How Much Do You Need To Invest For Your Pension?

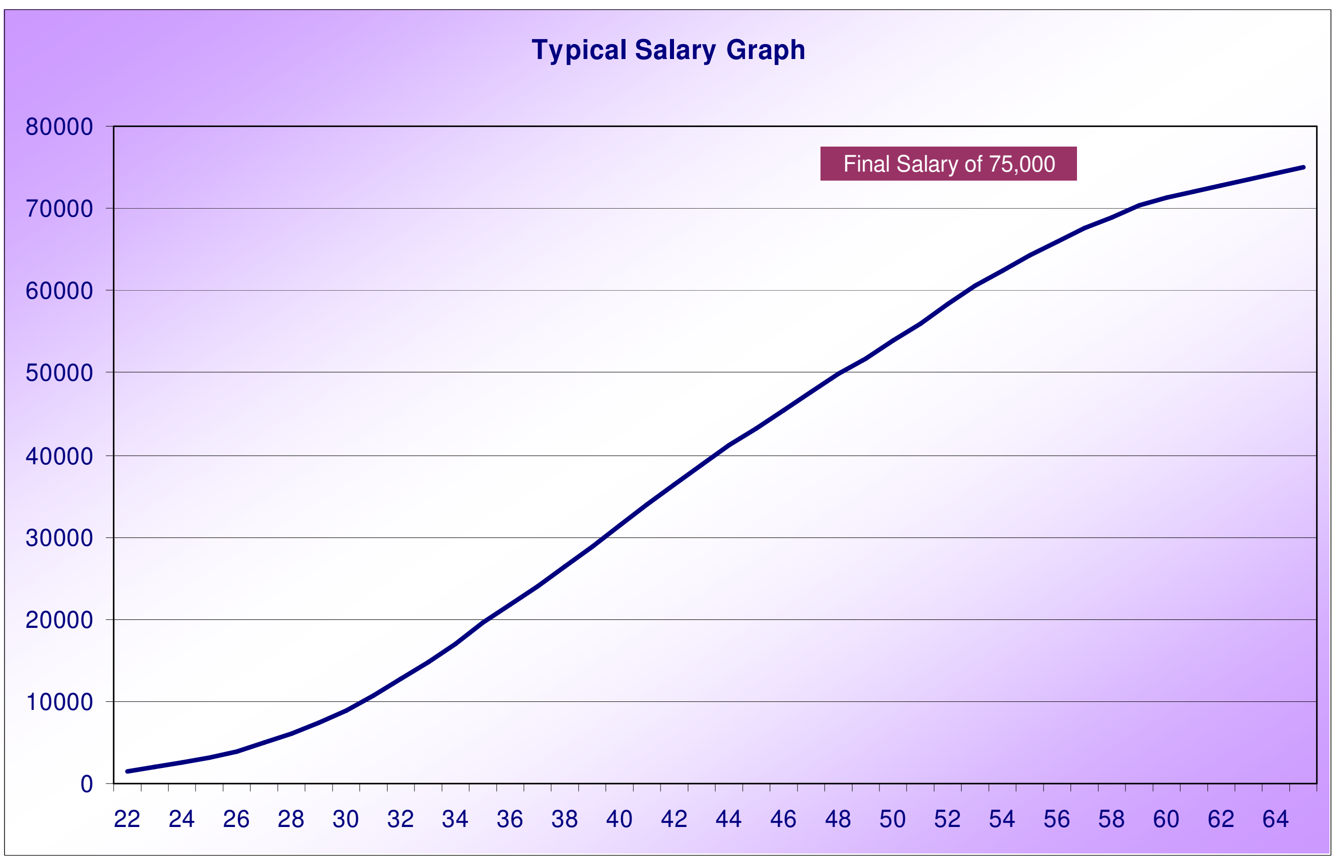
The following charts show a typical salary profile over a working life of a professional.

