Pension Awareness

A guide to your pension

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The information provided is accurate as of September 2025 and subject to change.

Contents:

What is a Pension?

A pension is a **long-term savings plan** with tax advantages, designed to provide income in retirement. This may be used when you decide to work less (semi-retire) or stop working entirely (retire).

So, it is a retirement fund **built up over the course of a working life.**

A person typically makes **regular contributions** and typically the money is **invested**, with the aim to grow the savings over time.

In contrast to many other types of long-term saving, pensions come with the added benefit of **tax relief,** which acts as an incentive for people to lock away their money until they retire.

Types of pensions:

- **State pension:**
  Based on National Insurance (NI) record
- **Workplace Pension:**
  Auto-enrolment means most workers **are now signed up for a pension by employers**
- **Private Pension:**
  (Personal Pension/SIPP): Set up independently for additional savings flexibility.

State pension

The state pension is a regular payment you get from the government when you reach the state pension age. This is currently 66 years for men and women and is gradually rising as we all live longer.

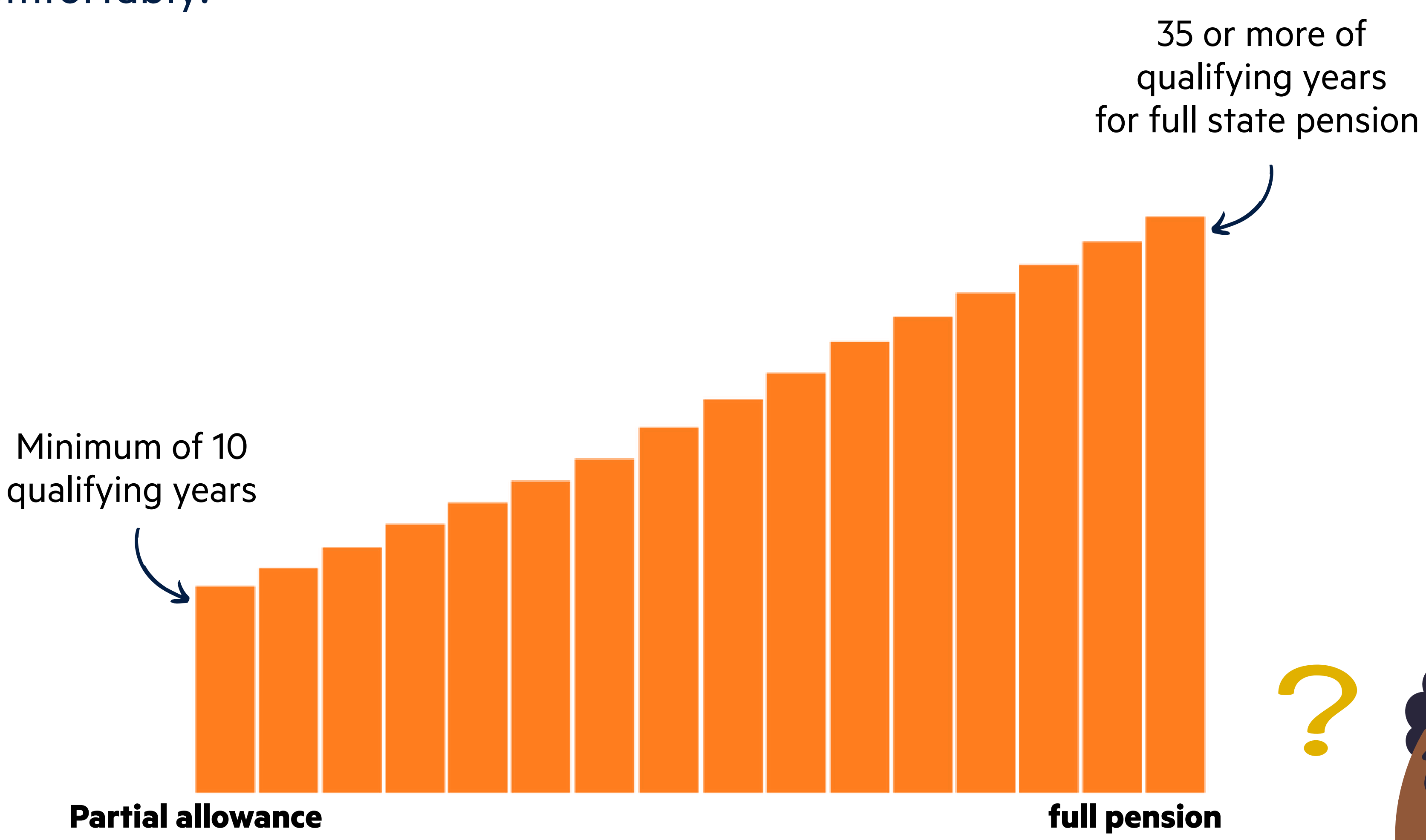
To receive any of the state pension from the government, at least 10 qualifying years of National Insurance Contributions or credits are needed. **To receive the full pension,** 35 years of qualifying contributions are needed.

