Your guide to saving for retirement

JULY 2023 Which? Recommended Provider SELF-INVESTED PERSONAL PENSIONS

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Personal Investing

Fidelity INTERNATIONAL

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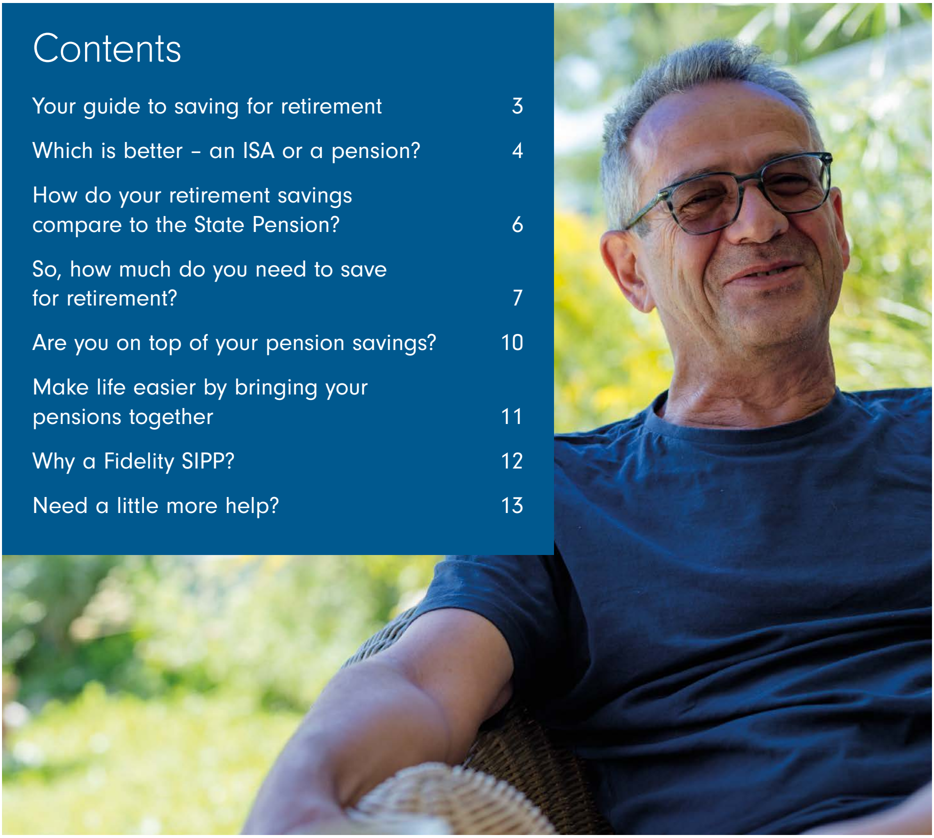


Important information: The value of investments and the income from them can go down as well as up, so you may get back less than you invest. Withdrawals from a SIPP will not normally be possible until you reach age 55 (57 from 2028). Tax treatment depends on individual circumstances and all tax rules may change in the future. Please note that this information and our guidance tools are not a personal recommendation in respect of a particular investment. If you need additional help, please speak to one of **Fidelity's advisers** or an authorised financial adviser of your choice. You should regularly reassess the suitability of your investments to ensure they continue to meet your attitude to risk and investment goals. The information within this guide is correct as at April 2024.

Your guide to saving for retirement

Retirement provides the opportunity to spend more of your time on the things you want to do – a chance to tick off all those things on your bucket list. Achieving your ambitions and ensuring you're comfortable in retirement usually requires forward planning though.

While it's good news we're living longer, it also means we have longer retirements to plan for. This combined with a decline of generous 'final salary' style pensions, and delays in the state pension age, means saving enough to afford the future you want can be a challenge.

According to the Pensions and Lifetime Savings Association – UK Retirement Living Standards 2023, a single person will roughly need about £31,300 a year to achieve a moderate living standard in retirement, and £43,100 for a comfortable one[1]. With the full State Pension paying a maximum of £11,502.40 for 2024/25 tax year, there's clearly a gap.

