Put yourself on road to rosier retirement

BY KEITH MACKIE

Is the performance of your pension fund up to scratch? Do you have a personal pension or occupational money purchase pension? Are you up for a challenge?

Answer these three questions:

- How is your pension fund invested?
- Is your money invested correctly?
- How much comes off in charges every year?

If you are unable to answer any of these questions, then read on.

The pensions market has changed dramatically over the past couple of decades, with the introduction of stakeholder schemes in 2001, so-called "pensions simplification" in 2006 and more recently "pension freedoms" in 2015.

Among the recent changes, we have seen reductions to the contribution limits for pensions, the removal of compulsory annuity purchase at age 75, increased flexibility in how you withdraw your pension fund and the ability to pass on your pension wealth to your next generation. These are just a few of the changes. However, some things may not have changed: namely how your pension money is invested, what you are being charged and does your pension allow you to take advantage of the flexibilities that are available.

One thing that will have changed is the number of years you have left before you retire. Whether you have five or 25 years left, it is important you find out the answers to the above questions.

It is important to make sure you are invested correctly.

Historically, pension money has been invested in with-profits and unit-linked funds. Many with-profit funds have paid little or no bonus to policyholders in recent years and we would argue that if you hold pension savings in a with-profits fund, you should seek professional advice.

If you are in any type of underperforming fund, this can be checked for you by an independent financial adviser. You may be able to switch to a better fund with your provider, often at little or no cost. However, depending on your provider, you may also have little or no choice of alternative funds.

If you can boost your returns by just 1% a year, you could boost your ultimate pension pot by thousands of pounds. Say you had a pension fund of £100,000 and you plan to retire in 20 years. If your fund grew at 5% per annum, it should be worth in the region of £270,000, excluding any contributions. However, if that same fund grew by 6% per annum, it would be worth in the region of £330,000: £60,000 more. If you wanted to increase your fund by this amount through contributions, you would have to pay an extra £145 per month over the 20 years.

With the advent of pension freedoms, very few people are now buying an annuity with their pension fund. Simply making withdrawals from their pension fund in retirement via Flexi Access Drawdown is proving to be more appealing. There are many options to use as a strategy for your income in retirement, so please seek advice and don't just accept what your pension provider sends you in the post, whether that is drawdown or an annuity.

Finally, how much are you paying your pension provider every year in charges? You may find you are paying more than you should be. By reducing your charges on your pension you could, again, boost your retirement fund by thousands of pounds.

If you can't answer the three big questions, take action today and put yourself back on track to a rosier retirement.

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