Lesson plan for Pensions - duration 30 minutes

<u>Learning objectives</u>

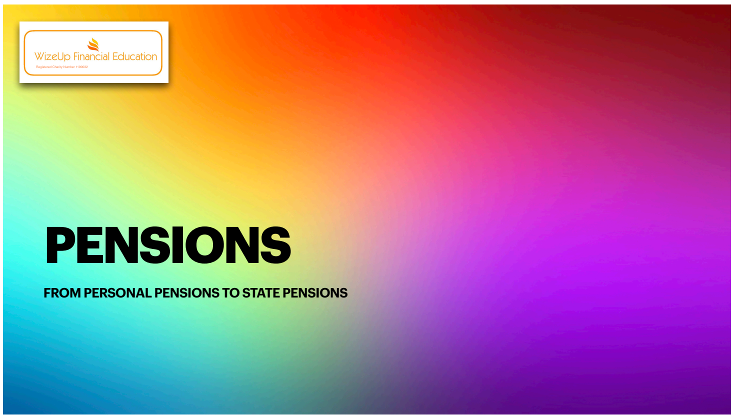
- To understand the purpose of pensions.
- To understand the choices and how payments are made.

<u>Resources</u>

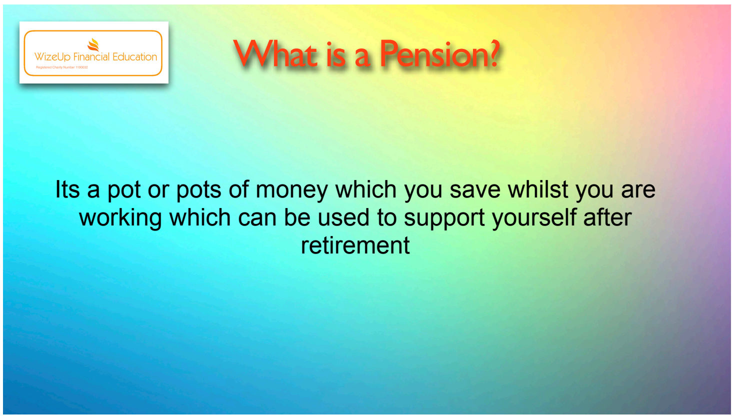
- WizeUp powerpoint presentation
- Videos
- Kahoot! quiz

<u>Content & teaching activity</u>

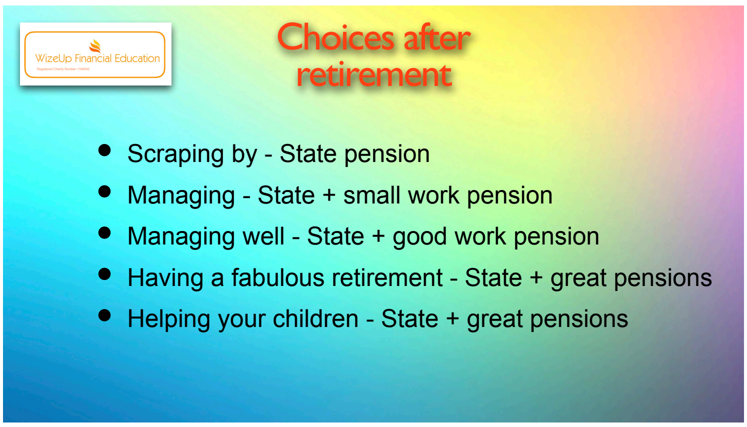
Slides



•**<u>Starter</u>**
For everyone here pensions are a long way off - but that doesn't mean that it isn't important to understand their purpose and the importance of starting to save for a pension early to preserve choices for older age.



Ask what a pension is.
Explain the definition.



Find out what most students want for their old age
Vast majority will want to have a fabulous retirement
This doesn't just happen
Takes planning, saving and hard work

WizeUp Financial Education

Types of Pension

State pension
Workplace pension
Personal pensions
Stakeholder pensions
Self-invested personal pensions (SIPPs)
NEST pensions
Multi-employer pension schemes
Pensions for the self-employed
Your first pension – the options

Show that there are many different types of pension.
They are not mutually exclusive.
We will look briefly at state pension, workplace pension, personal pension and NEST pensions.

