

Transcript: Why should you care about your pension in your 30s?

Emily Hello and welcome to this episode of the Civil Service Pensions podcast. I'm Emily Eccles from MyCSP.

Rob And I'm Rob Walker, also from MyCSP. Today we're talking about why you should care about your pension in your twenties and thirties.

Emily Really good question. With us today to talk this through are Cathryn Murray, Training and Engagement Manager at MyCSP and James, a civil servant who happens to be in his thirties.

Rob Hello everyone and welcome. James and Cathryn, thank you so much for joining us. So to get us started, perhaps you could both start by just telling us a little bit about yourselves. So, Cathryn, we'll start with you.

Cathryn Thanks, Rob. Hi, everyone. So, yeah, my name's Cathryn and I'm the Training and Engagement manager at MyCSP. So that means that my team and I are responsible for hosting lots of sessions for members to help them better understand their pension benefits, we do a thing called Pension Power, which they can attend at any time during their career, which just gives them the basics of the scheme. And we also support members close to retirement with things like pre-retirement seminars as well. So just guiding people through what people often see as the thorny world of pensions.

Rob So definitely got the right guest in Cathryn there, for our resident expert. James.

James Hi, I'm James. I'm 32. I live in Liverpool, I work in a Civil Service in the Department for Digital Culture, Media and Sports or DCMS. We love an acronym in the Civil Service, and I work as a Policy Adviser there where I give advice and provide briefings to ministers. Um, been there for about a year. Prior to that I worked in different government departments. I've been in the civil service about four years now, but I would say I'm not an expert at all on my pension. I know it's there and I know it's a good thing to have, but beyond that I don't know too much. So really looking forward to learning a bit more today.

Emily That's great. I think that also makes you a perfect guest from that perspective.

Emily So I think it would be great to kind of start with you, James, if that's okay. So obviously, as you just mentioned, you know, you're in your thirties. Is it fair to say that, like, your pension isn't really at the top of your priority list right now?

James Yeah, I think that is certainly fair. Erm, it's one of these things that it feels like it's a long way off. And I would say it feels like it's a bit more on my mind now than it did ten years ago. I think when I was in my early twenties, I didn't consider at all, it felt completely distant. I was still a student as well, so I suppose I wasn't earning money, so it wasn't something that I, you know, was paying into at that stage. But I do think, yeah, it's certainly not the top of my list, but it's something that I think is starting to kind of creep into my mind a bit that it's something I should be thinking about a bit more.

Rob Can I ask, was it something that attracted you to the role in the Civil Service or was it not, kind of, did you not see it as a benefit, you know, when it came to looking at the salary and all those other things that made you choose to take that role?

James Yeah, to be honest, when I originally applied for my first job in Civil Service, I was just looking for a job more or less full stop, and saw this one and thought that really interesting and I was aware that the civil service offered or I'd heard it offered a good pension, but it wasn't something that I'd looked into and it wasn't something that, you know, I didn't know particularly why

it was good or anything like that. It's just something I was kind of loosely aware of. So it wasn't a deciding factor, no, but it was something that I thought like, oh, you know, that would be, could potentially be a nice bonus of working there.

Rob So you mentioned that you've in recent years, like started to think that maybe the pension might be a little bit more important. I've heard that you are about to become a dad.

James Yeah.

Rob Congratulations.

James Thank you very much.

Rob Such an exciting time. Has that, do you think that might have had an influence on that, sort of, slight shift in your thinking at all?

James Yes, I think so. Um, I think it's one of those things that just makes you think about the future a lot more and what you'll be doing in ten years, 20 years, 30 years and so on, and kind of how you might like to see your life progressing a bit. So I think not just pension but just general finances I suppose. It's something that I've started to think about a bit more and that's certainly a factor because obviously I want to be able to do things with my child when it comes and be able to support them. And then, you know, when I'm older, you know, I want to be in a position where I'm kind of comfortable as well. So kind of all this comes together, I guess.

Rob How long have you got left to wait until you get to meet your child for the first time?

