

Debt Advisers emphasise importance of pensions



Call dad on freephone:
 0800 074 8639

Released on: October 1, 2008, 8:23 am

Press Release Author: [Debt Advisers Direct](#)

Industry: [Financial](#)

Press Release Summary: Debt Advisers Direct have emphasised the importance of joining a pension scheme as a means of securing an income and staying out of debt when it comes to retirement.

Press Release Body: Responding to a recent report regarding the growing pensions divide in the UK, **Debt Advisers Direct** (<http://www.debtadvisersdirect.co.uk>) advised workers to ensure they are planning well financially for the future, and warned anyone approaching retirement with debts to take action as soon as possible.

The report from the **Office for National Statistics (ONS)** showed a growing gap in pensions contributions between the public and private sectors. Private sector membership of final-salary pension schemes – in which companies pay a percentage of the employee's final salary throughout retirement – fell from 3 million in 2006 to 2.7 million in 2007.

Instead, many private sector employers are opting for money purchase schemes, in which workers pay into a retirement fund which is usually invested in the stock market. When the employee retires, the fund is used to buy an annuity – a financial product that provides an income for the rest of their life. The size of the pension depends on how well the retirement fund performs and on the annuity rates available at retirement.

The public sector, on the other hand, showed a rise from 5.1 million to 5.2 million members of final-salary pension schemes last year.

The statistics highlight a clear difference between the two types of pension. The ONS report shows that on final-salary schemes, workers paid an average of 4.9 per cent and employers 15.6 per cent of the worker's salary in the last year. For money purchase schemes, workers paid an average of 2.7 per cent and employers 6.5 per cent.

Many experts agree that workers should save at least 10% per cent of their total income to ensure an adequate income throughout retirement.

A spokesperson for **Debt Advisers Direct** said: *"The findings highlight two important things: firstly, the need for workers to save adequately for their future, and secondly, the importance of being on the right pension scheme.*

"The statistics show that final-salary schemes contribute over 20 per cent of the worker's salary, whereas money purchase schemes contribute just over 9 per cent. It's better than having no pension at all, but workers should consider whether a money purchase scheme will cover them fully for retirement.

"Most people do not usually associate retirement with debt, but in fact statistics show that increasing numbers of people are now retiring with debts to their name, or falling into debt because their pension doesn't cover their outgoings.

"Our advice to people with debt problems is to seek expert debt advice as soon as possible, before they get too close to retirement age. There may be a number of debt solutions that could help them clear their debts, and in general, the sooner they act, the more options they'll have – as they approach retirement age, they may find they simply no longer have access to certain debt solutions."

As long as the individual acts in time, a debt management plan or [debt consolidation](#) loan could simplify their finances and reduce their monthly outgoings by spreading out debt repayments over a longer period of time (although, in general, the longer the repayment terms, the more they are likely to pay in interest).

For people with debts of around £15,000 or more, an IVA (Individual Voluntary Arrangement) may be more suitable. An [IVA](#) is a legally-

binding agreement between an individual and their creditors, in which they repay only what they can afford over a period of (normally) five years. Once the IVA is successfully completed, the remaining debt is written off.

Lasting for a specified time period, an IVA can be a particularly suitable debt solution for people approaching a deadline such as retirement. However, IVAs do represent a substantial financial commitment and can require homeowners to free up some equity. As with any debt solution, an IVA should never be entered into until the borrower has discussed all the alternatives – and the pros and cons of each – with a professional debt adviser.

[Debtadvisersdirect.co.uk](http://www.debtadvisersdirect.co.uk) helps people with financial difficulties, providing free advice and tailor-made debt solutions.

Web Site: <http://www.debtadvisersdirect.co.uk>

Contact Details: Melanie.Taylor@debtadvisersdirect.co.uk
(0845 056 6480) or visit the [debtadvisersdirect.co.uk](http://www.debtadvisersdirect.co.uk) website
at <http://www.debtadvisersdirect.co.uk/>.