



What's the value of pension saving during lockdown?

The coronavirus crisis has changed the value we place on things as we focus on our families and what we need today.

We only have to look back a few weeks to when the supermarkets were empty and the value we placed on the most basic items. Things have progressed, supermarkets are more or less back to normal and loo roll is no longer a prized possession.

We've moved on, but it's fair to say that the here and now, rather than the long-term future is what many are thinking about. So, what's the value of pension saving? Should pension contributions still be an "essential item" when it comes to our monthly expenditure?

There are people who are struggling to make ends meet and for whom the answer will be no. But how can you decide if that includes you? Anyone thinking about stopping pension saving should probably ask themselves four questions.

1. How much will stopping contributions save me?

Your pension contributions will continue to be deducted based on the pay you're receiving. If you're on reduced pay this could mean that your contributions are relatively small, especially where they're based on qualifying earnings. You'll be able to see the amount you pay on your pay slip, unless you pay by salary sacrifice, in which case you should ask your employer if you're not sure.

As an alternative to stopping completely your employer might allow you to pay reduced contributions.

2. What will it cost me?

Employer contributions will usually stop if your contributions stop, they may also reduce or stop if you reduce your contributions. You won't normally get these employer contributions back once you re-join either.

The big risk is that once you stop contributing you forget to opt back in again. You might not be automatically re-enrolled for nearly four years, which means losing a lot of employer pension contributions. You need to take care that your need for a pause in contributions doesn't turn into an unbridgeable gap in your pension saving.

The other cost you might suffer is a loss of investment growth. While we can't predict what will happen in the future, investment values can fall as well as rise, if you wait until markets have risen before making payments, you'll not get the same potential growth on your contributions.

3. What are the alternatives?

There's lots of information online about how to manage financial difficulty. The [Money and Pensions Service \(MAPS\)](#) is a good place to start. A general rule of thumb is that you should talk to your bank and those who are due money from you in the first instance.

If you decide that not paying your pension contribution will help you get over a short-term financial hurdle you might want to consider a contribution holiday. This is where you tell your employer when you would like contributions to restart, rather than simply stopping contributions. Some employers will offer this, but not all.

If this isn't an option within your scheme you can set a diary note to opt in when you're back on your feet. You have a right to opt in at least once a year.

4. What's my plan to get back on track?

Although you don't pay anything into your pension scheme when you take a contribution holiday there are costs as we've mentioned above. While you can reduce them by limiting the number of contributions you miss, it's worth thinking about:

- how you'll get your pension fund back to where it would have been, or;
- what a reduced pension fund means for your retirement plans.

The important thing is to have a plan. You can use the online tools Aviva provide to help you with that.

The Coronavirus has taught us the value of many things, such as the ability to get out and about, go on holiday or spend time and money socialising. It's also reinforced the value of having a safety net in case we can't work. For many of us that safety net is our pension savings, for when we can't work in later life, but still want to enjoy the freedom to do the things we enjoy.

Although it may not feel like it, pension contributions really should be an "essential item".