# COVID-19 effects on retirement planning

## Remember that pension savings are for the long term

The Coronavirus (COVID-19) is having a widespread impact across all aspects of financial life, including retirement plans. The current global stock market turbulence, as a consequence of COVID-19, will no doubt be concerning for individuals whose pension savings are invested partly or fully during these volatile market conditions.

But making decisions based on what's happening in the short term can be a risky thing to do. It might be tempting for example to move all you investments into cash or other lower risk investments for a while – but in doing that, you might miss out on the point when the value goes back up - so you could lose out in the long term.

### TIME FOR MARKETS TO RECOVER

It's really important to remember that pension savings are for the long term. If you're young and currently paying into a workplace pension, then there is time for your pension pot to achieve growth over the long term and recover from the fluctuations currently being experienced in the stock markets. You shouldn't be too concerned, as you have many years ahead of you, and this will provide time for markets to recover before you take your pension income.

If you're older and closer to retirement, you may have seen your funds lifestyled. This means your pension will have been moved into predominantly less risky funds and invested in 'safer' places such as in cash, gilts or bonds, which are lower risk and usually offer a fixed rate of return. The older you get, the more schemes tend to choose to invest in such assets to limit investment risk. However, not all pension schemes offer automatic lifestyling.

### ANNUITIES

If you're about to retire and were planning to buy an annuity, in March, the Bank of England cut the base rate twice in just over a week in a further emergency response to the coronavirus pandemic, reducing it from 0.25% to 0.1%. This has meant annuity rates have also fallen. An annuity is a type of retirement income product that you buy with some or all of your pension pot. It pays a regular retirement income either for life or for a set period.

If you are thinking of securing an income by purchasing an annuity, the recent volatility shows the importance of gradually reducing the risk in your portfolio as you approach your expected annuity purchase date. Doing this provides greater certainty over the secured income you can expect to generate from your fund.

### DRAWDOWN

If we continue to see a protracted period of negative investment returns and you're already using drawdown, or plan to move into drawdown soon, you might also want to avoid taking out any more than you need to while fund values remain depressed. The more you can leave invested, the more you will benefit over time once there is a recovery.

Drawdown is a way of taking money out of your pension to live on during retirement. You have to be aged 55 or over and have a defined contribution pension to access your money in this way. You keep your pension savings invested when you reach retirement and take money out of, or 'drawdown' from, your pension pot. Since your money stays invested, and it's usually in the stock market, there is the risk that your fund may fall in value. The upside is that investment growth can provide higher returns and see your pot continue to increase in value.

### CONTRIBUTIONS

Another option to consider, if you are still in the process of saving for your retirement and if appropriate, now might be a good time to consider increasing your pension contributions if you can. Even though your strategy may depend on the movement of the markets, increases in contributions over the long term can make a difference to your eventual retirement pot value, if it coincides with the market recovery.

Again, there is no need to panic – at this stage, we do not know what the long-term implications of coronavirus will be. We can help you see the bigger picture, weigh all your options and take a balanced assessment of your risks.

### STAGGERED

New research[1] has revealed how many pensioners are opting for a staggered retirement and working part-time before giving up work completely to make sure their pensions last the rest of their lives. With people living longer, and the added prospect of health care costs in later life, retirees increasingly understand the benefits of having a larger pension pot in later life.

Of those who haven't accessed their pension pot, half (51%) say it is because they are still working while more than a quarter (25%) of people in their 60s say it is because they want their pensions to last as long as possible.

Of course, retirees who haven't accessed their pension pot must have alternative sources of income. When asked about their income. Nearly half (47%) said they take an income from cash savings (47%), others rely on their spouse or partner's income (35%) or State Pension (22%) while 12% rely on income from property investments (12%).

### PROFESSIONAL FINANCIAL ADVICE COUNTS

If you're about to retire the amount of exposure you have will reflect both your attitude to investment risk, and the time you have until retirement. Most importantly, before taking any major decisions relating to your pension take the time to get professional financial advice.

**Source data:**

[1] LV= survey of more than 1,000 adults aged over 50 with defined contributions 25 February 2020

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# Moving closer to retirement

## Delay taking your pension if you can

For those people moving closer to retirement that may have been impacted by the recent market volatility, another option to consider is deferring your private pension. If you're in a defined contribution scheme, delaying when you claim means that you leave your pension pot invested for longer, so you could secure a bigger pension pot when you do eventually come to retire.

Deferring also means that you can continue to save as much as £40,000 in the current tax year into a pension and earn tax relief under current rules. There is also the opportunity to defer your State Pension for extra income.

