whenever you choose. It needn't be the same as your State Pension age – you might want to work longer, or retire earlier.

Some people who plan to slow down or stop work earlier are using money from their private pension savings to bridge the gap until they can start claiming State Pension. All you need to do is inform your pension company of your plans, even if they change again in future.■

RETIREMENT IS YOUR TIME

We'll provide you with both guidance and advice around your retirement options. If you are looking to access your pension for drawdown, guaranteed income via annuities or tax-free cash, we can help. To arrange a meeting, please contact us.

Source data

[1] The research was carried out online for Standard Life by Opinuium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.