National Insurance Contributions can be made through employment. If you are receiving benefits because you are unemployed, or are unwell or are a carer, National Insurance credits can be added to your record.

Will my state pension be enough?

Your state pension is unlikely to be enough

- Relying solely on the **State Pension** (currently up to £221/week from age 66) will not be enough to live comfortably.



Workplace pension: Defined benefit pensions

There are two types of workplace pension.

This scheme pays an income after retirement which is usually based on a percentage of an employee's earnings and length of service, either in their last year of work or an average of their earnings while in their role.

When a person retires they can normally take up to 25% of the value of their pension pot as a tax-free cash lump sum. The rest they receive as a regular pension income, on which they might pay tax.

These types of schemes, also known as final salary or career average, are rare in the private sector but more common in the public sector.

The size of a your pension pot when youretire will depend on:

- How long you save for
- How much you pay into your pension pot
- How much you are paying in fees and charges
- How much your employer pays in
- How well your pension investments have performed

If you have paid into a defined contributions workplace or personal pension, you can access the money at age 55, increasing to 57 from April 2028.

Workplace pension: Defined contribution pensions

There are two types of workplace pension.

An employee saves some of their wages into a workplace pension scheme and their employer makes a contribution. These contributions must be a combined minimum of 8% of **qualifying earnings.**

Qualifying earnings is a band of earnings you can use to calculate contributions and is used by most employers. The figures are reviewed annually by the government, for the 2025/26 tax year it is £6,240-£50,270 a year.

This money paid into your pension is typically invested in stocks and shares, along with other investments, such as bonds or property for example, with the aim of growing the pension pot over the years before you retire.

Your employer will choose a pension scheme for you to pay in, which is known as the 'default fund'.

You can also choose from a range of funds to invest in, if they are more suitable for you. But it is important to remember that the value of investments might go up or down. Therefore the amount you will receive in your pension pot is not guaranteed.

Auto-enrolment

Auto-enrolment automatically signs employees up for a workplace pension. Introduced by the Pensions Act 2008, it requires UK employers to enroll eligible staff and contribute to their pension.

The initiative, aims to prevent people not having enough retirement savings. By law, all companies have to comply with the rules and employees can opt out. If you have concerns about your workplace pension scheme, contact the pensions regulator.

In most schemes, the employer and employee both make contributions to the scheme. The minimum contributions are shown below:

Contributor	Contribution
Employee minimum	5%
Employer minimum	3%
Total Minimum	8%

Not auto-enrolled? Don't miss out!

You can still opt in and get employer contributions

Self-employed? Open a SIPP or personal pension

- The **minimum contribution (8%) from a workplace pension** may fall short of providing a comfortable retirement.
- Increasing your personal contributions or your employer match can make a big difference.

Start early, compound more

The earlier you start, the more you benefit from **compound growth.** Missing early years can significantly reduce your retirement income. You can check your own state pension forecast- https://www.gov.uk/check-state-pension

Compound growth is achieving growth on growth. Every year, your pension pot has the potential to grow not just from your contributions, but from the growth achieved on previous growth. The longer you leave your money invested, the bigger the compounding effect becomes.