Choosing to defer means that once you do start claiming your State Pension, you'll receive more than you otherwise would have. It can also help you manage your tax liability if you don't want to be pushed into a higher income bracket.

The most important thing to do in the face of what is an unexpected and uncertain period for investors is not panic. We have seen extremely volatile stock markets recently, and it is impossible to say when markets will recover. ■

**5 REASONS TO DELAY TAKING YOUR PENSION**

1. Your pension has longer to grow
2. You can maximise your investment potential before moving to safer assets
3. Your employer will keep topping up your pension
4. You'll continue to receive tax relief on pension contributions until age 75
5. Delaying your State Pension can boost your payments


/// CHOOSING TO DEFER MEANS THAT ONCE YOU DO START CLAIMING YOUR STATE PENSION, YOU'LL RECEIVE MORE THAN YOU OTHERWISE WOULD HAVE. IT CAN ALSO HELP YOU MANAGE YOUR TAX LIABILITY IF YOU DON'T WANT TO BE PUSHED INTO A HIGHER INCOME BRACKET

# Coronavirus pension scams

## Fraudsters exploiting the coronavirus to prey on anxiety and fear of savers

The three main regulatory bodies have joined forces to issue a statement urging investors to remain calm and avoid making 'rushed' financial decision in response to the coronavirus (COVID-19) crisis.

The Pensions Regulator (TPR), the Financial Conduct Authority (FCA) and the Money and Pensions Service (MaPS) are concerned the conditions could leave savers vulnerable to scams. They add that decisions made purely in response to the current panic may damage many people's long-term financial interests.

### INCREASE IN SCAMS

The coronavirus outbreak has impacted on all kinds of companies, including those listed on the stock market. As a result, markets have been volatile and are likely to remain so for a while. This can have an impact on pensions, leading to additional worry for savers. It can also lead to an increase in scams, as unscrupulous people try to take advantage of the situation.

This is a very worrying time for people. For those on the point of retiring, the impact of the virus on the financial markets – and therefore on pension savings – has been damaging. However, many workplace pension investments are designed to deliver over the long term, with measures in place to reduce the risks faced by investors as they approach retirement.

### SAFE IN THE LONG TERM

Pensions remain a safe long-term investment for your retirement, and it's important to avoid hasty decisions about cash that's taken a lifetime to build. Do not transfer your pension into another arrangement now and regret the decision later. If you're worried about your pension savings, take the time to understand what options you have available. There is no need to rush. Before making any decision about your retirement savings, you should speak to your financial adviser.

For those who have a final salary pension, staying in your existing scheme is still likely to be the best long-term arrangement. All savers should be very cautious about making changes at this time. Fraudsters will exploit the coronavirus to prey on anxiety and fear of savers and investors, especially those who may be vulnerable. Anyone who is thinking about transferring their pension should always check who they are dealing with and only use firms authorised by the FCA.

### WARNING SIGNS OF SCAMS

Reject all unexpected and unsolicited offers, and get to know the warning signs of scams, like high rates of return which sound too good to be true, so-called special offers or pressure to make a quick decision.

Savers need to check with impartial sources of advice and guidance before making big decisions about their finances, especially in the current climate, and not be pressurised into doing something they will later regret. ■

### WHAT TO LOOK OUT FOR FROM A POTENTIAL SCAMMER:

- Free pension reviews
- Higher returns – guarantees they can get you better returns on your pension savings
- Help to release cash from your pension even though you're under 55 (an offer to release funds before age 55 is highly likely to be a scam)
- High-pressure sales tactics – the scammers may try to pressure you with 'time-limited offers' or even send a courier to your door to wait while you sign documents
- Unusual investments which tend to be unregulated and high risk, and may be difficult to sell if you need access to your money
- Complicated structures where it isn't clear where your money will end up
- Arrangements where there are several parties involved (some of which may be based overseas) all taking a fee, which means the total amount deducted from your pension is significant
- Long-term pension investments, which means it could be several years before you realise something is wrong

Many of these scams are targeted at those in their 50s and 60s, after rules introduced now give those over 55 greater access to their pension savings

### SCAMMERS DESIGN ATTRACTIVE OFFERS

Fraudsters make false claims to gain your trust. They may claim they are authorised by the FCA or that they don't have to be FCA-authorised because they aren't providing the advice themselves. Some will claim to be acting on the behalf of the FCA or the government service Pension Wise.

Scammers design attractive offers to persuade you to transfer your pension pot to them (or to release funds from it). It is then often invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units; or invested in more conventional products but within an unnecessarily complex structure which hides multiple fees and high charges; or simply stolen outright.