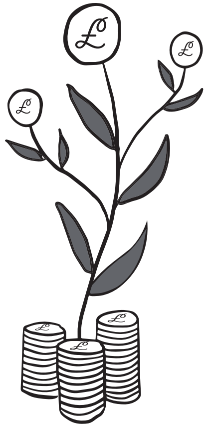
CASE STUDY
Age group: 50s

A hypothetical example of someone who starts saving later in life.

REUBEN IS 50 AND WORKS AS A PLUMBER FOR A FIRM EARNING £35,000 PER YEAR.

As he is nearing retirement age, he decides to invest **£500** per month into his pension.

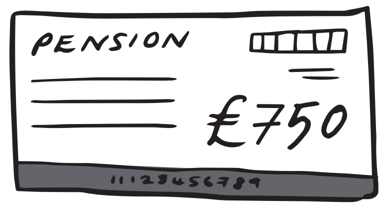
He uses the My Future Life Strategy investment process and **increases his contributions** each year **in line with inflation.**



AT 68 HE WOULD RETIRE WITH A PENSION POT WORTH AROUND £179,000*

(Compared to his total employee contributions of £114,000)

(Average cost of the scheme up to the point of retirement was 1.6% per annum including all underlying costs and charges.)



This would mean he could draw a modest monthly pension of around £750 per month

(assuming 22 years of retirement)

THIS IS ROUGHLY 1.5 TIMES HIS MONTHLY INVESTMENT

If Reuben was able to start his pension pot with £50,000 from savings or inheritance then his monthly drawdown would increase to £1,200 per month.

Thanks to long-term compound growth, it's not too late for Reuben to start saving for his pension.

AGE 50

RETIREMENT

AGE 68

Data Explainer

The case study is calculated using annual data and long term historical average rates of return and inflation as detailed in the table opposite. It assumes contributions and withdrawals rise in line with inflation and that inflation runs at 2.4% on average as detailed below.
The investments are dictated by the default invest process (My Future Life Strategy) which uses a portfolio of global company shares for the bulk of the life of the pension and begins to reduce portfolio risk from 10 years before retirement using incrementally more cautious investment strategies. Returns are based on the average growth rate of the MSCI World Index and the relevant Investment Association ("IA") sector averages (see table opposite). These returns are net of administration fees, investment management fees and underlying fund costs. The cost of administering the scheme is charged in addition to this but is accounted for in the case study.

Drawdowns assume a fixed amount of drawdown rising with inflation over the stated retirement periods. All cash figures are quoted in current money terms, which strips out the impact of inflation (at the rate quoted) for ease of comparison. In this example Reuben's future pension withdrawals are quoted as £750 per month. What we mean by this is that the withdrawals he should be able to take in 18 years' time will buy the same amount of goods and services as £750 would buy him today.

*Based on contributions increasing on a phased basis over eight years. In 2024 the total minimum contribution is 2%. This increases to a combined minimum of 10% in 2032.

Historical Data Table

The MSCI Index and Investment Association ("IA") sector averages are quotes in Sterling total return terms (including both capital gain/losses and income) from 30/11/1993 to 30/11/2023 after representative fees. IA sectors present the average performance of the funds in those sectors and are calculated by FE FundInfo. UK Consumer Prices Index ("CPI") data is compiled by the Office of National Statistics. Data collated 24/01/24.

INDEX	AVERAGE ANNUAL GROWTH RATE	DESCRIPTION
MSCI World Index (less a 0.3% fee)	7.8%	Global Stock Market Index
IA Mixed Investment 40-85% Shares Sector	5.5%	Growth Portfolio Peer Group
IA Mixed Investment 20-60% Shares Sector	4.6%	Balanced Portfolio Peer Group
IA Mixed Investment 0-35% Shares Sector	4.3	Cautious Portfolio Peer Group
UK Consumer Price Index	2.4%	UK Inflation Rate

The value of investments can go down as well as up, rates of return are not guaranteed and future rates of return could be higher or lower than the historical rates used in this example, especially over shorter periods of time. Past performance is not necessarily a guide to future performance and may not be repeated.