Things to consider as you approach retirement if the value of your pension has fallen

We know that people are anxious about the impact of falling global financial markets on their investments and pension plans. It is especially relevant if you are approaching retirement and planning on starting to take money from your pension savings soon.

Therefore, here are a few things to think about if your retirement is imminent and you were planning to start drawing income from your investments.

How much time do you have?

Time is one factor you can control. Do you absolutely need to retire now? Could you delay or at least move to working part-time? Although moving to part-time work may not be viable right now, if you're able to once the current situation improves, there's the potential double upside of maintaining your contributions into your pension plan for longer and also delaying taking money from your pension savings, which could give your portfolio time to recover.

Your outgoings

If you can't delay retirement or move to part-time working, can you look at cutting your outgoings temporarily? It's a good time to look at your budget and consider cutting non-essentials, reviewing utilities bills and checking your direct debits. This could help reduce how much you take out of your pension savings each month. In the longer term, relocation or downsizing are other options people often consider if they need to cut their outgoings.

Any cash savings

Do you have other savings you could use to help tide you over so that you can reduce the impact of taking money from your pension savings when their value has fallen? You only make losses in financial markets when you're forced to sell. If you can use any cash savings, this could give your pension savings and any other investments you have, some time to recover once, as expected, markets start to recover.

How much you take out in the early years

If you were planning to take a larger amount from your pension savings in your early retirement years, you may wish to consider reviewing those plans. The less you take out in the early years, the more your pension savings have a chance to keep growing in value. Pension savings are like building a snowman – the bigger the ball you start with, the faster it's likely to grow. If you start with a smaller amount in the fund due to a large withdrawal, your money is likely to grow more slowly.

Getting advice

What impact does the reduction in the value of your pension savings have on your overall retirement plans? Is it painful but unlikely to mean you can't afford your retirement long term? Or is it causing you to panic and worry that you can no longer afford retirement?

The most important thing you can do is talk to us if you have any issues concerning your plans for retirement.