'I WISH I'D STARTED SAVING FOR RETIREMENT EARLIER'

New research shows why many older UK adults have many money regrets

Research from Standard Life has found that UK adults have many money regrets. But when asked what one thing, if anything, they most wish they had started doing earlier to be financially efficient with their money, saving for retirement came top of the list. Nearly one in seven (15 per cent) UK adults said they wish they'd started saving for their retirement when they were younger.

TODAY'S BABY BOOMERS

And if you ask those aged 55 plus, today's baby boomers, then an even higher number – one in five – say this is their biggest regret. This figure rises further among adults who are saving into a personal pension rather than being part of a workplace scheme, with a quarter (25 per cent) wishing they'd started saving earlier, compared to just 13 per cent of those saving into a workplace pension.

IMPACT ON FUTURE FINANCES

Hindsight is a wonderful thing, but we can all learn from those who are older and wiser. The earlier we start saving, the bigger the impact on our future finances. Someone who starts saving £100 a month at age 25 could receive an income of £3,570 per annum by the time they are 65. Using the same assumptions, someone saving the same amount from age 40 would have a pension income of only £2,000 per annum at the same age [1].

IMPORTANT NOT TO PANIC

For those of you who feel you've already left it too late, the important thing is not to panic and save what you can now. And those of you who are not already saving through a workplace scheme or about to be automatically enrolled into one should find out more about personal pensions if you don't want to end up with the same regrets as many other personal pension savers. These days most personal pensions are really flexible, so you can increase, decrease or stop and start contributions to suit changes in the future.

THE CHALLENGE OF SAVING EFFICIENTLY

It's important to take advantage of whatever opportunities you have to increase your pension contributions. Remember, with pension plans, the government contributes whenever you do. So if you are a basic rate tax payer, in most cases for every £4 you save in a pension, the Government adds another £1. And if you're in a workplace scheme, your employer is likely to be topping up your contributions too. So consider increasing your regular pension savings as and when you can; or pay in a lump sum after a windfall such as a bonus [2].

Don't think it's ever too late to start saving for your retirement. And if you're younger, don't think that because you can't save very much, there's no point bothering. Even if you can start to save a small amount from a young age it can make a difference.

If you don't feel you can put your money away in a pension just now, then you might want to consider investing in a tax-efficient Stocks & Shares Individual Savings Account (ISA) instead. This means you can still access your investment, while you also have the potential to help your money grow. There is no personal liability to tax on anything you receive from your Stocks & Shares ISA, so you might want to think about using as much of your £11,520 ISA allowance as possible before the end of this tax year. You can invest up to half of this in a tax-efficient Cash ISA, which you can earmark for more immediate concerns. Then you may want to consider investing the rest in a Stocks & Shares ISA so you have the potential of greater tax-efficient growth over the longer term [2]. ■

ACCORDING TO THE RESEARCH, THE TOP FIVE BIGGEST FINANCIAL REGRETS ARE:

1. I wish I had saved for retirement earlier (15 per cent)
2. I wish I had avoided running up debt on credit cards or store cards (14 per cent)
3. I wish I had set and stuck to a budget (10 per cent)
4. I wish I had spent less on nights out and saved more in general (9 per cent)
5. I wish I had sold things I no longer needed (5 per cent)

TALK TO US ABOUT BEING FINANCIALLY EFFICIENT

Always remember that the value of an investment can fall as well as rise, and may be worth less than you invested. To find out more about being financially efficient and to learn more about investments such as pensions and Stocks & Shares ISAs, please contact us for further information.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,059 adults. Fieldwork was undertaken between 25 - 28 January 2013. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).
[1] All pension figures are sourced from Standard Life and are based on an individual retiring at 65, making monthly pension contributions, assuming a growth rate of 5 per cent per annum, inflation of 2.5 per cent per annum, an annual increase in contributions of 3 per cent and an annual management charge of 1 per cent. The income produced is based on an annuity that does not increase, paid monthly from age 65, and this will continue to be paid for the first five years even if the individual dies.
[2] Laws and tax rules may change in the future. The information here is based on our understanding in April 2013. Personal circumstances also have an impact on tax treatment. All figures relate to the 2013/14 tax year, unless otherwise stated.