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With great freedom comes great responsibility

Savers positive about pension reforms but concerned about scams

The new pensions freedom rules giving far greater flexibility over what you can do with your pension pot came into force on 6 April 2015. In a survey by the National Association of Pension Funds (NAPF) of 850 people aged 55-70 with private pensions, 47% that had a private pension were worried people would be mis-sold unsuitable products. 44% felt people might make bad financial decisions, and two thirds (36%) were worried about pension scams.

Of the 850 people surveyed, 49% of those with a defined contribution pension scheme said they would 'wait to see how things work out nearer retirement' or were unsure what they would do about the changes. A minority (5%) planned to buy an annuity, and a further 4% wanted to take a cash lump sum. Nearly a fifth (18%) said they would leave their pension pots invested and draw a regular income, while 24% said they would use a combination of these options.

But the NAPF warned that those who were interested in investments and drawdown might not have a complete picture of what it will or will not offer them. More than half (52%) said drawdown would provide them with a guaranteed income, and 45% thought if they took no more income than they would through an annuity, their money would last until they die. In addition, 23% felt there were no risks with drawing a regular income from their pension pot.

A total of 77% of those polled were aware of government retirement guidance service Pension Wise, but nearly half (55%) were unclear about the services it offered.

For those with a defined benefit pension scheme, the survey found 75% would like their savings to remain in their current scheme, while 3% planned to switch to a DC one. A fifth did not know what they planned to do.

TIME TO REVIEW YOUR CURRENT RETIREMENT PLANNING?

If you would like to review your current retirement planning, please contact us – we look forward to hearing from you.

Source data:

Survey conducted by the National Association of Pension Funds (NAPF) of 850 people aged 55-70 with private pensions, and carried out as part of NAPF's wider research to examine the nature of retirement for those who've recently finished work and those approaching it in the next 15-20 years.

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