The charts showing how much you need to invest make several assumptions:

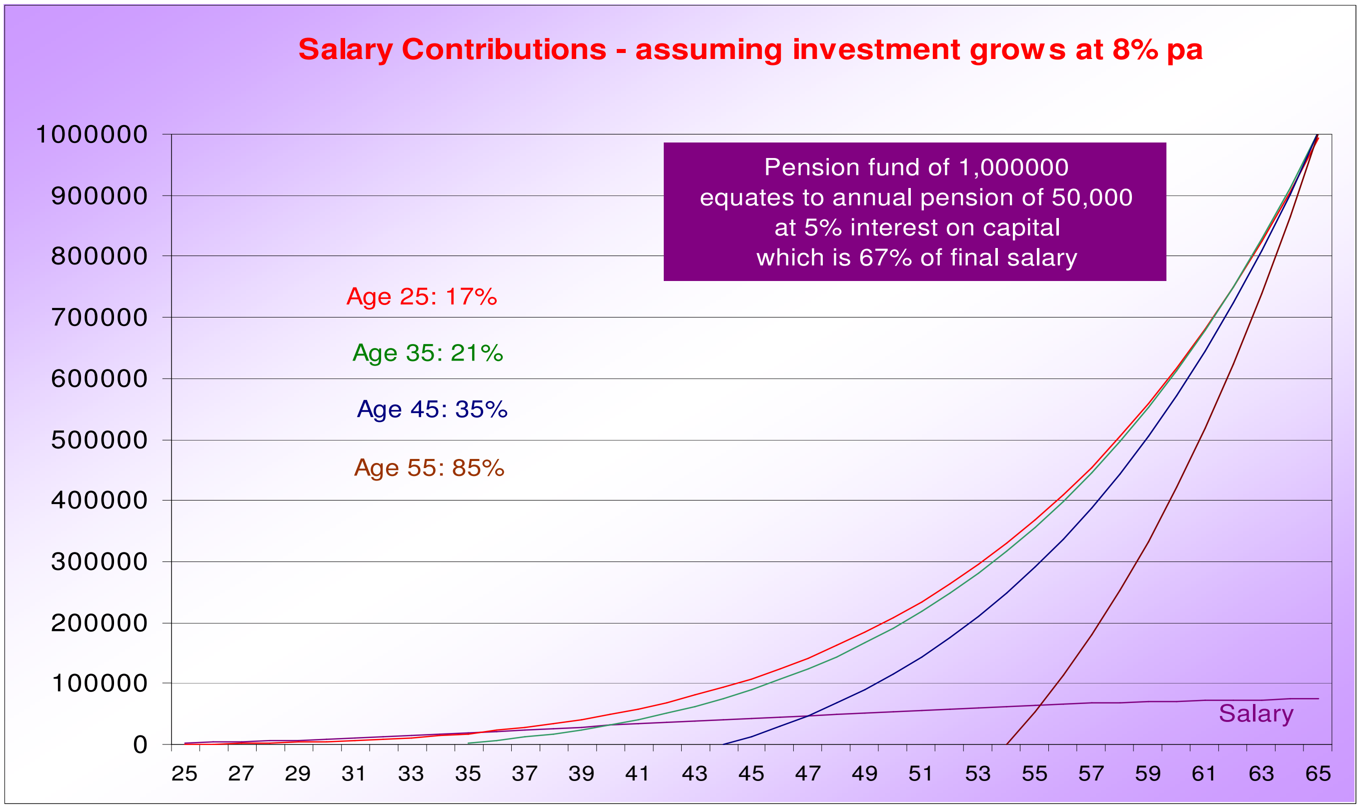
1. That you retire at 65, by which time you need to have built a retirement fund. This should be spread across a wide spectrum of assets and could include property, shares, investment funds, company pension, hedge funds, bonds and cash.
2. Your main residence is excluded from this calculation as it will not generate an income for you.
3. Your retirement fund will be invested conservatively after you stop working and will yield a return of 5% per annum to provide your income. This means the retirement fund has to be 20 times the annual income requirement.
4. The capital remains untouched.
5. You will need two thirds of your final salary as your retirement income.