James Well, it's due in mid-November, so I think we're about half, just over halfway through the pregnancy, actually.

Rob You've got through like, the initial terror sort of phase. Now... I went into the practical mode when we found out we were having kids, I was like, right, we need a bigger car. We need to get a Passat or something like that, it's got loads of boot space in it. I went around car garages with a tape measure measuring boots.

Emily I think that's what happens though when you go through that kind of, like, change in your life, you start... for some people, it might trigger them to think more about the future straight away, or it might make them focus more on the here and now, which I know we've already kind of touched on in other episodes. And, and I know we've already kind of touched on that from your perspective, James but um, Cathryn, [00:06:21] why else do you think people at that stage of their lives aren't really thinking about that part of their future just yet?

Cathryn I think it's because, "pension" to most people, when you think of that, what you think of is retirement. And so that means you're older, it's not something that's any part of your life right now, therefore, it's not something you think about whatsoever. But, you know, we're trying to get away from that and the perception that you shouldn't think about retirement until you get there, it's just wrong because by then you've got no time to actually put any effort into it and think about it in any way differently and sort of plan for what it is that you're looking for. So it's really important to get involved with your pension as soon as possible. It's not going to be your number one priority right now, especially with family on the way and everything else that's going on in your life. But it's still something that requires some thought and bearing in mind, you know, it is the biggest benefit for a lot of people in addition to your salary. I'm sure you spend time outside of work thinking about your salary. You should also spend some of that time thinking about your pension as well.

Emily That's a really good point. And I guess as well, you probably come across in your role with the training team at MyCSP, there's probably a lot of, um, a lot of people who come to you kind of seeking like a, a plain-English explanation of pensions and things like that.

Cathryn Absolutely and that's really what we're here for, you know. I think people just put up this kind of mental block with pensions. They just say, I don't understand it, and then they don't try to understand it. And so what we try and do is put it in as simple terms as possible, it just isn't that complex. It can be simplified; it can all make really good sense. And once you get to that point and you understand it, then it's really easy to think about what your next steps are and what you can do for the future.

Rob James, does that sort of chime with your experience, that kind of mental block? You know, it's really complicated. I'm sure it's fine. I'll just leave it and hope it's okay.

James Yeah, definitely. I've definitely thought it's complicated, but not taken steps to really look into how complicated it is or if indeed it is complicated. And maybe it's just a bit of a myth. But yeah, I think certainly that it feels far away and it's kind of, there's always something else, I suppose, that kind of grabs your attention and is more immediate, um, yeah.

Rob I suppose because it is so far away, there's absolutely no urgency to think about it or do anything about it. You know, when you think about something that's like 30 or 40 years away, it's like, well, I'll just deal with that later, you know? I've got a kid on the way, I've got to think about prams and stuff, you know? It's just not urgent, is it? But I suppose, Cathryn, I know like you, you've got a story about when you did all your pension planning, and it is something that you can kind of almost set and forget, isn't it?

Cathryn Yeah, 100%. And I will say, you know, now I've worked in pensions for quite a long time, so I've got a good grip on it. But when I started working in pensions, I think I'd just turned 28 and I had never given my pension- I didn't have a pension until that point, I'd never given any kind of second thought. Whereas now me and my partner also works in pensions, so we are self-confessed pensions nerds and we know lots of things about it. But that means that I'm at a point now where I'm in my early forties and I'm already planning for my retirement. I have a retirement goal in mind. I know what that means in terms of retirement age and the income that I think I'd need to live the kind of retirement I want to live, which for me involves quite a lot of travel and probably not being in the UK anymore. But we've got that plan and it's all been made and it's still almost 20 years and in the future, but it's there and it's ready and I've got that goal in mind and that, you know, is really sort of, keeps me going. And I think it relates well to tell that to other people as well, that, you know, it is a long way off but, and people seem amazed that I've done that and have made that plan, but it's not a complicated plan. You know, it just involves looking at what the picture is and then taking some steps to get to the level where I want to be. So for me, for example, I've started paying extra into my pension from this year because I can afford to do that at this stage in my life, and that's going to aid me in that retirement plan that I have so I can go earlier than the age that I might expect to.

