

Cash Constraints Shown To Be Affecting Retirement Savings

The financial difficulties currently being felt by many consumers may result in further monetary strain being heaped on them in later life.

June 7, 2008 (FPRC) -- Such is the claim of financial services firm Edwards Jones, which revealed that a significant number of people have reduced the amount of money that they are setting aside for retirement. According to the company, some 43 per cent of working Britons claim that they are saving "far less" or a "little less" cash into a pension pot. Meanwhile, just under a quarter of those surveyed were indicated as not even beginning to make provisions for later life. The shortfall in savings activity was attributed to the increasing costs of petrol and food.

A lack of savings could well result in consumers finding that they struggle to manage their money upon giving up work. This may mean that they develop problems with household bills and mortgage repayments. However, applying for cheap loans could be one way in which to supplement spending.

Research from the firm also indicated that those living in the north could be most putting their capacity for financial management during retirement at risk. Just under half (48 per cent) of consumers in this part of the country were shown to have reduced the amount of money that they are placing into their pension schemes. Meanwhile, 39 per cent of Londoners cut back on such savings. However, it was claimed that there are very few differences in levels of pension contributions in terms of age group and social status.

Commenting on the findings, Andrew James, retirement planning manager for Edward Jones, stated: "It's a big concern that the research shows people of all ages and social classes are cutting back saving for retirement in order to pay for essentials. If this trend continues then we are just storing up even more problems for the future. Those in their late 40s and 50s really do not have the time to make up for any missed contributions so we believe it's vital for their long-term financial futures that they keep saving. We all know the UK has a looming pensions crisis and this news just adds to the problem."

He went on report that it is "disheartening" that some 23 per cent of Britons are yet to begin making any contributions into a pension scheme. Mr James claimed that people need more guidance on the various methods of saving into a pension fund and should be made aware of how it is possible to put money away for later life on a tax-free basis. It was also asserted that the earlier consumers start to save for retirement "the easier it will be".

For those worried about their capacity to manage their money in later life, applying for a personal loan might be recommended. In using such a cheap loan as a means of debt consolidation, it may be possible that consumers can meet numerous demands on their spending at once, leaving them with more disposable income. Such cash could then be invested into savings vehicles. This may be especially advised after a study carried out by Newcastle Building Society in January indicated that pensioners are facing a rate of inflation which is more than twice the rate of the national average. It was reported that fuel and food costs in particular are driving rates of inflation.

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Contact Information

For more information contact Mark Dawson of Loan Arrangers (<http://www.loan-arrangers.co.uk>)

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