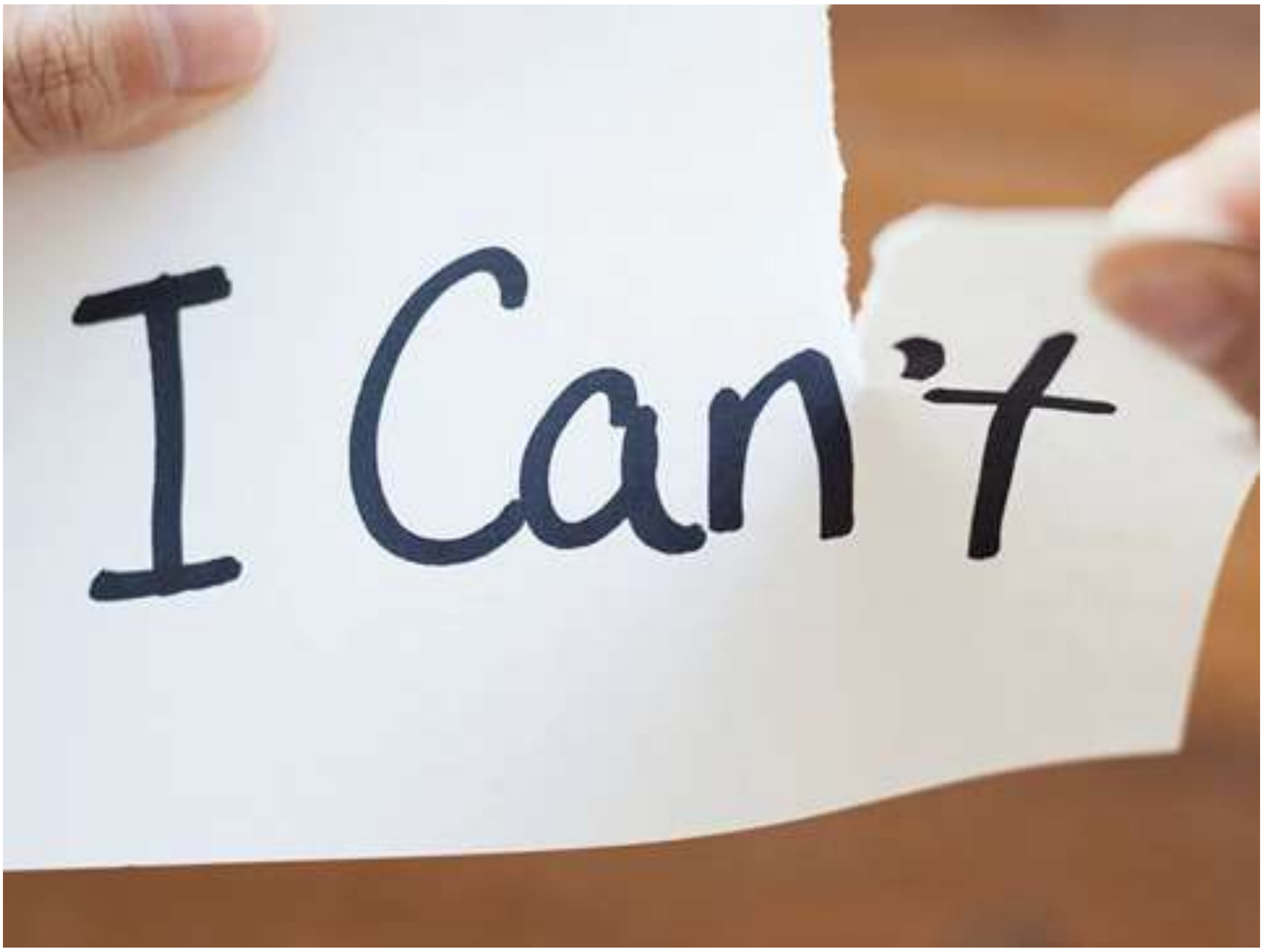
The 6 Biggest Excuses for not Having Retirement Savings…



(and my answers for all of them)

From feeling frustrated by pension providers to having a "mañana" approach to your finances, I hear plenty of excuses for putting retirement saving to the bottom of the pile.

But being as passionate about this subject as I am (probably because of my age!), you won't be surprised to know that I have got the answers to all of them.