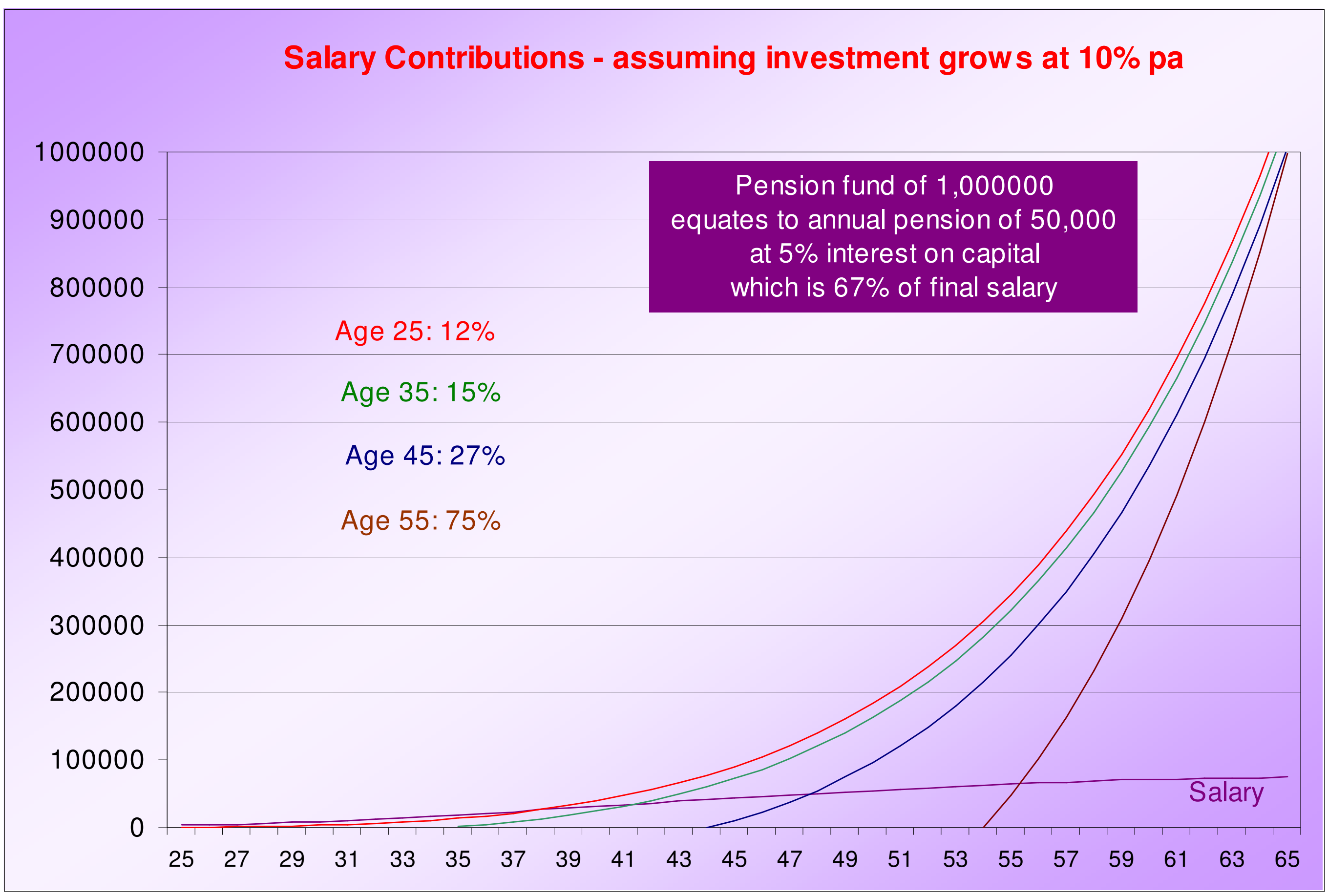
The percentage figures are the amounts of your annual salary that you need to save at each given age assuming you have no existing assets at that time and are starting to save from scratch. If your investment grows at 8% per annum and you do not start to save until you are 25, then you need to save 17% of your income each year and remember to increase this as your salary rises.

Obviously this is only indicative but it makes you realise that most people are saving too little. That is what is worrying the European governments as their populations get older.



This is viewed from the perspective of a professional in their 50’s now. If you are younger, then multiply the figures accordingly. The actual amounts do not matter for this calculation as contributions are expressed in percentages.


Salary Contributions - assuming investment grows at 8% pa
Pension fund of 1,000000
equates to annual pension of 50,000
at 5% interest on capital
which is 67% of final salary
Age 25: 17%
Age 35: 21%
Age 45: 35%
Age 55: 85%
Salary
1000000
900000
800000
700000
600000
500000
400000
300000
200000
100000
0
25 27 29 31 33 35 37 39 41 43 45 47 49 51 53 55 57 59 61 63 65


Salary Contributions - assuming investment grows at 10% pa
Pension fund of 1,000000
equates to annual pension of 50,000
at 5% interest on capital
which is 67% of final salary
Age 25: 12%
Age 35: 15%
Age 45: 27%
Age 55: 75%
Salary
1000000
900000
800000
700000
600000
500000
400000
300000
200000
100000
0
25 27 29 31 33 35 37 39 41 43 45 47 49 51 53 55 57 59 61 63 65