



Higher earners not saving enough for retirement

Only 51% of people who “could and should” be saving for retirement are on track for an acceptable standard of living later in life, according to the seventh annual Scottish Widows UK Pensions Report*, published in June.

5,200 people between the age of 30 and state retirement age with gross personal income of at least £10,000 a year were asked about their retirement provision by YouGov in an online survey between 4 and 11 March 2011. The survey deems an individual to be preparing adequately for retirement if they expect their main income to come from a defined benefit pension scheme, or if they're saving at least 12% of their income for retirement, including employer pension contributions and non-pension savings.

Characteristics of different types of savers

The survey found four broad categories of savers:

- **Adequate savers:** putting aside at least 12% of their income for retirement or expecting most of their income in retirement to come from a defined benefit pension scheme.
- **Somewhat undersaving:** putting aside 6%-12% of their income for retirement.
- **Seriously undersaving:** putting aside up to 6% of their income for retirement.
- **Non-savers:** currently making no provision at all for retirement.

Each group has its own characteristics, which are not always as you might expect. Here we highlight two types.

Seriously undersaving

This group is saving, but not nearly enough to give the prospect of a good retirement income. It is largely made up of people in their 40s (40%) and has the highest average income of all the groups at £35,900 a year. It also has the highest aspirations for retirement income at £28,000 a year, almost £4,000 above any other group. Members may be male or female and are likely to be married, possibly with several children – 10% have at least three children. They're more likely than the better savers to be self-employed or to work for a small

Dains appoints LighthouseCarrwood to operate Dains Wealth Management

LighthouseCarrwood is delighted to have been appointed by Dains Chartered Accountants to provide independent financial advice to its clients via Dains Wealth Management.

Andy McQuillan, Taxation Partner at Dains said, "Having run an in-house financial planning service for a number of years, we decided to outsource the function to a firm which has the breadth and depth of resources to advise on all aspects of financial planning. As LighthouseCarrwood specialises in working with accountancy practices, they understand how we operate and we feel comfortable with their approach. Importantly, they have an exemplary regulatory track record. We look forward to Dains Wealth Management becoming an integral part of our business."

Mark Dallas, Managing Director of LighthouseCarrwood added, "We have known Dains for a number of years and are delighted to be working with another high quality, regionally-based accountancy practice."

Dains is one of the largest accountancy practices in the Midlands, with five offices and 18 partners and directors. The firm was ranked 72 in Accountancy Age's Top 100 firms in 2010.

LighthouseCarrwood is one of the UK's leading providers of financial planning services to professional practices, with agreements in place with more than 80 accountancy and legal practices.

company. Three-quarters of this group (77%) feel secure in their jobs – and they need to be. They have an average of over £16,500 non-mortgage debt,

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significantly more than any of the other categories.

They are likely to be making any current pension savings through an employer's defined contribution scheme or a personal pension, but one in three (34%) has been active in a defined benefit scheme at some stage in their career. Of all the groups, this is the least resistant to working to the age of 70 – 23% would be comfortable with the prospect.

Somewhat undersaving

This group is making an effort to save for retirement, but not quite doing enough to provide adequately for their old age. People in this category are generally young – with 39% are in their thirties – and is largely male. Its members are relatively optimistic about career, family, health and financial prospects. Many are buying their homes with a mortgage.

Almost two-thirds (65%) work for private sector companies, and one in six (17%) has at least three separate pension arrangements, more than for any other group. Defined contribution employer arrangements, personal pensions and stakeholder pensions are all more likely to be held by this group than by any other. People in this category are likely to be contributing to one of these currently, although one-in-four is a member of a defined benefit scheme, but probably not currently active.

Auto-enrolment already impacting pensions advice

Employers will be obliged to enrol most employees into a workplace pension scheme that meets certain standards under compulsory auto-enrolment which is being phased in from October 2012. For these workers employers must either pay a minimum contribution into a defined contribution scheme such as NEST, or provide a minimum level of benefits from a defined benefit scheme.

Any advice on pension planning given now needs to take into account an individual's and company's likely situation when auto-enrolment comes in. LighthouseCarrwood has extensive expertise in advising on pensions, both to individuals and companies. In addition, we will be offering an administration service for all employers not wishing to deal with NEST themselves.

Case Study: Seriously undersaving

Karen is 44 and works as a legal executive in London at a salary of £34,000 a year. Her husband, Jim, has similar earnings and they have three young children. Karen's firm currently offers no pension arrangements beyond the statutory access to a stakeholder scheme.

Karen's priority is to do the best she can for her children, and she is currently paying a substantial amount each week in nursery fees so that she can work full-time. She hopes to send the children to a private school, and what spare income she has is mainly going towards that.

Karen recognises the importance of saving for retirement, but also that the £100 a month she saves in a personal pension is woefully inadequate. She is resigned to working for longer than she would like to, but hopes that Jim's company pension will provide a reasonable income in retirement, though she has no real idea of how much it might be. She thinks she will remain in the pension arrangement offered by her company when she is automatically enrolled, and at least be able to build up a bit more pension provision.

* Source for all information: The Scottish Widows UK Pensions Report 2011

LighthouseCarrwood is one of the UK's leading providers of financial planning services to professional practices. We would be delighted to work with you to help your clients ensure they are making adequate provision for their retirement. To discuss how we could work with your firm in a way that suits your practice, please contact: Mark Dallas, Managing Director, on 07899 981607 or Mark.Dallas@lighthousegroup.plc.uk. www.lighthousecarrwood.co.uk

