The benefit of starting a pension early

Small steps today, big impact tomorrow



When it comes to retirement planning, one principle stands above all others: starting early makes a significant difference.

While the amount you contribute is important, the timing of when you begin saving can have an even greater impact on your final pension value. This is due to the powerful effect of compound investment growth, which allows your savings to grow not only on what you invest—but also on the returns those investments generate over time.

The earlier you start saving for retirement, the greater the potential benefits. However, if you've started later than intended, there are still opportunities to strengthen your retirement outlook.

Why Starting Early Matters

The earlier you start contributing to a pension, the longer your money has to grow.

Compound growth means:

- You earn returns on your initial contributions
- You also earn returns on previous investment gains

Over long periods, this can have a snowball effect, significantly increasing your pension fund.

The Impact of Time - A Simple Illustration

Consider two members saving the same monthly amount but starting at different ages.

Example: Early Starter vs Late Starter

Member	Start Age	Monthly Contribution	Years Saving	Estimated Fund Value*
Emma	30	€500	35	€570,000
John	45	€500	20	€200,000

**Assumes 5% annual investment growth*

Key Insight:

Emma contributes for longer, but more importantly, her early contributions have more time to grow, resulting in nearly three times the retirement fund.

Early Contributions Work Harder

Money invested earlier has more time to benefit from compounding.

Example Breakdown

If you invest €10,000:

- Over 30 years at 5% → grows to approx. €43,000
- Over 15 years at 5% → grows to approx. €21,000

Conclusion:

The same amount invested earlier can be worth double by retirement.

It's Not Just About Affording It Later

A common belief is:

"I'll start contributing more when I earn more."

While increasing contributions later is helpful, it often requires significantly higher savings rates to catch up.

Case Study: Catch-Up Challenge

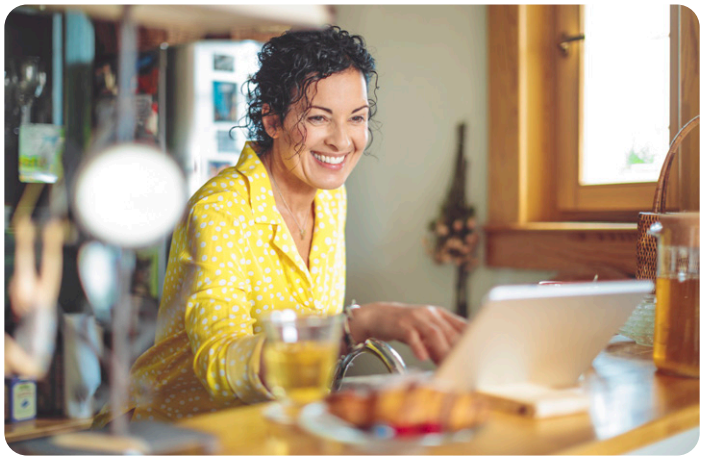
David, age 30 vs age 45

- Both target a retirement fund of €500,000

Scenario	Monthly Contribution Required
Start at 30	€400
Start at 45	€1,200

Outcome:

Waiting 15 years means needing to contribute three times as much to reach the same goal.



The Benefits of Starting Early

Lower Monthly Contributions Needed

- You can achieve your goals with smaller, more manageable amounts.

Greater Long-Term Growth

- Your money has more time to compound.

More Flexibility Later

- You may not need to increase contributions significantly in later years.

Better Ability to Manage Risk

- Longer time horizons give an opportunity to smooth out market up and downs / volatility.

What If You Didn't Start Early?

If you're starting later than planned, there are still effective steps you can take:

Increase Contributions

- Take advantage of higher age-related tax relief limits.

Use Additional Voluntary Contributions (AVCs)

- Boost your pension savings in a tax-efficient way.

Review Investment Strategy

- Ensure your fund choices support growth where appropriate.

Consider Retirement Timing

- Delaying retirement slightly can help improve outcomes.

Final Thoughts

When it comes to pensions, time is one of your most valuable assets.

Starting early allows you to:

- Build wealth gradually
- Benefit from compound growth
- Reduce financial pressure later in life

Even small contributions made today can make a significant difference to your future financial security.

If you would like guidance on getting started, please contact your financial adviser.

It takes Aviva

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