

The aging population

The number of workers who expect the State pension to be their main source of income has risen from 26% in 2009 to 36%.

Millennials are starting to take personal responsibility for their [retirement](#) and the demand from the millennial generation for a frictionless and personalised pension solution is a key challenge for the retirement industry. So too is the demographic pressure on the future provision of the State pension.

If millennials are hoping to have a financially secure future then it's important for them to know the age at which they can retire and what their [State entitlements](#) will be. Could they survive on the State pension alone, and in the future, what will their financial landscape look like in retirement?

Currently, the maximum State pension in Ireland for a person aged 66 or over is €233 per week. In Budget 2017, it was announced that the old age pension will rise by €5 a week from March 2017. Could millennials survive or enjoy the kind of lifestyle they dream about on €12,434 a year? After paying for their living expenses, would there be much left over for them to do the things they didn't have time to do when they were working?

Is everyone entitled to a State pension is another big question many people should be asking? The contributory State pension is paid to people from the age of 66 who have enough Irish social insurance contributions. To qualify for this State pension you must have started paying social insurance before reaching 56 years of age. You must also have paid at least 520 full rate social insurance contributions and have a yearly average of at least 48 paid and/or credited full rate contributions from 1979 to the end of the contribution year before you reach 66 years of age.

If you do not qualify for the contributory State pension you may still qualify for a non-contributory pension. This is also a State pension but it differs to a contributory pension in that it is residency based and is a means-tested payment for people aged 66 or over who do not qualify for the full contributory State pension based on their social insurance payment history*.

Pension uptake

Clearly, there is a significant rise in the number of people set to be dependent on the State pension - this growing number is a direct result of the decline in private pension uptake. The CSO's Quarterly National Household Survey shows 36% of workers will rely on a State pension as their only form of income in retirement - a figure that is up from 26% in 2009**.

The decline in private pensions is particularly impactful for Ireland's millennials. 14.1% of workers aged 20-24 years have a pension, while just over one third (36%) of workers aged 25-34 reported having a pension. Pension coverage was greatest among workers aged 35-44 years where total pension coverage was 55.3%.

The CSO Survey also finds that for those without a pension, the main reason given was because they said they couldn't afford one (39%). In addition, over one fifth (22%) of workers said that they never got around to organising a pension and nearly 70% of workers with no occupational pension coverage stated that their employer does not offer a pension scheme for them to avail of.

Financial planning

Life expectancy is increasing and men's life expectancy will be up from what was on average 78 years of age in 2011 to 85 years of age in 2046. For women that number has jumped too, and females can now expect to live until at least 89 years as opposed to 82 in 2011***.

Obviously this is great news, but are we considering the impact on the cost of supporting the retired population, and will the State pension sustain those in retirement for a longer period of time?

According to the CSO report, 68% of workers stated that they expect to retire aged between 60 and 69 years, while one in twelve (8%) stated that they had no intention of ever retiring. The number of workers who expect the State pension to be their main source of income has risen from 26% in Q4 2009 to 36% in the same period of 2015. The latest report also shows that 42% of workers said that they expected that an occupational or personal pension would be their main source of income when they retired.

A sharp fall in pension coverage is cause for concern for all of us because the increase in reliance on the State pension will place even more pressure on already strained resources due to an aging population whose life expectancy is increasing.

In order to secure a financial future, [starting a pension](#) is one of the smartest financial decisions a person can make. When choosing a pension, having all the information at hand is crucial. Sound advice is invaluable, so it's a good idea to seek advice from a financial broker or advisor. They can guide you through the process and help you select the right plan for your circumstances.

Article submitted by Rose Leonard, Head of Corporate CRM at Zurich and President of the IIPM.

*The information contained herein is based on the IIPM's understanding of current Revenue practice as at 28.09.16 and may change in the future. * Source: Department of Social Protection, September 2016.*

***Source: CSO Quarterly National Household Survey, 2016.*

**** Source: Press Release Population and Labour Force Projections 2016-2046.*