Taking control of your retirement savings is therefore crucial. Not surprisingly though, with so many changing priorities in today's busy lives – whether that's children to support, a new home, changing jobs or even setting up your own business – our retirement savings can end up taking a back seat. But it's really important to get started and make the time to consider how to balance our needs of today with our needs and desires for the future.

Did you know?

A single person will roughly need about £43,100 a year to achieve a comfortable living standard in retirement.[1]

1 Pensions and Lifetime Savings Association – UK Retirement Living Standards 2023.

Which is better – an ISA or a pension?

Both ISAs and pensions are tax-efficient ways to invest but they work in slightly different ways. There's a place for both and you might want to consider a mixture of these. Here's some facts about pensions and ISAs to help make your investment choices easier.

Why a pension?

A pension remains one of the most tax efficient ways to save for retirement with significant tax benefits.

The government contributes 20% basic rate tax relief of the total amount invested in your pension. To pay in a total of £1,000 to your SIPP, you only need to contribute £800, and the government will pay the other £200. If you pay income tax at above the basic rate, you can claim even more tax relief through your tax return or by writing to HMRC. With your 2024/25 tax year pension allowance you can receive tax relief on contributions up to a maximum of £60,000, capped at the amount you earn if this is less.

Find out more about tax relief and allowances at **fidelity.co.uk/tax-allowances**

In addition, if you're a member of a workplace 'auto-enrolment' pension scheme, many employers pledge to match any contributions you choose to make (up to a certain limit). Making the most of employer contributions is therefore another great way to boost your retirement pot over the years. And, don't forget, these contributions will normally benefit from tax relief too.

You cannot normally access your pension until age 55 (57 from 2028), which means you have the comfort of knowing that your money is locked away for your future.

Your pension pot grows free of income and capital gains tax over time and you can normally take up to 25% tax free cash, with the rest of your withdrawals subject to income tax at your marginal rate.

Paying as much as you can afford into your pension through regular contributions and topping up when you can – such as adding a percentage of a company bonus – can really help to build up your retirement savings. The sooner you start, the more time your investments have to grow, although this is not guaranteed.

A SIPP – a flexible and convenient way to save for retirement

Self-Invested Personal Pensions (SIPPs) are an increasingly popular way to save for retirement. You choose what to invest in and when, and you have the freedom to make changes at any time.

And unlike some traditional pensions, which can be restricted in investment choice, a SIPP offers a wide range of investment options giving you more ways to help your money grow.

Another attraction of a SIPP is flexibility – you can make regular or lump sum contributions to suit your budget and you can typically alter these arrangements at any time. This makes SIPPs particularly attractive to the self-employed, for example, or those who change their career regularly.

You can find out more about Fidelity's award-winning SIPP on page 12.

Why an ISA?

ISAs also grow free of both income and capital gains tax over time. Unlike a pension, you don't receive any tax relief on the contributions you make, but there's no tax to pay on money you take out.

With an ISA you can access your savings at any time. Whilst it's great to have this flexibility, if you're looking to lock money away and want to avoid the temptation of dipping into your savings, you need to consider this.

If you want more potential for higher returns on your money than a cash ISA, then you may need to look further up the risk spectrum.

A Stocks and Shares ISA can help you save for long term goals and work alongside your pension to help you save for the future.

With a Stocks and Shares ISA your money is invested, so there's more potential for growth but the value can go down as well as up so you could get back less than you invest.

This tax year's annual ISA allowance is £20,000.

How do your retirement savings compare to the State Pension?

We often read that the reality of our retirement income fails to meet our expectations and that we, as a population, consistently overestimate the amount of income that we will have to live on after we finish working. To help put some context to this, below we take a look at what you'd need to have saved by the time you give up work to at least equal the State Pension.

