Maintaining Momentum For Pension Auto-Enrolment

With economic pressures and the Covid-19 pandemic, the immediate often takes precedence over the important. However, the importance of providing for retirement years should not be sidelined, according to **John Groarke**, Pensions Marketing Manager with **Irish Life**. "If anything, the impact of the pandemic on state finances is such that personal savings and provision for the future has taken on even more importance," Groarke adds.

More immediate economic concerns have also played a part in the government's decision to postpone the introduction of pension auto-enrolment (AE) from 2022. "Every year delayed is another year of pressure on the state pension system," says Groarke. "We fully understand that given the current economic climate it simply wouldn't have been possible to meet the ambitious 2022 plan. However, we also feel that we should not lose momentum on the implementation of AE."

In terms of contributions, the initial AE proposals suggested a gradual increase up to a level of 6% of salary from the employee and 6% from the employer. Groarke's view is that these should be looked at as minimum levels. "A large number of employers already contribute significantly into their employees' pensions and they should be supported and incentivised to continue doing so. Employers can also support employees in giving them time to meet a financial broker or adviser," he adds.

'Anyone over 55 should engage with a financial adviser at least once a year'

John Groarke, Irish Life

"Our advice is the same as always, both to those with a pension or those thinking of starting one: get financial advice. Your financial adviser will remind you of the benefits of saving into a pension, both in terms of tax relief now and tax-efficient income in the future. In a world that seems to have been turned on its head in 2020, these benefits haven't changed."

Groarke notes that the low interest-rate environment has seen retirees continuing to move their pension savings into Approved Retirement Funds instead of more traditional annuities. "This is likely to continue for the foreseeable future, and means that someone in their mid-50s is looking at having their pension money invested for maybe another 30 to 35 years, as they draw money gradually from this fund in retirement.

"This further reinforces the need for retirement planning. We are seeing increasing numbers of people in their mid-50s engaging with retirement planning, which is great. We would strongly recommend that anyone over 55 should engage with a financial adviser at least once a year in relation to their pension and their retirement planning, ensuring that they are maximising the benefits of pensions saving."

Covid-19 restrictions have had a major impact on face-to-face interactions across all business sectors, including finance. Groarke stresses that Irish Life has adapted to the new circumstances. "We are supporting hundreds of financial advisers and brokers nationwide in delivering pensions advice and retirement planning remotely, using online technology. You can now chat from home by video with your financial broker or adviser about retirement planning with Irish Life."

ASSET ALLOCATION BENCHMARK

If you manage your own pension assets, how does your allocation benchmark against the professionals? According to **Mercer**, Irish pension schemes have reduced their equity allocations by almost a third in the past three years, as they diversify into fixed income and real assets such as property and infrastructure.

The average equity allocations for Irish defined benefit schemes fell to 27% in Q1 of this year. And allocations to fixed-income investments like corporate bonds currently stand at 50%, whilst the allocation to alternative assets has doubled to 22% in the past three years.