If an employee aged 25 earning £25,000 paid in the minimum 8% threshold, they would be making contributions of £2,000 a year to their pension, made up of equal monthly payments.

If this received investment growth after charges of 5%, then after 30 years, the pension pot could be worth more than £136,000. But the actual contributions made were only £60,000 (of which the employee only paid £22,500 and the rest was made by tax relief and the employer) - the rest was investment growth.

Taking more investment risk can deliver higher amounts of growth.

If the investments in the pension grew at 7% a year after charges, then the pension pot could be worth £196,000 after 30 years for the same £60,000 of actual contributions.

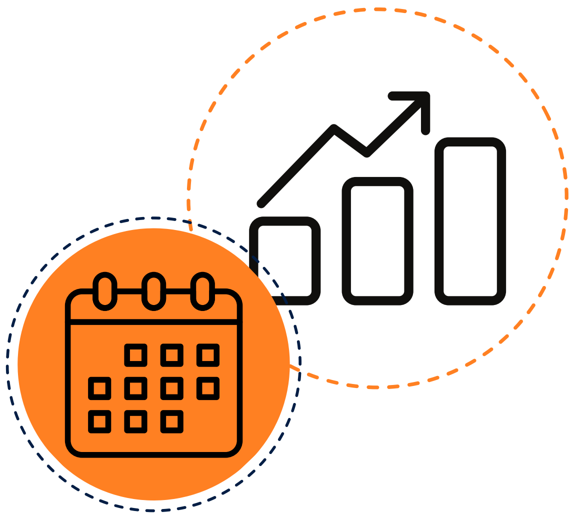
Private/personal pension and SIPPs

Alongside a workplace and state pension, are private plans which individuals can set up to make additional savings for their retirement.

These private plans are most popular with the **self-employed** as they are not covered by automatic enrolment rules.

These pension schemes vary hugely and a person must research the different companies that offer these and ensure they look closely into the terms and conditions of the schemes. You can control how much and how often you pay into these personal/private pension schemes and where this money is invested to grow it further.
Employers are not required to make contributions into these types of plans.

These schemes are subject to the same annual limits on contributions that apply to workplace pensions - currently £60,000 for most people.



You can claim your workplace or personal pension at age 55, increasing to 57 in 2028.

Why pensions are so important when you're self-employed

If you're self-employed, it's up to you to set up and pay into your own pension. Many people find this challenging because income can be irregular, or other financial priorities get in the way. In fact, research shows that the vast majority of **self-employed people don't yet have a pension,** and many others have stopped paying in.

The good news is that there are options designed for self-employed workers, plus government tax incentives that can make retirement saving more worthwhile.

You don't have to do it alone, a financial adviser or pension provider can help you make the right choice.

Pension options for the self-employed

Being self-employed means you have the freedom to choose the pension that works best for you. Here are some of the main options:

- **Personal or Private Pension**
  A flexible retirement plan where you pay in what you can, and your provider invests it for you.

- **Self-Invested Personal Pension (SIPP):**
  Similar to a personal pension, but gives you more control over how your money is invested.

- **Nest Pension:**
  A scheme set up by the government. Originally designed for employees, but self-employed people can join too.

Each option comes with different levels of flexibility, costs, and investment choices. You'll also benefit from **tax relief** (the government adds 25p for every £1 you contribute).

Alternatives to Pensions

Some self-employed people plan to keep working for longer or use other ways to fund retirement. While pensions are usually the most tax-efficient way to save, you may also consider:

- **ISAs (Individual Savings Accounts)**
  Four types are available: Cash, Stocks & Shares, Innovative Finance, and Lifetime ISA.
    - Stocks & Shares ISAs and Lifetime ISAs are often better for long-term saving.
    - Lifetime ISAs are only available if you're under 40.

- **Other investments**
  Property, business assets, or personal investments can also support you in later life.

Each option comes with risks and benefits. Professional advice can help you avoid costly mistakes.

