

BE GOOD TO YOUR FUTURE SELF

Lesson plan 1: PENSIONS

SUBJECTS Pensions, financial planning, citizenship
OBJECTIVES Understand the importance of pensions
Identify the different types of pension schemes
Consider associated risks and benefits
AGES 14 to 15 years old
TIMING 1hr

This lesson will help students understand the importance of pensions. Use it alongside the video and PowerPoint slides available from eiopa.europa.eu

Begin the lesson with a class discussion. Ask your students:

- **What is a pension?**
- **What is the retirement age in your country?**
- **What might it be when you retire?**
- **How long will your pension need to last?**

Explain that, as people are living longer, many countries will be increasing the pension age.

WATCH THE VIDEO

After watching the video together, ask your class to sum up what they have seen. Continue the discussion by asking:

- **What will you spend your money on in retirement?**

Encourage students to suggest what they might need to pay for without help from parents or carers. What are essentials and what are luxuries?

- **How old should you be to start saving for your pension?**

Explain to the class the importance of starting a pension early in their life.

EXERCISE

The sooner you start your pension, the more it grows. Share the example of two young people starting their pensions 10 years apart.

Both Pilar and Jan have decided they will need to earn €20,000 a year from their pension so they can live comfortably in retirement.



Will you be more like Pilar, or Jan?

Pilar starts saving at 25, which means she will have to save around €250 a month from her wages.

Jan decides to wait another 10 years.

By starting his pension at 35 he now needs to save around €400 a month from his wages to get the same income in retirement.

So it might be a long way away and it might not be for you but the earlier you start the easier it will be to save for a comfortable retirement.

WHAT PENSION SHOULD I GET?

There are lots of ways to save and make sure you'll have the money you need to live on in your old age. How will you know which is best for you?

Discuss the different types of pensions with your class (State pensions; Workplace pensions; Personal pensions).

Compile a glossary of terms specific to the pensions industry (see our samples overleaf).

HOW CAN I BE SURE MY PENSION MONEY IS SAFE?

You will have to work hard to build up your pension, so it's important to make sure your money is there when you really need it.

- **Discuss the importance of getting advice from someone you trust.**
- **Talk about who regulates the pension industry in your country and what they do.**

HOMework

Challenge your students to find out what the average state pension is in your country today. Ask them if it's enough for all their needs and wants.

Get them to draft a budget to work out if they can afford all the essentials and any luxuries from the list drawn up in class.

FURTHER READING

- **EIOPA's interactive map of helpful pension sources across the EU**
https://www.eiopa.europa.eu/content/financial-education-map_en
- **OECD: Current retirement ages, by country**
<https://www.oecd-ilibrary.org/sites/304a7302-en/index.html?itemId=/content/component/304a7302-en>
- **EIOPA's 2021 Pensions Adequacy Report (see figure 26 for increases to pension age)**
<https://op.europa.eu/en/publication-detail/-/publication/4ee6c-add-cd83-11eb-ac72-01aa75ed71a1/language-en>
- **Global Money Week main site**
<https://www.globalmoneyweek.org>

GLOSSARY

State pension	A standard pension, provided by the government to cover most people's basic needs.
Workplace pension	Funded by regular contributions taken directly from your pay packet. Your employer may make additional payments.
Personal pension	A scheme you set up yourself. You decide how much you save and how often. You can have this alongside a workplace pension.
Annuity	A regular, guaranteed income in retirement.
Beneficiary	Someone receiving benefits from a pension, that could be you, your partner or your children.
Contributions	Money paid into your pension before retirement.
Deferred pension	When you delay taking your pension until later in life. The longer you wait, the higher your potential income.
Liability	Reserve funds a pension company puts aside to make sure it can fulfil all future payment promises to its policyholders.
Retirement age	The age at which people usually stop working, and are eligible for their pension. Governments can increase this over time.
Salary	Regular payments from your employer for work you've done.
Transfer value	The value of your pension savings on a given day, if you ask to transfer them to another scheme, or take some out as cash.