ACTIVE PRACTICE UPDATES

FEBRUARY 2020

The Sanders Partnership

Accountancy, tax & business advice

Creating Your Future

TRACING LOST PENSION PLANS

Billions of pounds lost in unclaimed funds.

Helping you plan for your retirement is one of our core services, ensuring you are prepared when the time comes to call it a day.

With medical advances enabling more people to live for longer, the average person who retires at 65 lives for another 20 years.

According to the Office for National Statistics, males who retire at 65 can expect to live another 19 years while the average female will be around for 21 years after turning 65.

Considering most people start working in their late teens or early 20s, retirement can be half the amount of time spent working.

Rising living costs also pile the pressure on when it comes to preparing for retirement, making it difficult to know precisely how much you need to save for a comfortable retirement.

Plenty of savers use investments, saving vehicles or property to fund retirement, but many forget about old pension plans.

Around one in four adults under 55 are said to be at risk of losing their share of £37 billion in unclaimed pension funds.

Research published last month suggested 1.6 million pensions are currently missing, with each pot worth £23,000.

The volume is not surprising when you consider that for most people, the job for life no longer exists and younger workers change jobs more frequently than ever before.

With more than 10m workers automatically enrolled into workplace pensions, you can see why the figures are so high.

While we can advise you on strategies to ensure you have enough income in retirement, only you can trace lost pension plans – but where do you start?

GOVERNMENT SUPPORT

If you have changed jobs or moved home without informing your pension provider, it's easy to lose track of those savings.

Even though you may no longer be actively contributing into an old workplace pension, the fund may continue to be invested and earn interest which can rack up pretty quickly over the years.

To make things easier, Government support exists in the shape of the Pension Tracing Service which is designed to put you in touch with whoever administers your old pension plans.

The free service, which was launched in 2016, will not tell you if you have a pension with a provider or how much it may be worth. It will only give you a mode of getting in touch.

Start by working out how many pots you may have lost track of over the years – these can be workplace pensions or personal pensions – and have your national insurance number to hand.

Once using the tool, you can search for a lost workplace pension, a personal pension or a public-sector pension, such as those related to the NHS, armed forces or civil service.

You will then be asked to give the name of either your provider or former employer. For lost public-sector pensions, you will get a link that redirects you to a specific pension enquiry service.

Once you have the administrator's contact details – name, address, phone number or email, get in touch and be prepared to give certain confidential details to track down your old pot.

If you are unable to trace your lost fund through the Pension Tracing Service, all is not lost, as the tool does not feature all pension plans in the UK.

KEEPING TRACK OF PENSIONS

The simplest way to keep track of any pension plans you have, particularly workplace pensions when you change jobs, is to notify your pension provider so they can easily contact you.

Keep them informed if you move house or change personal details, such as email address or phone number.

Another option, although one that is more relevant to defined contribution pensions, is to put your pots into one place. This, in theory, makes it easier to manage your savings.

Defined contribution plans are workplace pension schemes where your contributions and your employer's contributions are invested and the proceeds are used to buy a pension and/or other benefits at retirement.

While this type of pension is by far the most common following the rollout of auto-enrolment in October 2012, consolidating your pension may not suit other types of pension plans where exit fees can apply and valuable benefits or guarantees may be lost.

Individuals with defined benefit or final-salary pension plans have a set level of income based on their annual salary when they retire. As such, it usually does not make sense to consolidate these into one pot.

Some employers have been known to offer incentives for people to transfer final-salary pensions but those who do so are usually worse off after. Never transfer a defined benefit pension plan without seeking expert advice.

Anyone can merge their pensions into one scheme at any time, although exit fees usually apply and increase the later on in life you leave it.

Older pension schemes may have valuable benefits, such as guaranteed annuity rates, that can be lost following a transfer, which goes some way to explaining why over-55s are usually reluctant to consolidate their pots.

THE ROLE OF TECHNOLOGY

Last month, the Government reintroduced the Pension Schemes Bill which already had cross-party support before being put on hold following the decision to call an election.

The Bill contains new rules for pension dashboards – an online service which should enable you to see information from multiple pensions, including the state pension, in one place.

It will collate information from multiple sources, which can be accessed whenever you like in the same way as you access an online bank or use cloud accounting software.

Pension dashboards should link to the Government's Pension Tracing Service, putting you in full control of any pensions you have had over the course of your career.

At the time of writing, however, these are still being developed and not widely available to consumers.

BEWARE THE SCAMS

With data on the amount of lost pensions in the UK so easily accessible to anyone with access to a smartphone or laptop, it's no surprise that fraudsters have latched on.

From exotic investments, free reviews or early cash-in offers, con artists are trying their luck and succeeding in duping retirement savers out of their hard-earned pension pots.

The Financial Conduct Authority estimated the average amount savers had been conned out of in 2018 stood at £82,000 – and that took pension savers 22 years to accumulate.

If you are considering consolidating your pensions in one place in hope of being able to keep track of them more efficiently, don't be rushed or pressured into making any decision.

Reject any unexpected pension offers, whether you receive them online, on social media or over the phone, and always check who you are dealing with before changing arrangements.

PENSION PLANNING POINTS

Ensuring you have adequate retirement income for life after work needs careful planning. That's where we come in.

Planning for retirement in plenty of time is essential. The earlier you start, the better chance you have of saving enough money to retire comfortably.

You can also choose whether or not to adopt a hands-on approach in terms of how your pension funds are invested.

If you are in the know as far as investments go, make sure you achieve a balance between high and low-risk exposure.

Given that pensions can be extremely complex and in a constant state of flux, not to mention the tax and financial implications involved, it's often best to seek advice from a professional.

Speak to us about retirement planning.