Rob I mean, that feels quite rare to speak to someone who's got a plan for 20 years in the future. You know, I suppose, you know, it is necessarily not as detailed as perhaps a three or a five-year plan might be. You know, you said "oh I'm thinking about maybe doing a bit of travel", but you don't really know where and it doesn't really matter. It's just that's what kind of you want to do isn't it? And I suppose that's the point, when it comes to planning that far ahead, it doesn't have to be this fully detailed, you know, full mapped out plan of what you're going to do every day of the week. But it's just an idea of how you might want to feel and the sort of things that you might want to give yourself the opportunity to do.

Cathryn Yeah, absolutely. And, you know, not working anymore sounds quite good to me, really. But not working and not having the money to do the things that I want to do when I actually don't have to work anymore isn't as attractive as the idea of being able to actually do all those things I've had to pull off because I can't take six weeks off and travel around Southeast Asia or whatever it might be, but I'll do that when I'm in my sixties because I can, and that's what I want to do. And, you know, it's...I'm really looking forward to it already. And it's, you know, and those years that there are to go until I get there, you say that it's a long way off, but it's getting closer all the time. You know how time flies. You know you have babies and then all of a sudden they're grown up and

all those kinds of things. So it does come around a lot quicker than you think that it will. Um, so, you know, just giving that extra little bit of thought towards it can go a long way to making a big difference, a long way into the future.

Rob I suppose without kind of doom-mongering too much, like the alternative is getting to a point where you've actually got no choice but to stay in work, you know, for longer because you haven't, you know, got the retirement income available to you to be able to, um, to be able to retire sooner.

Cathryn Yeah. How can you plan for retirement if you haven't got any kind of idea what the money's going to look like when you get there? So during lockdown, my family were doing big quizzes all the time and one of the things I, I asked the question because I'm a pension nerd, was how much is the state pension? And my parents knew straight away but my brother and sister, who are both quite a bit older than me, took a guess and they had no idea what that number was. And they guessed figures significantly more than what the state pension actually is like, double what the state pension is.

Rob What is the state pension?

Cathryn It's about £9,000 a year at the moment if you've got the full 35 years' worth of NI contributions.

Rob You could live on that James?

James Oh, I don't know. I was also going to ask what it is because, I didn't, I have no idea.

Cathryn Yeah, and you know, and a lot of people don't and that's fair enough, but it's just all, putting all those pieces of the jigsaw together to plan for that retirement and just having the, you know, it's just having a little bit of knowledge. You don't have to have a lot of knowledge. You don't have to have a detailed plan. But it's just knowing what's out there, you know, you get a lot of people who I think will assume they'll get the full state pension but that's going to depend on, you know, their work history and if people have worked overseas and things, for example, that might impact what they're going to get. So there's lots of different factors that can influence what it's going to be when you get there. So some people might assume they're going to get more than they're going to get. And then you have people just don't actually know what it is in the first place to know what they can expect. So putting that alongside a Civil Service Pension, which, you know it is, it's a very good pension. That's what people say. But you need to know what that actually means in monetary terms to see what that's going to look like against the lifestyle you want to lead when you get there.

Emily That's all really interesting. I just want to come back to a point that you made cut in a minute ago about, retirement probably feels really far away and the idea of leaving work behind completely probably sounds great. But I wonder if people maybe underestimate the psychological effect of that. You know, you're not going to be working ever again if you don't choose to. And I know that um, Linda, who we spoke to on the retirement episode, was talking about, you know, a lot of people kind of go into retirement feeling a bit unprepared in that aspect.

