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A pension is the only place where you can buy £50 notes for £20

SNOWBALL EFFECT: Because your money gains compound interest, gaining interest on last year's interest, it will turn your pension pound into much more by the time you're in your 60s

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A NEW report shows that, if you want to step up your efforts towards having a comfortable retirement, a chat with a financial adviser is the only way to go.

It does this by showing the opposite: that people who don't get help in understanding how pensions work are not motivated to save.

If you are at the start of your career, retirement can seem a long way off, but the fact is, you are now in the early years, where every pound saved into your pension still has 40 years or more to grow.

The old saying really is true: it's the first pound you save into your pension that works hardest for you.

Why? Because your money gains compound interest, that 'snowball effect' of gaining interest on last year's interest that will turn your pound into much, much more by the time you come to your 60s.

The powerful growth of your money in a pension, over four or five decades, was summed up by the former pensions minister Ros Altmann when she said 'a pension is the only place where you can buy £50 notes for £20'.

Then, of course, there is the massive but little-understood concept of tax relief. Did you know that, as a basic rate taxpayer, (i.e. earning less than £37,700) you get 20 per cent tax relief on any money you save into your pension?

This means that, for every £80 you save into your pension, the government tops it up to £100. It's a great deal!

And if, some day, you have progressed up the career ladder and are earning more than £37,700, your tax relief on your pension savings goes up to 40 per cent.

What a pity, then, that so many people never become 'pension fans', for the very reason that they don't understand all of the above - they have little or no understanding of tax relief.

New research by the pensions company Royal London has found that, of 2,000 UK adults surveyed, over a quarter (27 per cent) said they had never even heard of tax relief.

A further 31 per cent said they had 'some' understanding of it.

Just 15 per cent of people said they had a full understanding.

There is also a gender issue here. We have spoken many times in this column of the many disadvantages faced by women in saving, and getting credit, and achieving a good income.

Well, Royal London did a gender breakdown as part of this research, and lack of knowledge of pension saving must now, unfortunately, be added to this list.

The report found that a third of women said they had no knowledge of tax relief, compared to one in five men.

Most people (60 per cent) also said they didn't know they could contribute to the pensions of their spouse or their child (in a Children's Stakeholder Pension).

The conclusion of the report was that knowledge of the workings of tax relief, and long-term growth in a pension is a powerful incentive for people to save.

A third of people told Royal London that, once they had learned the basics of pension saving, they looked on it much more positively, with a quarter saying they were likely to actually increase their pensions contributions as a result.

It would seem that knowledge really is power, at least where saving is concerned.

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