



Britons warned to not neglect pensions as 'one in 10' cut contributions: 'Deeply worrying'

Workers struggling with rising bills risk becoming part of an "army of poorer pensioners" if they stop paying for their retirement.

By **TONY WHITFIELD**

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Former pensions minister Baroness Ros Altmann said it is "deeply worrying" that people are either reducing or halting their contributions in order to cope with the cost-of-living crisis.



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Some struggling Britons have been scaling back on their pension contributions (Image: Getty)

Her warnings followed findings by Scottish Widows that one in 10 pension savers have stopped or cut payments.

Meanwhile, investment management company Charles Stanley says a quarter of savers had stopped or are planning to stop this year or next.



Baroness Altmann said she was particularly concerned about the number of women opting out of saving, as they most need a private pension to supplement the basic state one.

She said she is sympathetic that those struggling financially may have no choice but to cut contributions, but said it was important they restart when they can.

Baroness Altmann said: "It's deeply worrying. Nobody can survive at a decent level on the state pension, we know that it is very difficult.

So anyone who doesn't have much in the way of pension savings is really going to be much poorer in later life. But if it's only temporary, it's one thing. The trouble is once you stop paying in, what will make you start again?"

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She said: "There are concerns, clearly, that the cost-of-living crisis entices people out of pensions for understandable reasons but they never go back in. Then we have armies of poorer pensioners later on."

Baroness Altmann, inset, added: "There is a particular issue where I believe a lot of women are opting out, and they are much more at risk because women tend to have lower pensions overall than men anyway. So it's an issue that needs to be considered carefully."

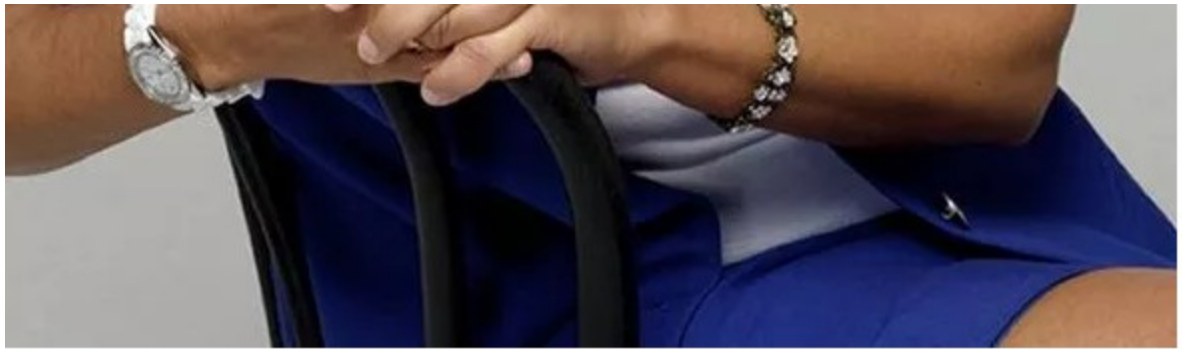
Others may be tempted to take a lump sum to pay off their mortgages as rates rise, but Baroness Altmann warned it "would be better to extend the terms of the mortgage for example, than not paying into pensions".

She pointed out that pensions are "such a beneficial way to prepare for later life" with tax benefits and employer contributions which you do not get from mortgages. The industry has also seen a rise in pension inquiries and people worried about their retirement income.

Karen Barrett, founder of the Unbiased website, which matches consumers with independent advisers, said: "We have definitely seen a large increase in pension related enquiries recently, and a surge in traffic to our pension calculator that works out how much money people can expect from their pension pot when they retire.

I understand the need for people to save for today but I would caution against pausing retirement contributions because it reduces the long term impact of compound interest and can put retirement plans in jeopardy."





Baroness Altmann has warned Brits to not neglect their pensions (Image:)

Matthew Connell, at the Personal Finance Society, which represents professional advisers, said: "While reducing or stopping your contributions will result in a boost to your take home pay today, you are missing out on tax relief and employer contributions to the savings pot you have to call on when you retire.

Even reducing your pension contribution by a small amount can result in a massive dent in your retirement savings. We would recommend anyone considering cutting the amount they save today to seek guidance or speak to a financial adviser to ensure they fully understand the future ramifications of their action."

And Lisa Caplan, at Charles Stanley, commented: "Understandably, people are looking at ways to meet their living costs but are making decisions that will impact their long-term financial position."

Pension provider Scottish Widows found average pension savings have been reduced by around £37 per month. If a person currently in their thirties paid £47 a month less over one year, they will have £1,000 less in their pension pot when they retire.