The current full State Pension amounts to £11,502.40 a year. To derive an income that amounts to this, or more, from a private pension, we can look at two different pension income options.

Firstly, if we look at the income provided by an annuity. This is a product that takes your pension pot and converts the savings into a guaranteed income for life. Based on current annuity rates, a 68-year-old man buying an income that rises with inflation would require pension savings of about £241,400 to receive an amount equivalent to the state pension[2].

Another way to generate a retirement income is through what is known as pension drawdown. This allows you to keep your money invested in your pension so it has the potential to continue to grow, and flexibly take an income from it.

How much you can withdraw sustainably in drawdown depends on a range of factors, including investment returns. But for the purpose of this example, based on results from Fidelity's Pension Drawdown Tool, savings of £234,600 could be required to recreate an equivalent State Pension income[3]. This potentially uses less of your pension savings compared to buying an annuity, but it does rely on how your investments perform over time and comes without the guarantee that the income will last until you die. It also requires you to carefully monitor and manage your investments.

Both examples are significant sums of money and so it's clear to see why people underestimate the challenge of securing a sufficient income from a private pension. However, with knowledge and understanding, you can begin to feel more confident about planning your savings and future income in line with your expectations.

Did you know?

Pension savings of at least £234,600 would be required to generate an income at least equivalent to the State Pension.[3]

2 Aviva, February 2024.
3 Based on a retirement age of 68, with a drawdown pot lasting 30 years with income rising by 2% a year to offset inflation. This outcome relies on average market conditions over time and is not guaranteed.

So, how much do you need to save for retirement?

It's a tough question to answer. None of us really know how long we'll live or what spending demands will be placed upon us during retirement. Then there's the performance of financial markets which will also partly determine how our investments will grow over the years leading up to retirement.

With that in mind, a target level of saving that would give you a decent standard of living in retirement would be a great thing to have. It wouldn't make hitting your target any easier, but it would allow you to know in good time how you're progressing and to make changes along the way to improve your chances.

How much income will you need?

The reality is that you are likely to have less income to live on in retirement than in your working life. But the good news is that your living costs are likely to be lower as well.

With some luck you will have cleared any debts by the time you stop working, including having no mortgage to pay. Children will be grown up and should now need less financial support and there's some help in the tax system – you pay no NI after State Pension age and of course there's the State Pension itself providing a boost to your income.

And remember – when you are working a proportion of your salary may be taken up by savings contributions, whether into a pension or elsewhere. These can be reduced or stopped in retirement.

It's sometimes said that you'll need a retirement income that is two-thirds of your pre-retirement income to maintain your standard of living. And research from the Pensions and Lifetime Savings Association (Retirement Living Standards 2023) found that a single person will need roughly £31,300 a year to achieve a moderate living standard in retirement, and £41,300 for a comfortable one. This is a good goal to have in mind but may be tough for many to reach.

Our retirement planning calculators can also help you work out how much you're likely to need for the lifestyle you want and whether you're saving enough to achieve it. Go to **fidelity.co.uk/calculators**

What kind of income might suit you best?

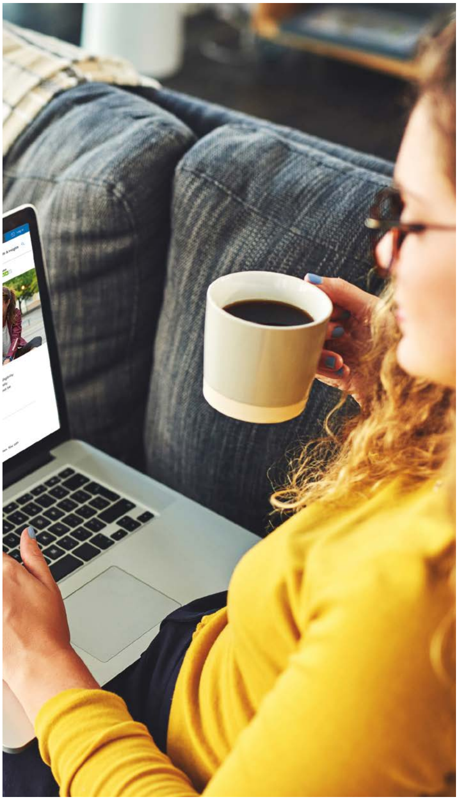
There are different ways to turn your pension savings into an income. You could consider using pension drawdown, an annuity or a combination of both.

