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FIDELITY'S PENSIONS MAGAZINE

MoneyTalk

Alvin Hall says:
"It's time to wake up,
Sleeping Beauty!"

PENSIONS D+CTOR

The doctor will see you now

The Insider

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Keep a cool head

Work for Life after Work

Invest some time now to plan the retirement you want

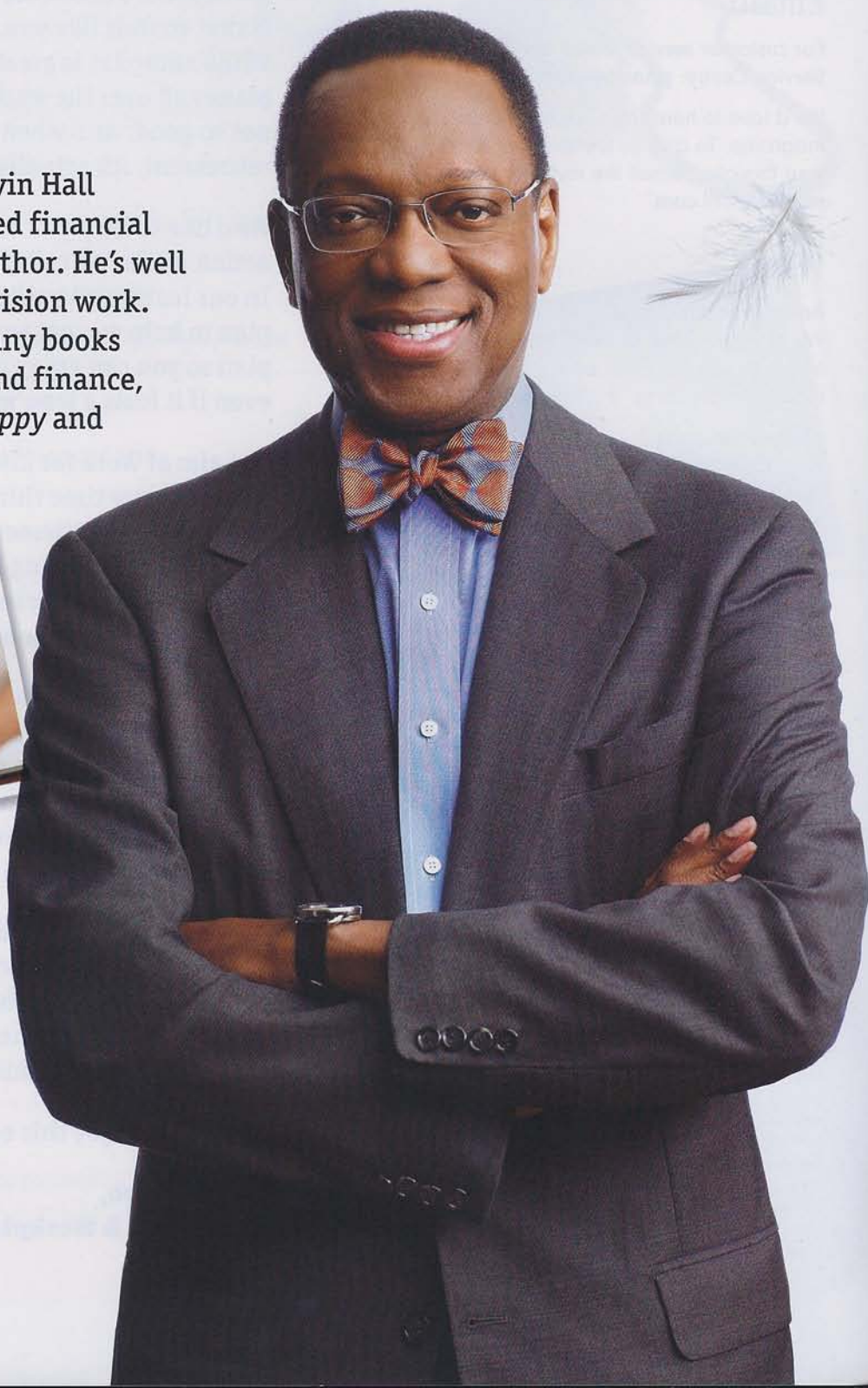
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MoneyTalk

Alvin Hall has a message: it's time to wake up, Sleeping Beauty!

