Quay Financial Planning
Kings Lynn Innovation Centre
1 Innovation Drive, Kings Lynn
Norfolk PE30 5BY

Tel: 01553 970 995
Email: katie@quayfp.co.uk
Web: www.quayfp.co.uk

Tracing old and lost pensions

Nearly half of pension holders have lost track of some of their pension pots

The lost pensions challenge in the UK has grown significantly in recent years, further exacerbated by the pandemic, which resulted in a large proportion of people moving jobs. A recent Pension Policy Institute research briefing calculated the total value of lost pension pots has grown to £26.6 billion in 2022[1].

If you've worked for several employers throughout your career, you might have accumulated multiple pension plans. You may also have set up personal pensions, especially if you've been self-employed or a contractor at some point.

ADMINISTRATIVE BURDEN

Owning multiple pensions can be an administrative burden, but it could also be costing you financially – whether that's through excessive fees or poor investment performance. Today, nearly half (46%) of UK pension holders have lost track of some of their pension pots, according to new research[2].

This means that – against the backdrop of the rising cost of living – millions of people across the country could right now be missing out on pension pots that are sat with their previous employers.

RETIREMENT PLANS

Nowadays, the average UK employee has 11 jobs over their lifetime, the research highlights. So while it's understandable that savers may forget how many pension pots they've accrued over the years, they currently risk incurring unnecessary management fees – or even missing out on those savings altogether – at a time when higher inflation threatens to spoil their retirement plans.

Moreover, savers who have kept track of their pension pots will be in a much better position to make informed retirement decisions when they get older. 13% of people did not know how to track down a pension pot from their previous job. And although savers currently have the option of combining their pensions, 16% didn't know how to go about tracing their lost money.

MULTIPLE PENSIONS

This lack of knowledge is particularly worrying. Having multiple pensions with different employers or pension providers can create an unnecessary headache for retirees, and this will come at a time in life when things should ideally be less challenging for them.

To complicate matters even further, the number of workers with small pension pots of under £1,000 has skyrocketed in recent years. The Pensions Policy Institute (PPI) has predicted that the problem is only going to get worse, with the number of small pots set to triple to 27 million by 2035.

BETTER RETIREMENT

The recent PPI research on lost pension pots also indicated that the speed at which pension pots were being classified as lost was increasing, with an extra 1.2 million pots having been 'lost' in the four-year period between 2018 and 2022. That's a 75% increase in lost pots in just four years.

While consolidation will not be the best option for all pots, for some people consolidating their pensions into one pot would undoubtedly bring them much closer to their money, increasing their sense of ownership and control, and potentially setting them up for a better retirement. ■

LOOKING TO KEEP TRACK OF YOUR FINANCES MORE EASILY?

Consolidating your pensions into one pot could help you keep track of your finances more easily, reduce charges and boost how much money you have in the future. But while there are advantages to pension consolidation, there are potential drawbacks and it's important to seek advice on whether it's right for you. If you would like to review your current plans, to meet your financial goals now and in later life, please contact us.

Source data:

[1] Source: https://www.pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2022/2022-10-27-briefing-note-134-lost-pensions-2022-what-s-the-scale-and-impact/

[2] https://adviser.scottishwidows.co.uk/assets/literature/docs/2022-10-pension-pots.pdf