Through my research of a number of websites from countries such as Australia, Canada, the UK and USA, as well as some European countries, these I have deemed as the biggest reasons (excuses!) why people aren't saving for retirement…

1. I Want to Enjoy Today - I Might Get Hit by a Bus Tomorrow

If you're aged 30 now, you have a life expectancy of over 80. Of course there's always a chance that something could happen to you before you reach retirement age, but the likelihood is you'll spend several years in retirement.

If you don't want to rely on your country's State Pension (if it has one) - that's only likely to dwindle further in the next few decades – This alone is a pretty good reason for having some private retirement savings.

If something does happen to you before you reach pension age then you can pass on your retirement money to your beneficiaries and, in most countries, it'll be treated much more kindly by the taxman than other types of saving. It might even be tax-free.

2. I'll Start Saving When I am Older

If you are working, it's never too early to think about saving for retirement.

I know you've heard it before but it's true - The sooner you start saving, the more money you will be able to save, and the longer your retirement fund has to grow thanks to the benefit of compound growth.

And that's not even starting on about the more you can save now the earlier you could retire!

Starting young also means saving is less painful, as you won't have to make huge contributions to put a decent amount aside.

In general terms, the difference between starting to save for retirement at age 35 and only starting to save at age 45, (with the same level of contributions of course) means a pension more than double in size for those starting at 35.

Plus, with the state retirement age going up in many countries and State Pensions coming under increasing pressure, nearly everyone today under 50 is particularly likely to need some of their own pension savings by the time they reach retirement.

3. I Don’t Trust Pension Providers

Historically, many people don’t trust pension providers, and not without reason: Poor customer service and old-fashioned practices have been prevalent in the pensions industry.

But these days many of these providers have refocused and are refreshingly modern, transparent, and customer-focused.

There is also the fact that distrust in pension providers may often be misplaced.

In the UK, the high-profile BHS pensions scandal and similar news stories have led some to fear that their pension fund can be diminished or even disappear overnight if their employer gets into financial trouble, but for the most part this isn’t the case.

However, most employer-sponsored pensions nowadays are defined contribution pensions, and this means that they work like a savings account, and will typically be in trust, or ‘ring-fenced’ in some way, isolating your savings from the employer company, should it get into financial difficulties.

Of course, having an independent financial advisor to assist you in your retirement planning process and choice of provider can also help significantly in getting the best result from your retirement savings. It may be, for example, that the best solution is to take advantage of employer retirement plans, and augment that with a private plan.

4. I Don’t Want my Money Locked Away - I Might Need it

This is a good point and it’s always a smart idea to have some savings that are accessible at short-notice in case an unforeseen cost crops up.

As long as you’ve got some savings that you can access, having a pension plan is a very good idea too.

Remember that the benefits of a pension include (depending on your nationality) employer contributions, generous tax relief, and tax-friendly treatment if it’s inherited, so a pension, despite it not having the liquidity of other savings, has a range of benefits that far outweigh the issue of it being ‘money locked away’ – It is about getting the balance right.

5. I Don't Stay at One Job for Long Enough and/or I'm Self-Employed

The more flexible labour market and the ease of global travel is now such that many people move from one job to the next with regularity, even moving overseas to work in foreign countries. (You did, didn't you!)

Therefore, it can feel like it's not worth building up lots of tiny pension pots, and there are some not so nice stories of small pension pots being entirely swallowed up by fees over time.

One of the ways of dealing with this problem having just a single plan so that you can manage your money in one place, take it with you wherever you go and keep your fees at a reasonable level.

Many of the international retirement providers offer truly portable, flexible and personalized plans.

Pension saving is vitally important for the self-employed too. You may not benefit from employer contributions, so may have to pay a little more in yourself, but – as I have mentioned already – there may be tax benefits when you save into a pension, so it's really no excuse! And if you are self-employed you already know that if you don't do it, nobody will do it for you!

6. Property will be my Pension

I won't deny that owning property can provide a decent chunk of money for retirement purposes, but there are certain (and potentially quite significant) downsides.

For example, if the property market plummets, you could be left struggling because all of your pension investment pot has been bet on 'just the one horse'. Rental income is often seen as an ideal source of retirement income, but beware!

Good retirement funds, on the other hand, are diversified, meaning that your money is invested in a range of assets to balance out the risk profile.

This money can also be managed over the term of the investment in order to take advantage of changes in the global markets and ensure you get the best possible return whilst safely managing the risk profile to a level that you are comfortable with and/or is appropriate for the time phase that the investment is in.