

My week of living on the state pension

Retirement Half of us aren't saving enough for old age. Laura Shannon tests the consequences

Almost every week another report appears highlighting how unprepared we are for retirement. In the past two weeks alone, the Chartered Insurance Institute reported that the retirement savings deficit is approaching £9 trillion. Standard Life states that rampant inflation means that a pensioner's income could be engulfed entirely by basics such as food and fuel less than seven years into retirement, leaving no surplus for leisure costs.

Yet the constant warnings haven't made much of an impact, with half of

the population still failing to lock enough money away for retirement and a fifth having made no provision at all, according to Scottish Widows.

So to adopt an alternative approach, by examining the practical consequences of not saving for retirement, I set myself the task of living on the basic state pension of £102 a week. Here's how I got on.

My week

For my week living as a pensioner, I made the assumption that my mort-

gage will be paid off by the time I retire, and did not include commuting costs because I will no longer be working. But to make the experiment realistic, I deducted the weekly cost of all my annual or monthly outgoings such as energy and council tax bills, from my £102 budget. This left me with only £28 to spend.

My week started with a severe case of bad timing because my car needed repairs and was taken to the garage on the very first day. The bill more than wiped out the entire budget I had to live on. To avoid failing on the first day, I took the view that it was a one-off cost, so spread the bill over a year and deducted the weekly charge — a more manageable £327 reduction. My experiment was still flawed. For that week I didn't need to buy any toiletries, apart from one pack of tissues, or any clothes. However, I would still have to buy these extras when I was older, just as much as I need to now.

The lunches I brought to work were uninspiring, consisting of leftovers or sandwiches with cheap meat. One of my evening meals was leftover homemade soup, not fitting for my usual big appetite. Even when I decided to go for a rare treat at the Subway sandwich chain, on looking at the menu I realised I couldn't afford it. My spending power was decreasing quickly.

Snacking costs money, too. The cost of three chocolate bars and a cereal bar during the week made a dent in the bud-



Laura Shannon: struggling to get by

get and it was frustrating to worry over prices as low as 50p adding up to more than I could afford.

Nearing Friday, I found that a beer after work was another concern. Going to a bar or pub would have been too expensive, so I bought just one from a shop. Even so, at £1.60, what would usually be a trivial sum sparked worry about how much I had left to live on.

By this stage I was tired of looking at the cost of every small item I bought and worrying that I wouldn't have enough money to last.

After five days of frugal living and packed lunches at the office, I had only £6 left for the weekend (partly because I'd forgotten that water isn't magically delivered to my taps for free; it comes with a bill). I thought of the money I shouldn't have spent at the beginning of the week. That coffee after lunch was definitely an unnecessary purchase.

I certainly had no expectations of doing anything particularly exciting at the weekend, and I didn't. I was even denied a free walk in the park because the weather, as if sensing my mood, turned nasty, so staying indoors with the TV was the only option.

My verdict

At the beginning of the week I actually thought I might find the experiment quite easy. I felt that because being thrifty (some might say cheap) comes naturally to me, that I could prove that living on a state pension was feasible. I

wanted to succeed because I'm one of millions being warned that my monthly pension savings are pathetic. Or, to use the correct terminology, there is a "savings gap".

A life spent worrying over every single penny is not one I want to be rewarded with when I stop working. If anything, I have ambitions to travel, as my grandparents did and as my parents are now able to. I'll always love going to the cinema and out for dinner and drinks with friends, and the idea of having to skip such events or trade food for fuel is a daunting prospect.

Of course, the reality was that my experiment was not real. I could give up, declare that I was rubbish at living like a pensioner, then go about my normal routine and spend as usual. But for many people the reality is that there is no magic cushion to fall back on and budgeting is near impossible. It is no wonder so many pensioners are in debt.

Having a personal pension doesn't mean it will be enough either, as the average weekly income from such a fund would only give an extra £50 a week, according to recent figures from Moneyfacts.com.

There are ways to keep active and be entertained for free, but retirement doesn't suddenly mean I will lose interest in any activities that cost money. If anything I'll have more time to pursue hobbies and have fun, but I need to increase my savings massively if I'm going to be able to afford it.

The experts' view on saving for your retirement now

David Thomson, the director of policy and public affairs for the Chartered Insurance Institute, says: "Everybody needs to provide more for their own pension because we are living longer."

"You might be reluctant to get beyond the dry topic of a pension, but you do have dreams and expectations of what you want to do with your life, so you need to think about what this means for you and your family and plan now."

For those who haven't yet started their pension, make it a priority whether it's a workplace pension, a personal pension or an ISA.

Carole Nicholls, a chartered financial planner and head of advisory firm Nicholls Stevens, says: "Every young person from the first day they have a pay packet should set aside ideally 10 per cent, but 5 per cent at a pinch for savings."

"Using the 10 per cent example, that could be 2 per cent for emergencies, 6 per cent for a pension and 2 per cent for other long-term savings."

Anyone reassessing their contributions should get an up-to-date valuation of the pension and make a realistic retirement budget. This will help to show how much you need to increase your monthly savings by.

If you're nearing retirement and have a small pension pot, you can still ensure that you maximise what you have.

First, check if you have forgotten about an old pension through a previous employer through the Pension Tracing Service (visit direct.gov.uk or call 0845 6002537).

You can also use the open-market option to move your pension savings to another provider offering a better annuity rate.

Make sure you declare any medical conditions as this can increase the annuity you are offered.

Professional advice is vital at any stage of pension planning; to find an independent financial adviser, visit findanadviser.org or unbiased.co.uk.