Cathryn Yeah, a hundred percent. And it's, you know, I think it is all about having that retirement plan. We speak to a lot of people now who do feel like it's going to be sort of too much of a wrench to leave work behind 100%. And one of the great things there is in the Civil Service is partial retirement, where you sort of ease into retirement so you can access some or all of your pension but keep working at the same time. And that allows you to kind of downshift and take it on a more gradual basis, which I think helps a lot of people with that transition, if that's what they need. On the other hand, you've got the people who are really keen to leave things behind because they do have all of those things that they're looking forward to doing in retirement they haven't been able to do so far. And so they've got a lot of things there ready so they can move on to sort of the next stage of their life. So it's just all about, you know, there's so many things I wish I could do all of the time that I just don't ever have the time to do because I'm at work such a huge portion of the week.

So, you know, it just sounds like a dream to me, really, to build, to fully retire and do all of those things, albeit, you know, however many years away it might be.

Rob So James, hearing Cathryn talking about that and hearing her talk about how she's like so, kind of, organised and planned around her retirement. Does that, does that give you lot maybe a bit of pause for thought in terms of where you are and how you might think about your future?

James Yeah, it certainly does. I was just, as you were saying that, thinking about my parents and my wife's parents who recently retired during lockdown and since lockdown's lifted, they're both out doing stuff all the time. And I was sort of thinking, oh, I want to be doing stuff all the time. Obviously, doing nice things costs money, doesn't it? And so, yeah, I guess that need to kind of think about, to make a bit of a plan I suppose, and start thinking ahead for when that comes. Seems really important.

Rob Yeah. And I guess, I guess, you know, it doesn't have to be like detailed, you know, it could just be, like you just really well-articulated. I want to feel like that. I want to just be able to make a decision to wake up one morning and go to Alton Towers or something like that. And as you say, those things cost money. So it's not necessarily about, you know, you don't have to be as precise as Cathryn in terms of what you want to do with your time. It's just about how you want to feel about the choices that you've got and how you spend that time.

James Yeah. Yeah. I certainly hope I'm wanting to go to Alton Towers as well.

Emily A spontaneous trip.

Rob Yeah I'm terrified of rollercoasters.

Emily I guess this is probably a question for both of you, really. Do you think there's a bit of a, maybe a bit of a stigma amongst, kind of, people in those age ranges in, you know, in their twenties and thirties? Maybe they're almost thinking like, well, if I'm looking forward to retirement already, I must, you know, not be enjoying my job. And I wonder if there's a bit of a social pressure. And at the moment I know I felt it sometimes that, you know, you should always be doing a job that you really love. And actually, you know, maybe that's not the case.

Cathryn I think there is a bit of a stigma. Definitely. People think you just don't need, again, people think you don't need to think about your pension until the point of retirement. And so, why on earth would you think about it? And it used to really wind me up delivering face-to-face training sessions and every time someone walked in the room who was young, someone who was old would say, "What are you doing here? You don't need to think about your pension yet." And I'd always chime in with it's never too early to start planning and it might actually be the earlier you start to plan might mean the earlier you get to retire when you get there. And that doesn't mean that you don't love your job. It just means that you've got foresight and you're forward planning and that's really important. So it's nothing to do with, you know, I'm on a countdown to retirement. It's just that I do want to enjoy my life. And work doesn't have to be everything that I am. I'm going to do something else and enjoy my own time when I can. That's what retirement's for.

Emily And I feel like we can't emphasise that point enough, can we? That like your pension is going to be possibly your only source of income when you retire. That's what you're going to have to live off and now, the benefit of the Civil Service scheme and it's probably worth us actually reiterating this with James here, is that you don't have to worry about running out of money because you'll get that payment every year until you die, no matter how long you live. And there are other types of scheme where it's finite, and you maybe do have to consider that, but you have to make sure that you take that into consideration.

Rob It's also worth noting that the scheme you're in, the alpha scheme, there's not many schemes like that because they're so expensive for employers to offer because effectively if you were to live for 50 years in retirement, you would still always get that income every month until the point you

die. Whereas with what's called a defined contribution scheme, which is more common, there's a pot of money and that will run out eventually. So you just got to hope you don't live long enough for that to happen. So it's kind of a different, you know, vibe associated with both of those.