Pension drawdown allows you to take the income you want, whenever you need it – giving you total flexibility over your retirement savings. As your money remains invested, it has the potential to continue to grow and provide for your future (although of course this is never guaranteed). It will keep benefitting from tax efficiencies too and can be passed onto your loved ones when you die without inheritance tax applying.

Annuities provide you with a lifelong, regular income that is guaranteed to last as long as you live, providing peace of mind. However, unless you choose an increasing annuity, the income you receive will remain the same each year, therefore with the effects of inflation, it will buy less as the years go by. Also, you won't benefit from economic or stock-market growth.

How to turn your pension savings into an income needs to be carefully considered. Fidelity's Retirement Service can provide guidance at no extra cost to help with your decisions, or paid-for advice with personalised recommendations based on your circumstances. Go to **fidelity.co.uk/frs**

We also recommend the Government's Pension Wise service which offers free impartial guidance to help you understand your options at retirement. You can access the guidance online at **moneyhelper.org.uk/pensionwise** or call them on **0800 011 3797**.



Are you on top of your pension savings?

1 Do you know the value of your current pension?

It's well worth putting some time aside to get your pension statements together and check the total value of your pensions. This may feel like a hassle, with many of us now having multiple pension pots, and is likely to involve sorting through your paperwork and logging into your online pension accounts. But it's important to do as your pensions may be worth more or less than you think. Establishing what they might provide you in retirement can help you to make sure you're putting away enough to enjoy the lifestyle you want in future years.

When checking the value of your pensions, don't forget to add any defined benefit pension schemes you may have. A defined benefit pension pays a retirement income based on your salary and how long you have worked for your employer. These are generally only available from public sector or older workplace pension schemes.

2 Are you saving enough?

On its own, knowing how much you have saved in your pension is not enough. You also need to make sure you're saving enough for the future you want.

As we covered on page 8, our retirement calculators can help with how much you should be saving to maintain a similar standard of living as in your working life.

Just a 1% difference in contribution could make a significant difference to the size of your pension pot when you come to retire.

For example, if a 30-year-old today earning £30,000 could contribute an extra 1% of their salary then they could retire at age 68 with an extra £55,200 in their retirement fund. This example assumes that wages will grow by 3.5% and that the return on invested contributions is 5% after fees[4]. Read how we made our assumptions at **fidelity.co.uk/detailed-assumptions**

3 Do you know where your pension's invested?

The investments you choose to hold in your pension will have a significant impact on the performance of your retirement savings over time. Spreading your money across different assets (equities, bonds, commodities, property and cash) helps balance the risk of poor performance in one asset class.

Holding a diverse range of assets in line with your goals and risk tolerance will help minimise the exposure to a single asset class in your portfolio and will help you take advantage of opportunities across the market. If you are over-exposed to a particular fund, asset class, company type or region, then you may want to consider making changes to give yourself a more balanced portfolio. You can find out more about effective asset allocation and managing risk at **fidelity.co.uk/diversification**

4 Fidelity's Power of small amounts tool, February 2024.

Make life easier by bringing your pensions together

Building savings allows you to work towards achieving your long term goals or adapt when life changes unexpectedly. Pensions are crucial to that and as lives get more complicated, so do our pensions. The more jobs we have, the more pension pots we pick up along the way.

That's why many see the attraction of consolidating their pensions. The benefit of bringing your pensions together is that you can see at a glance the total value of your savings, how your money's performing and whether you're on track to meet your goals.

