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In the first of a two-part series, Alvin Hall uses personal experience to dispel some of the excuses we all make to avoid thinking about retirement.

Retirement. An important life transition that many of us ignore, passively or willfully, until an event in our own lives or someone else's makes us realise it's inevitable or imminent. I write about this from personal experience as well as what I've observed among my friends and acquaintances.



MoneyTalk with Alvin Hall

About Alvin Hall

Alvin Hall is a highly-regarded, independent financial educator, broadcaster and author of many books on subjects ranging from retirement planning to money management to investing in the stock market.

Excuse 1

"I'm living life"

From my twenties through my early thirties, I "enjoyed life," a phrase I used like a shield against thinking about the future. I went out with friends, danced into the night at clubs, and recovered quickly after a long sleep the next day. I was too young and carefree to worry about retirement. It was far away in the unforeseeable future and it was something older people had to think about. I rationalised that I'd be able to start saving money for retirement and other goals when I began earning a substantial income in a yet-to-be-defined career.

Confident in my own optimism and resourcefulness, as well as being convinced that I'd be able to figure it out in time, I was largely indifferent to retirement, although my age relative to a potential retirement date was diminishing fast!

Fact:

Starting early can maximise the benefits of time and compound interest.

At an early age, start saving regularly or investing small amounts for retirement. And then let the beneficial effects of time and compounding work their wonders.

Saving £50 a month will grow to nearly £8,000 over ten years if the money earns interest or dividends at 5% a year. The same contribution earning the same rate grows to £21,000 over 20 years. Now imagine what happens if you save more or increase the amount you save each time you get a pay rise and your investments grow at more than 5% a year.

Excuse 2

"It's a struggle to get through the month"

After my "I'm young and don't need to worry" rationalisation came my "I don't earn enough" excuse. A few friends got jobs earning serious money. However, most – including me – got good jobs with salaries that weren't as massive as we'd imagined we'd earn. And my expenses grew even faster than my earnings. There were the mortgage payments once I saved to get on the property ladder, some always-unexpected repairs, my desire to buy better things.

My friends and I probably spent the most money on entertainment, especially those times when we threw financial caution to the wind. Over the next few weeks we'd wait anxiously for the regret to appear in our lower current account balances or as bigger-than-expected credit card bills. If this happened only a few times a year, it wouldn't have been so bad. But it was far more frequent than it should have been. And ultimately, what did we have to show for these nights out?

Fact:

Establish the habit of saving and then live on what's left.

Select your entertainment thoughtfully, with a clear sense of what will give you longer-term happiness – whether that's one great holiday a year, attending concerts, or having the occasional meal at a fine restaurant.

Save or invest some of your money first, then use the rest to pay your living expenses. An older friend once gave me a sage bit of advice: there comes a point in your life where you should know yourself and what you want so you make better choices that don't involve setbacks, especially financial ones. This way you become your own best financial friend.



1. I'm living life
2. It's a struggle to get through the month
3. I'm taking care of my children
4. It's too late
5. My house is my pension
6. Inheritance factor

Excuse 3

"I'm taking care of my children"

As friends had children, I observed that their financial priorities changed. Raising a child costs money – often more than people anticipate – and covering those expenses becomes a top priority for parents. Some of my friends struggled with the financial sacrifice needed given the real limits of their salaries. When looking for ways to increase the money available for immediate needs, retirement contributions were usually one of the first things they stopped.

Reflecting on all the different excuses I heard for suspending their contributions, many came down to a single cultural belief: parents should provide their children with a better life than they had. How this belief is translated within each family varies. It can range from, "I don't want to have to say no to my child" to the unspoken assumption that, "My children will surely take care of me when I get older because I've sacrificed so much for them".

However it's translated, the suspension of retirement contributions is a setback that may last for too many years.

Fact:

Your own financial security is the best gift you can give your children.

Giving your children a better life than you had doesn't mean giving them everything they want. Teaching them about making choices and deferred gratification gives them useful skills that will evolve into important life lessons.

By continuing to contribute to their pensions and monitoring how they're growing, parents can guarantee their financial security. This isn't so that your children treat you as the Bank of Mum & Dad when they run short, can't save for their first property, or need to restart their lives after a divorce or breakup. It's so they'll be freed from having to worry about you as they build their lives.

In part 2...

In the autumn edition, Alvin will cover three other common excuses for not thinking about retirement: leaving it too late, relying on the value of a property and the inheritance factor.