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Rising trend of unretirement

14% of those aged over 55 have found themselves re-entering the workforce

In recent times, a significant portion of retirees, specifically 14% of those aged over 55, have found themselves re-entering the workforce, driven by the inadequacy of their pensions to meet rising living costs, according to new research[1].

This phenomenon, further compounded by an additional 4% contemplating a return to employment, highlights a growing trend among older generations striving to sustain their standard of living in retirement. Notably, this trend is more prevalent among men, with 16% returning to work compared to 12% of women.

FINANCIAL PRESSURES AND LIFESTYLE ASPIRATIONS

A closer examination reveals that financial constraints are the primary motivator for this shift, with nearly two-thirds (64%) of those who have 'unretired' citing income issues as the key factor. An alarming 32% reported that their living expenses had escalated beyond expectations, necessitating a return to employment.

Additionally, 24% acknowledged that their pension was insufficient for a comfortable livelihood. Interestingly, a sizeable group (31%) expressed a desire to enhance their retirement income to afford luxuries, illustrating a blend of necessity and aspiration driving the unretirement wave.

ADJUSTMENTS IN RETIREMENT PLANNING

This trend coincides with the Pensions and Lifetime Savings Association's (PLSA) recent adjustment to the anticipated retirement income, marking a 34% increase in the projected annual income required for a moderate lifestyle.

This adjustment, from £23,300 to £31,300, reflects rising costs in essential areas such as food, energy and transportation, alongside an additional allocation for assisting family members facing financial hardship. Such recalibrations underscore retirees' evolving challenges, prompting many to reevaluate their retirement and financial strategies.

BEYOND FINANCIAL MOTIVATIONS

However, financial necessity is not the sole driver behind the decision to return to work post-retirement. A considerable number of retirees are motivated by the desire to alleviate feelings of boredom (39%), loneliness (19%) and dissatisfaction (15%).

These emotional factors and the financial pressures exerted by the current economic climate are compelling retirees to reconsider their retirement plans. In response, more than one in ten (12%) are postponing retirement, while 3% are taking on additional employment to bolster their income.

ENHANCING RETIREMENT SAVINGS THROUGH EMPLOYER SCHEMES

Ensuring you fully utilise your employer's pension plan is a key strategy in preparing for retirement. If your employer offers a matching scheme for pension

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contributions, it's wise to contribute the maximum amount they are willing to match. This effectively doubles your investment towards your retirement savings, leveraging your employer's contribution to enhance the growth of your pension pot.

Moreover, if you're anticipating a bonus, allocating a portion or the entirety to your pension can be a tax-efficient move. This boosts your pension savings and reduces your immediate tax and National Insurance contributions, allowing you to retain a more significant share of your earnings over the long term.

CAPITALISING ON FINANCIAL MILESTONES

The path to a substantial pension pot is paved with strategic decisions at key financial milestones. Consider upping your pension contributions when experiencing a pay increase, benefiting from a tax reduction or finding yourself with surplus savings.

Adjusting your contributions in line with positive changes in your financial situation can make the increase feel less impactful on your disposable income while significantly boosting your pension in the long run. This approach is particularly beneficial for younger savers, for whom even small increases in contributions can compound into a considerable sum by retirement.

TAX BENEFITS AND STRATEGIC SAVING

A deeper understanding of the tax implications of pension contributions can lead to more efficient saving strategies. Directing parts of your income or bonuses into your pension plan can reduce your taxable income, which can lead to immediate tax benefits.

This strategy decreases your tax liability and secures a more significant portion of your earnings for retirement. The underlying principle is straightforward: save more now, pay less tax today and accumulate a larger retirement fund for the future. ■

ARE YOU LOOKING TO OPTIMISE YOUR RETIREMENT PLANNING?

Additional information and tailored professional financial advice are invaluable for those looking to navigate the intricacies of pension contributions and optimise their retirement planning. To delve deeper into maximising your pension potential, please get in touch with us for expert advice customised to meet your unique needs.

Source data:

[1] Boxclever conducted research for Standard Life among 6,350 UK adults. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

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A PENSION IS A LONG TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.