Another plus is you'll be able to easily see where your money's invested, enabling you to ensure you have a well-balanced portfolio and make adjustments if you need to.

Also to consider, your appetite for risk is likely to change as you move through life, so it's important to ensure that the investments you hold continue to be right for you. For example, in younger years you may be prepared to take more risk with your investment choices because they have time to recover should they fall in value. Yet, as you get older you may not want to take as much risk, as preserving the value of your pension becomes a priority closer to retirement.

Fidelity's SIPP can make a good home for old employer pensions – with a wide range of investment options giving you more ways to grow your money, and plenty of guidance and support to help you make the right decisions. As well as making for easier access when the time comes.

Important Information: Withdrawals from a pension product will not normally be possible until you reach age 55 (57 from 2028).

It's important to understand that pension transfers are a complex area and may not be suitable for everyone. Before going ahead with a pension transfer, we strongly recommend that you undertake a full comparison of the benefits, charges and features offered. To find out what else you should consider before transferring, please read our **transfer factsheet**. If you are in any doubt whether or not a pension transfer is suitable for your circumstances we strongly recommend that you seek advice from one of Fidelity's advisers or an authorised financial adviser of your choice.

You can find out more about the benefits of bringing pensions together at **fidelity.co.uk/pension-transfer**

Did you know?

Fidelity's SIPP can make a good home for old pensions.

For more information visit **fidelity.co.uk/pension-transfer** or call **0800 368 6817**.

Why a Fidelity SIPP?

Our flexible, award-winning Self-Invested Personal Pension (SIPP) has many great features to help you manage your pension savings and be better prepared for the future you want.

Wide investment choice – (funds, shares, investment trusts, exchange-traded funds) giving you more ways to help meet your goals

Support – including expert insights, investment selection tools, planning calculators, retirement guidance and advice

Additional benefits – invest over £250,000 and you'll automatically qualify for our Wealth Management service, including a reduced service fee and your own Relationship Manager to work with you to achieve your goals.

Flexible income options at retirement – and specialists you can talk to

Up to £500 cover – if your current providers charge exit fees (**T&Cs** apply)

Find out more at **fidelity.co.uk/sipp** or call **0800 368 6817**

Need a little more help?

Retirement guidance and advice

There are big decisions to make when accessing your pension which is why we find many investors – even some of the most experienced ones – like to get some help. Fidelity's Retirement Service is able to provide both guidance and personalised advice on your retirement options. The service we offer is purely based on helping you find the most appropriate solution for your personal circumstances.

- **Retirement guidance at no extra cost** – to help you understand your retirement income options, explain tax rules and allowances and offer guidance to help you avoid potential pitfalls.
- **Personalised retirement advice** – our retirement advisers can also provide paid-for advice, helping you build a personalised retirement plan with specific recommendations based on your personal circumstances.

Call us on **0800 860 0048**, Monday to Friday 9am – 5pm.

The Government's Pension Wise service also offers free, impartial guidance to help you understand your options at retirement. You can access their guidance online at **moneyhelper.org.uk/pensionwise** or over the telephone on **0800 011 3797**. Or, of course, you can speak to an authorised financial adviser of your choice.

Helpful retirement planning calculators

Fidelity's planning calculators can help you to look more closely at various aspects of your retirement, from planning your goals and your savings to working out your withdrawals.

Go to **fidelity.co.uk/calculators**

We also offer a wealth of information, guides and videos online at **fidelity.co.uk** to help you make informed decisions, both as you invest to grow your money and at retirement.

Tracing lost pensions

If you think you may have an old pension that you no longer have the paperwork for, you can track down lost company and personal pensions online through the **Pension Tracing Service** or by calling 0800 731 0193.

Here to help

If you'd like more information about Fidelity's SIPP, or would like to talk to someone about bringing your pensions together, we'd be happy to provide any guidance or support you may need.

Call us on
0800 368 6817
Monday to Friday
8.30am to 5.30pm
or Saturdays
9am to 12.30pm.

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