Cathryn So a lot more planning has to go in at that kind of defined contribution scheme to make sure you've got enough money to see you through. Whereas with our Civil Service Pension, it is much more simple because you've got a defined income that you're definitely going to get back for the rest of your life. And another key thing to point out there as well, with it being so generous, is the likelihood is that within two or three years of retiring, you'll get back every penny that you've paid in and the rest of your retirement is all paid for by the really generous employer contribution. So from that perspective, that's one of the ways why we can say it is a really good pension to have, the Civil Service Pension, because effectively, a lot of your retirement's kind of free.

James Mm hmm.

Rob I think the other thing that's worth pointing out, and it might be good to get your perspective on this, James, is, you know, we talked a little bit here about sort of stigma and the stigma around sort of retirement planning as a, as a young person. How much do you think comes from, you know, the way we're conditioned to think about our job as being like an inherent part of our identity? You know, when you introduce yourself and you meet someone for the first time, we've done it today, you know? Hi, I'm Rob and I work for MyCSP. You know, that's the first thing I say. I don't say, Hi, I'm Rob and I like basketball. You know, that's kind of not what we, what we do. And even when we think about the future, think about job interviews, where do you see yourself in five years? And the answer to that question is always to do with work. Does that, kind of, am I making that up? Or does that chime with your experience?

James Yeah, I think that, that definitely rings true, I suppose. Yeah. I guess we live in a world where, yeah, having a job, there's a certain status that I suppose isn't there? Like, what you do says something about you and here you are. And I suppose yeah, thinking about retirement, you're kind of getting rid of that part of your identity, perhaps, and that can perhaps be a bit of a scary thing to do. I think it's also maybe a bit of a, a difficulty for some people of just thinking that far ahead. And I think particularly with things like the cost of living and all this, the thought of putting money aside for the future when people may be struggling a bit at the moment is kind of a bit of a hard thing to get your head around or it's not a priority that's at the forefront of your mind.

Rob Yeah, when you're making a decision between turning on the light on your dinner, you know, because of the financial implications of that, the thought of saving for the future is pretty far off your mind, isn't it?

Emily Yeah and that's understandable. The obvious question I feel like that's coming to me at the moment is, you know, I'm someone who's, I'm in my thirties as of April this year. And, um, you know, I don't think I would know where to start in terms of planning for that part of my future. Where, Cathryn, where would you say someone in their twenties and thirties might start to- what can they do to start thinking about that?

Cathryn I think the first thing to do would be just to have a better understanding of the pension scheme that you contribute to. So as a member of the Civil Service Pension Scheme for us, I'd say attending one of our Pension Power webinars would be a really good start because that just gives you a one-hour introduction to what the scheme actually means, what the benefits of it are, and that gives you some prompts and some things to think about. And one of the things it'll point you to is your Annual Benefit Statement, which shows how much pension you've built up so far. And then also there's our retirement modeler tool, which then lets you project and see what your pension would actually look like if you kept working in the civil service until different retirement ages. And from there that then gives you a good idea of, well, this is what my income might look like in retirement. So what does that look like in line with what I think my plans might be at that time? So it'll give you a really good place to start from and that's what I've done with my plan. I've used that modeler and said, this is what it looks like, this is what it's expected to be. Is that enough? Or then

do I want to think about doing something additionally, on top of that? Do I want to think about investing something extra? Do I want to think about trying to get a pay rise to make that pension grow at a faster rate? All those different kind of things that that can influence what it looks like when you do get to retirement.

Emily Yeah, that makes a lot of sense and I guess civil servants are quite lucky in that they've got a wealth of training and it's all, you can find out more about that on the on the civilservicepensionscheme.org.uk website.

