

Pension planning when you're young

What should young people do now to make sure they will have a good old age?

Saving for old age is an alien concept for many people - particularly young people.

There are so many more immediate demands on their money - retirement is a long way off and is not therefore something to worry about in the short term.



The Local Government Pension Scheme (LGPS) is perceived as being for old people and how many in their 20s can begin to imagine how they might look and feel when they reach pension age 40 or more years from now?

Pensions are also boring - positively uncool and not something a young person would want to spend time debating or worrying about, would they?

Plan ahead

And yet recent reports and studies have pointed out that young people of today can have an expectation of life far beyond what their predecessors had - to the point that they might conceivably spend almost as many years in retirement as they have done in work

Many are aware of this and accept it as good news but do not make the connection between that and the need to take stock and plan ahead as to how they are actually going to support themselves when their working days are over.

Here are a few questions everyone should ask themselves

- If you think the state will provide for you at the end of the day, well just ask yourself how much or, perhaps more pertinently, how little you might receive - and will it be enough for you? **(in 2008 the average weekly State pension is £87.30)**
- How many more pensioners are there likely to be when you come to retire - and will the workers of the future really be willing to hand over a much greater proportion of their income in taxes and National Insurance than you do now?
- If you think there is plenty of time to get down to sorting all this out later on then why not think again - it might be later than you think and time has a habit of catching up with you?
- If you think talk of pensions and other forms of saving is boring how interesting do you think poverty in your old age will be?

The advice to everyone regardless of age would be to have some sort of retirement plan in mind which you can build on and develop as you grow older and your circumstances alter.

A lot of this will be personal to you.

- What level of income do you want to have when you finish work and how is it going to be provided?
- What commitments might you still have at that stage - would you, for example, have expected to have cleared your mortgage?

All these things need to be taken into account.

Nest egg

One further advantage of a pension arrangement - although you might not fully appreciate it at the time - is that your investment is locked away until you reach 65 thus avoiding any temptation to draw the money out earlier.

The lower your salary is the less you pay into the LGPS. This table gives you details of current costs.

Salary	You pay
Up to £12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

Please bear in mind that the LGPS is a good form of long term saving attracting as it does tax relief on the pension contributions at an individual's highest personal rate. You would also pay less National Insurance as you would not pay into the State Second Pension (a small extra pension on top of the State pension). **(for someone on £12,600 a year this means the net cost is as little as 3.4%).**

As you are fortunate enough to have access to the LGPS, you should certainly seriously consider joining it at the earliest possible stage - remember that your employer will be contributing to it as well as yourself and not to join it is tantamount to turning part of your wages away. (your employer pays about double what you will pay, all for your benefit!)

So at least give this some thought and have look at joining today.

It's your future and your concern - look to it.