About Alvin Hall

From humble beginnings, Alvin Hall has become a highly-respected financial educator, broadcaster and author. He's well known for his radio and television work. Alvin is also the author of many books about money management and finance, including *Plan Now Retire Happy* and *Sp£nd Less Live More*.



We talk about our finances, our bills, how we're saving for a holiday. But pensions don't feature in our conversations about money. Why is that?

People think about retirement in terms of their fantasy – what do I want to do when I retire? – instead of practically – how am I going to pay for it? We think we'll get around to it eventually but we get trapped in the mindset of concentrating on today. Yes, retirement is far away for a lot of us so it's not urgent in our minds but, let's face it, we won't be young forever. The day will come when we all retire and the government, the company you worked for – even your children – aren't going to step in and sort out your finances for you.

In your book, *Plan Now Retire Happy*, you describe the Sleeping Beauty fantasy. Tell us what you mean and why it's a risk.

Too many people are asleep about retirement! They're in their company's pension scheme but all the decisions are being made for them. They have no idea how much they'll have at retirement and if it will be enough. They just hope it will be, or that someone else – maybe their prince or princess – will work it out for them. But without our active participation, it won't be fine.

To all Sleeping Beauties I say, "Wake up!" Decide what your retirement goals are. Use the tools available to figure out how much you need in your pot – that number is crucial. Find out about your investments and if they'll help you get to your number. Consider talking to a financial adviser. Without your active participation the retirement you may dream about won't happen.

An excuse we give for putting off retirement planning is that it's complicated. Is it?

People think there's some mystery to pensions or if they're not a City trader or financial professional there's no way they can understand investments. You don't need to be an expert in pensions or investments to plan for retirement. As with anything in life – say learning how to use a new programme on your PC – it takes time to work out the basics. But if you don't open the manual and hit the first key you'll never understand it.

"You don't need to be an expert in pensions or investments to plan for retirement."

We need to educate ourselves. If things go wrong we need to know what decisions to make to protect ourselves. Do I need to reassess my plans and adjust the number I've come up with? Do I need to change my investments? What other investment options do I have? Is it time to get help? Unless you've taken the time to educate yourself you won't know what you need to do.

How would you respond to someone who says, "I can't take it with me so I'm spending it now"?

You know I have a friend who said just that to me. So I called on Dickens and the ghost of Christmas Yet to Come, and talked to him about what could happen if he doesn't have enough money to take care of himself. He may have to stop working earlier than planned, his health might fail, his property may not be worth as much, the cost of living may rise. These scenarios are out of our control. Without a safety net how would he deal with them? His pension is his safety net.

What about someone who says, "Regardless of how much I'll need I can't afford to pay any more into my pension"?

People must think seriously about how much they save. I worked with someone recently who refused to contribute more than the minimum. Wouldn't even consider saving any salary increases. I pointed out that before she got an increase she'd been living off her salary, so surely she wouldn't miss the increase if it went into her pension. People forget that. They want to spend the extra money. They don't think about how that money could be put to better use. If you're not putting some of your money to good use, you're wasting it.

It's important to work on two financial fronts at once: what will make you happy and motivated today, and what will you need to live comfortably during your retirement years.

The world has changed significantly in the last four years. What are the lessons for retirement from this time?

Understand the risk of inflation eating into the value of your savings if you're investing too conservatively. People think investing in the stock market directly – and in funds that invest in shares – is like gambling. Yes, the market goes up and down but shares offer growth potential. For most people a well-managed investment fund would be appropriate. I was raised poor. I should be totally risk averse. But I learned early that if I didn't embrace risk in life I'd still be on the farm where I was born. This applies to your money. Without taking some risk your money won't grow as much.

If you'd like to find out more about Alvin's work visit alvinhall.com