

Under-45s exposed by pension shortfall

- Estimated pension pot of £100,000 would mean an annual income of just £5,400 in retirement
- A third relying on inheritance rather than starting to save for retirement
- 33% have less than £10k in their pension pot

More than two fifths (43%) of under-45s risk being left high and dry in retirement, estimating that a savings pot of £100,000 is enough to fund their retirement, according to new research from Sanlam UK.

Sanlam's report – *The Generation Game* – estimates that in order to generate a retirement income of £24,000 per annum, one would need a pension pot of £480,000 by the time of retirement. A savings pot of £100k would provide an annual income of just £5,400¹ in retirement.

While the findings show that many under-45s are woefully unaware of what they will need to save to fund a comfortable retirement, the research also found that:

- 34% do not think they will be able to meet their pension pot goal
- 57% are aware that they'll need to save more if they are going to meet their retirement target, but just 13% think it is actually achievable
- Around a third of under-45s are putting off saving as they expect to receive an inheritance of more than £50,000 so feel able to “live in the now”

Sanlam's report explores the generational wealth transfer expected to take place in the UK over the next 30 years, and comprises research of three different cohorts: over-55s with investable assets of £100,000 who are leaving their children and grandchildren inheritance; people aged between 25-45 who are expecting to receive at least £50,000 in inheritance; and 200 UK-based independent financial advisers (IFAs).

The findings also reveal that a quarter (24%) of under-45s do not know the value of their pension or said they don't have a pension pot, and a third (33%) of under-45s have less than £10,000 in their pot.

This is not just an issue with the much maligned 'avocado toast' generation. Sanlam's research also found that amongst those aged 55 and over, one fifth don't currently have any savings in their pensions and a further 22% don't know the current value of their workplace pension scheme.

Carl Drummond Senior Wealth Planner at Sanlam UK, said: “Our research confirms what we have long-feared; that people of all ages are simply not engaged enough with their pension and their financial security in retirement. Despite the best efforts government and many employers, the message is still not getting through that people need to think carefully about how much money they will need in retirement and start saving accordingly.

“Our research highlights that many under-45s see inheritance as a panacea, but that's a big gamble. Money being passed down from parents or grandparents is often split-up among other family members or, increasingly, used to pay for care costs meaning the under-45s might not inherit what they expect.

“People who retire at 65 can easily live for another 20 years – that's 240 monthly paylips they need to have saved to be able to enjoy the same standard of living. While that might sound like a lot, building a substantial pension pot that delivers peace of mind as well as funds in retirement is entirely doable, but it requires forethought and a detailed plan. As our research highlights, while it's never too early to start saving for later life, it's never too late either.”

¹With £100k in your pension the income (assuming no PCLS) would be £5,407 pa (from HL indicative rates). Equates to £450.58 pm gross. Assume age 65, single life, level annuity with a

5-year guarantee. <https://www.hl.co.uk/pensions/annuities/annuity-best-buy-rates> <
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