Retirement

Your retirement journey
decade by decade

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Introduction

Saving for retirement is a long-term aim and like any task that seems insurmountable or a long way off, it's important to have staging posts along the way. Focusing on a few key factors to implement in each decade will help set you up for a successful retirement journey.

Click on the menu alongside to discover what your retirement journey looks like in each decade.

20s - Getting started

This is the decade where you want to have fun and, yes, retirement is a very long way off. You've only just started work, let alone thinking about when you're ready to hang up your boots.

BUT it's never too early to start saving for your retirement.

WHY? Because the earlier you start saving, the more money you will accumulate. This is the decade where you can exploit compound growth to its fullest. Your money basically multiplies itself over time.

So, sign up for your employer-sponsored pension scheme and if your employer does not offer one, consider starting your own personal plan. As your career starts to take off you will earn more money - try to split the increase in salary to enhance your lifestyle as well as increase your savings. An additional 1 or 2% saved can make a lot of difference over the long term.

In your 20s start off on the right foot and get into the savings habit. **Your retirement savings goal by the end of your 20s should be** to have a fund that's **the same size as your annual salary.**

30s - Stay focused

In your 30s you've accumulated a few years of work experience and your salary should be increasing, but you will also have increasing commitments both personal and financial. So, that means it's time to commit to a budget, so that you can find cash to save. Have a good idea of your spending patterns so you know how much you can afford to save.

Focus on paying off debts like credit cards or student loans. The more debt you can pay off, the more income you can free up to add to your savings. Unless you really can't avoid it, don't stop your pension contributions – you lose out on three important benefits: tax relief, investment growth over time and the contributions from your employer.

If you switch jobs, don't forget to transfer your retirement savings to your new employer's pension scheme - don't be tempted to take a return of contributions or a full encashment. Keep your money invested.

If you haven't started saving yet you need to take the plunge because you can't delay any further. You will need to maximise the amount by matching the contributions offered by your employer.

In your 30s keep your savings habit and don't waiver even if other financial demands seem great - learn to manage your resources.

Your retirement savings goal by the end of your 30s should be to have a fund that's the same size as **3 x your annual salary.**

40s - Start projecting forward

This is getting serious now and it may be the first time that retirement enters your thoughts. You have been saving for a decade or two, hopefully! It's a good time to start projecting forward. So, use your online pension calculator to see what your retirement fund may grow to when you retire. If the figures make you pause, then it's time to save harder.

Hopefully by this time you should also have built up an emergency fund. This should help you avoid reducing or dipping into your retirement savings.

One of the challenges of moving into your 40s is the tendency to spend more because you earn more. Going on expensive holidays, buying an expensive car or always choosing upgrades is an easy habit to fall into. Sure, enjoy yourself, but don't break the bank. Keep the balance right and increase your savings to match or beat inflation. You should start to have a reasonable size pension pot so that investment returns now start to make a real difference to the value of your pension.

If you have a little surplus at the end of the year, remember that you can also add lump sums to your pension to maximise your tax relief and bolster your retirement fund.

In your 40s retirement starts to feel real and so this is a good time to speak to an adviser and assess how your retirement plans are doing.

Your retirement savings goal by the end of your 40s should be to have a fund that's the same size as **4-5 x your annual salary**.

50s - Plan your retirement income

In your early 50s you may start to think about a change in lifestyle in a few years' time. Importantly, you should maximise the amount you pay into your pension and get a sense of how much retirement income you can generate and from what age you can afford to start.

You should engage with the social security office to understand what you can expect from the States pension. If you worked in the UK, you can also get a forecast from the Department of Work and Pensions.

In your later 50s, if you have saved well, you may be able to reduce your working hours, but this means that your savings will naturally fall.

You may also now for the first time consider the consolidation phase of your pension pot. This may mean changing your investment focus from pure growth to a more balanced and measured approach so that your funds are not exposed to a higher risk than you can tolerate, given that retirement may be less than 10 years away.

In your 50s you will definitely need to see an adviser to understand what your retirement income is projected to be and whether you need to change your investment approach.

Your retirement savings goal by the end of your 50s should be to have a fund that's the same size as **8 x your annual salary**.

60s - Focus on your new future

Ok, now you can focus on enjoying your retirement and changing your habits from accumulating funds to using your assets to generate an income. You should find you need less money to get by.

This is the decade where you have to make choices about what type of income you will take from your pension funds. You may also need to consolidate different pension funds that you have accrued over your working career into one scheme so that you can efficiently start to receive your income. Smaller pensions can also be taken under trivial pension rules if you need capital rather than income.

Of course you may wish to continue to work past the normal retirement age because you enjoy your work or you have specific financial commitments. Phasing into retirement by working part-time is now becoming more popular, as people find themselves in reasonable health and enjoying a balanced lifestyle.

All pension schemes allow you to take a proportion of the fund as a lump sum and this is what most people do. You can use those funds in any way you wish - to pay off liabilities, top up your cash reserves, invest for a tax-efficient income or to help family with a property purchase. Remember, your accumulated savings will need to last for approximately 25-30 years and inflation means that things will get more expensive over that time. So ensure that you don't spend too much in the early years and keep something in reserve for later when costs have increased.

You can take your States pension at the designated retirement age or two years early, if this option is available to you.

Your retirement savings goal by the end of your 60s should be to have a fund that's the same size as **10-12 x your annual salary**.

Contact details

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