James Knowing I was coming here, last night I looked at my pension on, I like logged in. I had to get reminders of what my password was and all that. But I had a look at that projector thing that looks at, you know, how much you might take home when you retire, and you can change the age on it. And it was a really useful and quite interesting thing to look at, um, because it kind of put it a bit in perspective and, and the kind of amount that I'm expected to get when I'm 65 or 68 or whatever it is seems like an okay amount. But then I thought, well, I don't know if that accounts for like inflation or am I still going to be paying off a mortgage? You know, there's so many...and you know, that's a really useful starting point. But that kind of made me think of a lot of other questions that probably, it would be good to talk to someone like yourself or, you know, to get more information about, you know, what does that actually mean?

Cathryn Yeah, yeah, definitely. I mean, for information, yeah, the modeler is all in today's terms. So obviously we can't predict what inflation's going to look like in the future, in the same way we can't predict any future salary rises and things like that. So obviously it might look quite a lot different by the time you get there. It also assumes you're going to keep working in the civil service until retirement, which may not be the case as well. So, you know, it could look a lot different, but at least it gives you that really strong starting point to be able to say, well, you know, this is a potential, this is what it might look like and it can then trigger all of those other thoughts that you're having, which is really good. That's what we want it to do. It kind of just makes you think about things and get a more full picture of what your retirement might look like when you get there.

Rob But I suppose there is a practical side to that sort of question or to answering that question, which is, you know, you think about what your outgoings are now. You know, like that's a really, probably a really good starting point, I would have thought. Cathryn, would you say?

Cathryn Yeah, 100%. You know, could you live on it now? Is a really good question. And then thinking about, you know, if you have got a mortgage, what's the term of it and when will you be finished with that? Or do you rent, and do you think you'll still be renting in the future? Do you have children? And if so, you know, what age will you be when they kind of reach an age where they might not be financially dependent anymore? Although people tell me that actually never happens and they're just dependent on you forever.

Rob That can't be true, surely.

Cathryn So yeah, all those kind of things. But then also, by the time you get there, yeah, your kids might have grown up, but will they have kids and is that all then going to be...? You know, there's no way you can predict what it's going to look like in the future 100%. But you can certainly put the loose beginnings of a plan together around the information that you can gain from it.

James Yeah, definitely.

Rob Yeah. I suppose, you know, that retirement modeler has been you know, it's really interesting to hear about, you know, how it made you feel when you used it because of where you are and since your proximity to retirement. So for you, it's been something that has got you thinking and got the cogs working and got you engaged with your pension, which is great. I think when you get closer to retirement, when we speak to people who are closer to retirement, it becomes a much more practical tool in their sort of journey towards making the decision to actually retire. Because

obviously the closer you are, the more accurate of representation is going to be of what you're going to get.

Emily Yeah. Definitely. So, James. Compared to where we were when we started this episode, how... how are you feeling now about your financial future?

James That's a big question. I feel as I feel a bit enthused, I think, to look into it more because I think it seems, it does feel a bit like a scary thing and, you know. Earlier, I think Rob, you said, you know, when you die and, you know, stuff like that and obviously not things you want to think about, but it is important. And also it is probably not that hard actually to start to build a bit of a picture about what it's going to look like and maybe if I want, you know, more, you know, to have more money basically when I retire, what do I need to do to? Because I should probably start, need to start thinking about that now, about, you know, what I'm doing with my money in terms of savings or jobs, career progression and so on. So yeah, it's been really good to chat about it and kind of yeah. Enthusing, I think.

Emily Great. Mission accomplished.

Cathryn Good to hear.

Rob Again, congratulations on becoming a dad, it's really the best thing.

James Thank you so much.

Rob Okay. Thanks, James and Cathryn, for joining us today. And hopefully you've helped to inspire some of our younger members and listeners to start their retirement planning now. It's been great having you. Thank you.

James Thanks so much for inviting me along. It's been really interesting.

Cathryn Thanks for having me. It's been great to be here. I love to take any opportunity to talk about pensions.

Emily If you want to find out more about any of the topics that we've talked about in this episode, or if you want to suggest something that you'd like us to talk about in future, you can head to [civil service, pension scheme, talk, dot UK slash podcast](#).

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Emily Thanks again for listening.