

**NEW PENSIONS ENVIRONMENT IS CREATING A PERFECT STORM FOR RETIREMENT PLANNING, FINDS SAGA INVESTMENT SERVICES**

* **Number of people with defined contribution pensions set to overtake ‘golden’ final salary deals in just two years**
* **DC savers will retire on a QUARTER of what DB pensioners will get**
* **Saga warns of looming retirement income crisis**

Many people working today are set to be disappointed with their income in retirement according to a new report from Saga Investment Services.

Massive changes to the pensions environment mean that a swiftly growing group of people urgently need to take an interest in their financial futures and have a plan for making their money work hard for them.

The report compiled by the Centre for Economic and Social Research (Cebr) on behalf of Saga reveals that defined benefit (DB) pensions – based on final salaries and years worked - are fast disappearing in the private sector. Instead employees are being offered defined contributions (DC) pensions, in which savings contributions are invested to build up a retirement ‘pot’ to turn into an income.

According to the report ‘The Future of Pensions’, the total number of active DC pension members is expected to overtake the number of DB pension members by 2018.

Active members of DB private sector pension schemes fell by two million (56% of total) between 2004 and 2014, while the number of members of defined contribution private sector pension schemes increased by two million (167%) from 1.2 million to 3.2 million.

And of the 2.5 million entrants into private sector occupational pension schemes in 2014, 2.4 million (94%) invested in defined contribution pensions.

However, many are likely to be contributing too little to their pension pots to enjoy what many would consider to be an acceptable standard of living in retirement. Average employee contributions to DC pensions, at 1.7%, were just over a third of the 4.9% contributions to DB schemes, and even with planned increases in minimum total pension contribution rates typical total rates are likely to remain much lower.

At the same time Cebr warns that many individuals are probably underestimating the amount of savings that they need to fund their desired lifestyle in retirement. If a healthy 65-year-old purchases a single inflation-linked annuity today for £150,000, it can be expected to yield a retirement income of less than £4,7001 in the first year.

Nici Audhlam-Gardiner, managing director of Saga Investment Services said: “The report underlines how vital it is for people to plan to plan better for their retirement, to know how much is in their pension pots and to understand their financial needs when they finish working.

“Many working today will enjoy good living standards, benefiting from high levels of wealth including property investments and solid pension incomes, but for those who have not planned well in advance could risk a lower than expected level of living in retirement.

“And we know that not enough people are planning – a recent Saga report revealed that only 30% had begun a retirement plan with only 3% saying their plan was definitely on track.”

“The challenge the report identifies is stark. For those earning £25,000 over a 25-year period with salary increases around 2.5% each year and making today’s typical DB contributions they will have contributed close to £180,000. But those on a typical DC contribution rate their total would be just £40,000.

“These losses are even greater when considered against the returns on investment associated with a pension. The result is the DB pension-holder would have a pensions pot five times greater in value than the DC pension-holder.”

Nici continued: “This issue has been intensified by the introduction of auto enrolment which has produced a significant increase in the number of active members of pension schemes, rising from 10 million in 2014 to 18 million by 2020.

“Millions more workers in the UK will have an occupational pension – the vast majority of which will be DC schemes. These conditions are creating a perfect storm with a need to provide pensions advice and planning on a scale never before seen.”

ENDS

**Notes to editors**

**1. Figures are for a healthy 65 year old living in Surrey, taking a single-life, index linked annuity with no guarantee. Sourced from the Money Advice Service Annuity comparison tables, correct at 08.09.16.**

**About Saga Investment Services**

Saga Investment Services has been developed to open up the world of investing and financial planning to the UK’s over 50s in the run up to and throughout retirement, and to make the process as simple and stress-free as possible. Customers can invest from just £100, and have access to investment advice and financial planning services. Saga Investment Services champions a straight forward and transparent approach to investing, and is a proud member of the Plain English Campaign. It is a joint venture between Saga, the leading provider of services to the nation’s over 50s, and Tilney Bestinvest, the expert investment and financial planning group.

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**IMPORTANT INFORMATION**

**The value of investments, and the income derived from them, can go down as well as up and you can get back less than you originally invested.**

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