

Parents and pensions: How students will benefit from pension changes

[Louise Crowther](#) discusses a drastic move in last week's budget intended to give power back to retirees

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Photo Credit: HM Treasury

Whilst planning a pension is literally a lifetime away for students, the anticipated changes will have a surprising impact on our lives. With parents approaching retirement age, pensions have suddenly become very appealing in the wake of the 2014 Budget.

Currently, the majority of people choose to buy an annuity from a provider, which guarantees a monthly income for the rest of your life. However, the drawback with this is that there is no guarantee that you will live long enough to withdraw the money you initially invested.

For a pension of £100,000 you would only be able to access £5,800 a year, meaning that the majority of people will never access the full worth of their pension. Worse still, any remaining money in your pension is not included as inheritance, but belongs to your annuity provider.

As of April 2015, people will have the option to take lump sums from their pension pots to spend as they wish rather than just having an annual allowance. The flexibility which comes with having access to such money not only offers more options to potential pensioners, but also to the people they currently support.

As students, the majority of our generation is largely reliant on financial aid from parents to cover the areas student finance doesn't. Tuition fees and accommodation come under the scope of the student loan system but living costs often require money from parents or, for the forward-thinking, savings.

Even if careful budgeting can stretch the student loan to cover all costs, without a graduate job many parents face having to provide for returning students. With a lump sum being within easy reach, retired parents will be able to withdraw money at a moment's notice if the need to accommodate graduating children should arise.

And while such graduates are looking for employment in the ever more competitive job climate, parents will be able to offer opportunities to improve their chances. Loans to finance extra training such as law conversion courses, accountancy exams, and even internships can be obtained more easily from parents if students should feel their CVs need bulking up.

Even further into the future, when the time comes for weddings and deposits for houses, parents having access to a lump sum provides an option more preferable to scraping together savings from your own meagre starting salary.

But perhaps the biggest feather in our cap is that the pressure of crushing debt from tuition fees can be more easily relieved. If the circumstances should arise that our finances just can't cope with having to pay back such a large amount, or even simply the odd monthly payment, then parents will be in a much stronger position to offer a helping hand.

The drastic increase in tuition fees put parents and students in a vulnerable financial position, with job prospects seeming bleak without an increasingly expensive university degree, and was among the most unpopular government decisions so far this century. Now it seems that a great deal of freedom and responsibility is being handed back to savers in a 2014 budget policy likely to be popular enough to take effect uncontested.



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