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State Pension

- Regular payment
- Amount varies with N.I. contributions
- 35 years for maximum amount
- £179.60 is maximum amount
- Currently payable at 66
- Difficult to live on this alone

Almost everybody is entitled to receive a state pension providing they have made regular National insurance contributions.
To get a full pension they has to have been 35 years contributions made.
Current maximum amount is £179.60 per week
Sounds a lot but difficult to live on.
Currently payable at 66. This is increasing.
Discuss why this is fair (age expectancy rising)

WizeUp Financial Education

National Insurance

- If you work for an employer it is deducted directly from earnings
- Go towards your state-pension
- Given a N.I. number at age 16
- Can earn up to £8,632 without paying N.I.
- 12% of earnings between £8,632 and £50,024*
- 2% of earnings above £50,024

*You pay a lower rate if you are a member of a company scheme

National insurance contributions go towards your state pension
They are deducted from your salary by your employer and paid on your behalf
You will have been given an NI number at 16
This is important - don't lose it. You will need it for lots of things throughout life.
You can earn unto £8,600 without having to pay NI
After that it's 12% of earnings unless you have a company or personal pension scheme

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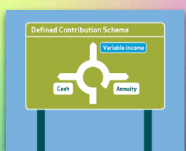
Workplace Pension

- Pot built up using your contributions and your employer's contributions.
- Your contributions are tax free!
- Money is invested by a pension fund.
- Size of your pot depends on how much has been put in and how the investments have fared.
- You can access the money from 55
- You can take 25% of pot value as a lump sum tax free
- The remainder will be used to pay you a monthly allowance.
- If you leave the job before retirement you can leave the pension where it is or transfer it.



Workplace pension or company scheme is offered by employer.
It is a pot of money that both you and your employer pay into.
It is managed by a pension fund and your investments are made to work for you.
You can't access it until 55 earliest.
Then you can choose to take 25% of pot value as a tax free lump sum.
The remainder will pay you a monthly income.
Choice to move pension when you change jobs.

WizeUp Financial Education

NEST Pensions

- NEST is a simple Government backed pension scheme
- Both you and your employer contribute to your pension while you are working
- Your employer must enrol you in a NEST scheme if there is no company pension scheme as long as you are 22 and earning more than £10,000
- You can transfer out of a NEST scheme into another pension scheme
- You can access your NEST pension at 55

nest NATIONAL EMPLOYMENT SAVINGS TRUST

NEST pensions are government backed company schemes for small employers who do not have their own scheme.
You have to be offered a pension by your employer by the time you are 22 and earning more than 10k
Can transfer to a company scheme at a later date.
All other benefits are the same as a workplace pension.

WizeUp Financial Education

Pension options for self employed

State - No effort, low income

Ordinary personal pensions - common, fairly cheap

Stakeholder pensions - flexible, cheap

Self-invested personal pensions - lots of options, you are in control, expensive

As a self-employed person you will have to make your own decisions on a pension.
Some people rely on their house or a second home possibly as a SIPP.
Shares also in here.
Remember these things are owned by your pension NOT you so you will have to pay a rent to the pension.
Risks involved here as you may not be able to sell when time comes.
Stakeholder pensions - no regular payment needed

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What are your dreams after you retire?

Make a list of what you want to do after you retire

Travel?
Hobbies and interests?
Family?
Buy a holiday home?

Find out from students what they think they might like to do after retirement.
Make a list
Don't forget living costs

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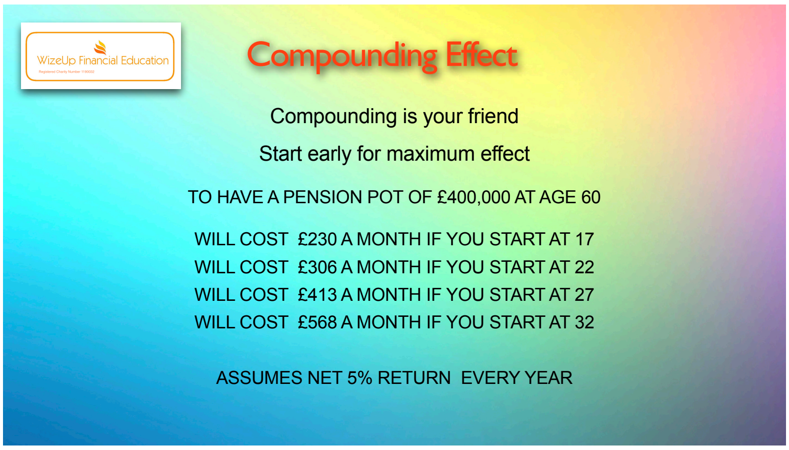
What are your dreams after you retire?

How much per year will that cost?

Multiply that by 25
Thats roughly how much you will need in your pension pot.

Try to find out if they know what that might cost.
Total things up.
Ask them to multiply by a factor of 25
This will be roughly the size of the pension pot required.
Bigger if retirement is early



Hence it is really important to start working on your pension early.
That way you can maximise the positive compounding effect.
Go through the costs of saving for a 400k pension pot depending on starting age.
Remember that these figures won't be all your money - employers are likely to make a contribution too.

Test Knowledge
Kahoot! Quiz on the website

Plenary
Class discussion on old age.