Ten ways to ensure your pension doesn't fall short in retirement – by Brian Ó Nualláin, Investment Sales Lead with Royal London Ireland

It has never been more important to ensure that your pension doesn't fall short in retirement. The recent cost-of-living crisis highlighted the impact that inflation can have on the retirement income of pensioners – with a survey by the charity Alone[1] finding that three in four older people had found their standard of living affected by high inflation. Furthermore, over half of those over 50 years of age plan to continue working on in retirement – either in a full-time or part-time capacity, with financial considerations emerging as a key reason for doing so, according to recent research by the Retirement Planning Council of Ireland[2].

It can be difficult to assess how much income you will need in retirement, how long your pension will last and indeed how adequate your pension will be. However ultimately, you should be aiming to save enough into your pension to fund the lifestyle you wish to have in retirement - and for as long as you are retired. Here are ten steps which can help you achieve that.

1. Get advice

Seek professional advice from a Financial Broker as early as possible - such an expert will help you calculate how much you will need to save in order to build up a sufficient pension pot and will provide information on the type of investments available. A broker or financial advisor will also help you put in place a tax-efficient and viable investment strategy which takes account of your own appetite for risk, as well as the investment returns you are hoping to achieve. When the time comes for you to retire, your broker or advisor will also help you to navigate the retirement paperwork and guide you on how best to use your pension savings throughout your retirement. Be sure that any advisor or broker you deal with is regulated by the Central Bank.

2. Start saving for a pension as early as you can

Join your company pension scheme as soon as possible, or if you are self-employed or a company director, start paying into a pension policy as early as you can. The earlier you start, the greater your pension savings will be at retirement as you will benefit from the power of compound investment growth. With investment growth and compounding, the more and earlier you've contributed to your pension, the better chance you have of achieving the pension you would like to access in retirement. If your budget is tight, try to make room for a small initial pension contribution to get your pension savings started and this can be reviewed and increased over time as required. Remember, apart from your home, your pension is likely to be the next largest asset you will own – assuming you carefully plan and pay attention to it.

3. Find out exactly what is provided by your company pension scheme

If you are an employee with access to a company pension scheme, obtain all the information about it that you can - including how it works; what you will be entitled to from it at retirement; if you are required to contribute – and if so, at what level; and if – and how much - your employer contributes. It is also important to check what investment funds are used for your pension savings and to discuss all this information with your broker or adviser.

4. Match your employer's pension contributions

If you're lucky enough to be offered membership of a pension scheme where your employer will match your contributions up to certain levels, make sure you join as soon as possible and feasible. Doing so will allow you to take advantage of what is in effect additional income for you

[1] See Alone survey of August 2023

[2] See RPC survey published in April 2023

from the company. Not everyone has the benefit of employer contributions to their pension but those that do are likely to find it much easier to save up a reasonable pension pot by the time they retire.

5. Make the most of pension tax relief

Ensure you know how much tax relief you are entitled to on your pension contributions and contribute what you can afford. Pensions are a very tax efficient way of saving. You can claim back 20pc or 40pc of your pension contributions in tax relief, depending on the rate of tax you pay. The amount of pension tax relief you are eligible for will depend on your age and salary. Note: that there is a €115,000 cap on the maximum annual earnings that pensions tax relief on personal contributions can be claimed on. There is a €2 million limit on the overall value of your pension fund that you can get tax relief on.

6. Adjust your pension plan to your circumstances

As we progress through life and our career, our financial circumstances change – sometimes for the better and sometimes for the worse. In good times, your salary may increase or you may be entitled to a bonus – when this arises, you should always consider saving more into your pension.

In difficult times, you may need to consider reducing or pausing pension contributions – however, it is important that you revisit your pension policy as soon as possible when your financial circumstances improve as this will help you get your pension back on track. Don't forget too that it is possible to make regular pension contributions to your plan and/or one-off contributions (subject to certain limits).

7. Keep track of all your pensions over the years

Over a long career with multiple employers, pension benefits can be forgotten about - or companies may be acquired. So, tracking a pension entitlement can become more difficult as the years pass. It is therefore important that you keep track of all the pensions you have contributed to over the years. Doing so will help ensure you get the maximum retirement income you are entitled to and that you don't unnecessarily lose out on a pension you have saved into in the past.

Tracing pension entitlements from years ago can be a lengthy process and typically is done at the point of retirement when administration delays can cause a lot of frustration, as well as delays in accessing your retirement savings. To prevent yourself running into difficulties tracing any pensions you have, remember to keep all your pension documentation filed safely. Keep a record of the name of the administrator for each of the pension schemes you have paid into, as well as the administrator's contact details, even if you are not transferring those pensions to an overseas scheme. Also, be sure to inform the administrators when you change your address, so that they can contact you when the time approaches for your pension to be paid or if there have been any developments affecting your pension.

8. Review your retirement plan throughout the years

Your expectations of – and hopes for – your pension could be very different in your 20s and 30s than in your 40s, 50s and 60s. It's therefore important that you schedule regular reviews with your Financial Broker or advisor to make sure your retirement plan is on track to meet your retirement and post-retirement goals. These reviews are particularly important the closer you get to retirement, particularly within ten years of your retirement date.

9. Beware of inflation
Inflation effectively reduces how far our money will go and eats into our spending power. It is very important when investing for your pension to choose investments that are likely to outperform inflation over time – otherwise, inflation will 'eat' into your pension savings and returns. Your Financial Broker or advisor will be able to offer you guidance here. It is also a good idea to allow your pension contributions to increase to keep pace with the level of inflation.

10. Find out if you are entitled to the State pension
The State pension can provide a very valuable additional source of income in retirement if you qualify for it. So, check with Department of Social Protection if you are, or will be, entitled to receive any State pension when you retire. There are two types of State pension – the contributory State pension and the non-contributory one. It would also be worth checking your social insurance record to ensure it correctly reflects all the time you have spent in the workforce and all the social insurance contributions you have paid.

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