Media Q&A

Consumer Question:

I retired recently at the age of 66. I quickly discovered that I could not afford to get by on the income I have in retirement – which is a combination of the State Pension and a very small private pension. So, I've decided to go back to work. While my boss is open to me returning, given the physical nature of my job, I'm unlikely to be able to continue working for much longer than two or three years. What options do I have to generate retirement income after that?

Answer from Mark Reilly, Pension Proposition Lead at Royal London Ireland:

People often underestimate the amount of money they will need, and the amount of time they will spend, in retirement. It is helpful that you recognised very early into your retirement that your pension has fallen short.

As you are returning to work, resume saving into your company pension scheme if you can (assuming you saved into one prior to retirement). In the event that you cannot continue to save into the company pension scheme, you could open a Personal Retirement Savings Account (PRSA) as you can continue saving into a PRSA until the age of 75. Even if you only work for another two or three years, saving into a pension for those years will help generate some extra income for you when you are fully retired. If are in a position to make contributions, tax relief is available up to a maximum of 40% of your earnings.

If your opportunities for work at your current employer are exhausted within two or three years, you could consider setting yourself up as a self-employed consultant or contractor – using the skills and expertise which you have built up over your working life, but in a less physical role.

Outside of that, there are a number of options open to you to generate income – particularly if you are a homeowner.

You could earn up to €14,000 a year rent-free by letting out a room in your home under the rent-a-room relief scheme. You'll need to meet the conditions of the scheme before claiming the relief.

You don't mention if you own, or have inherited, a second property. If so, you could rent out that property to generate an income in retirement. You'll need to meet your tax obligations around rental income.

Have a financial plan for any money you raise from downsizing so that you don't have it all spent early into retirement. Set aside a certain amount of disposable income to fund your lifestyle but address other financial priorities too - such as upgrading your private health insurance and keeping enough money for nursing home care or home help if you might need it down the line.

Another worthwhile step is to improve your budgeting. It's very easy to spend money when you retire. So put a realistic budget in place and stick to it.

If you have children, you may like to help them out financially in some way, however it's a good idea to make sure your own retirement expenses are looked after first.

Be careful if considering an equity release scheme to raise money for your retirement. Equity release schemes are not suitable for everyone, but they may be an option if you don't want to sell your home and live elsewhere, and if you are not concerned about passing on the value of your home to your family or other beneficiaries on your death. Get independent legal and financial advice before making any decision around an equity release scheme.

Talking to a good Financial Broker will help you to put a financial plan in place to help with providing an income that meets your needs in retirement.

ENDS

This question was submitted to and first published by The Sunday Times.

About Royal London Ireland:

About Royal London Ireland: Royal London Ireland has a history of protecting our policyholders and their families for over 190 years in Ireland, and we're committed to continue to do so for a long time to come. Today we are owned by The Royal London Mutual Insurance Society Limited – the largest mutual life insurance, pensions and investment company in the UK, with assets under management of €166 billion, 8.7 million policies in force and 4,200 employees. (Figures as at 31 December 2022).

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04/2023 2293.1