If you're not ready to start saving yet

Don't worry, you're not alone. Many self-employed people find it difficult to put money aside. While you plan your next steps, focus on:

- **Building your income and client base**
- **Managing personal debt**
- **Cutting unnecessary expenses**
- **Getting advice from an accountant or financial adviser**

Even small, regular contributions can add up over time - and the earlier you start, the more options you'll have for a comfortable retirement.

Next step: Explore pension providers, speak to an adviser, or look into ISAs and other savings options. The important thing is to make a plan that works for you now, and for your future.

How tax relief on pensions works

1

You get tax back on contributions
When you contribute to a pension, some of the money that would've gone to HMRC instead goes into your pension pot.

- **Basic-rate taxpayers (20%)**
  For every £80 you pay in, the government adds £20 — so £100 goes into your pension.
- **Higher-rate taxpayers (40%)**
  You get the same £20 boost from HMRC plus you can claim an extra £20 via your tax return - turning your £60 net contribution into £100.
- **Additional-rate taxpayers (45%)**
  Can claim even more back via self-assessment.

Important: Don't leave free money on the table!

This is known as **'tax relief at source'** and is usually handled automatically in workplace pensions.

Higher and additional rate taxpayers will need to claim back their tax relief through a self assessment process as it is not paid automatically.

As a higher-rate taxpayer, how do I claim the extra £20 - how do I complete a tax return?
You will need to register for Self Assessment and file the tax return online by the deadline.

To fill in the return, you will need to keep records (for example, of your earnings, your pension contributions, bank statements and receipts. You can do this yourself (using help from the HMRC online guidance and digital assistant) or appoint someone, for example an accountant, to do it for you.

2

Contributions may be exempt from National Insurance (employer schemes)

Some workplace schemes (e.g. via **salary sacrifice**) allow you and your employer to pay pension contributions **before tax and National Insurance.**

Salary sacrifice pension payments are counted as **employer contributions** rather than employee contributions.

Salary sacrifice can move you into a lower income tax bracket (in some cases increasing your take-home pay slightly). But it can also allow you to keep more of or all of your child benefit if you're affected by the high-income child benefit charge. It's particularly useful for those who have reached a salary of £100,000, the cliff-edge when you're not eligible for tax free childcare or funded hours.

3

Growth is tax-free

Any **investment growth** or interest your pension pot earns is **not taxed** while it's growing - unlike a regular savings account.

4

25% of your pension is tax-free when you retire

When you start drawing from your pension (usually from age 55–57+), 25% of your pot can be taken tax-free, provided the total is less than £268,275. The remaining 75% is taxed as income - but potentially at a **lower rate** than when you were working.

The pension gap

Women

- Often have smaller pensions due to **career breaks, part-time work,** or **pay gaps.**
- Encourage tracking NI contributions and making voluntary contributions if eligible.

Self-employed

- Not included in auto-enrolment and only **around 16%** are saving into a pension.

Younger Adults (18–30)

- May prioritise immediate needs (housing, debt) over long-term savings, but miss out on tax relief and crucial compounding time

Low-income workers

- If earning under **£10,000**, they may not be auto-enrolled - though they can **opt-in** and receive employer contributions.

What if I have gaps?

If you have **gaps in your pension** (periods where you weren't contributing or earning entitlement), there are several ways to fill those gaps or reduce the impact. Here's a breakdown depending on the type of pension:

For the UK State Pension

Start by checking your National Insurance record

You need at least **10 qualifying years** to get any of the State Pension, and **35 years** for the full amount.

Use this tool:

Check your NI record

What you can do

1 **Buy voluntary national insurance contributions**

- You can usually fill in gaps for the **past 6 years.**
- It costs around **£17.45/week (2024–25 rates).**
- This can boost your weekly State Pension permanently.

2 **Claim NI credits**

You may be eligible if you:

- Were **unemployed** and claiming benefits
- Were a **carer or on maternity/paternity leave**
- Were receiving **Universal Credit or Jobseeker's Allowance**

These credits can be back dated or count towards your qualifying years.

3 **Keep working or delay retirement**

Delaying your State Pension can increase the amount you get when you eventually claim it.

For workplace or personal pensions:

Check your National Insurance record

Gaps here mean less money is being saved and invested over time.

What you can do

1 **Restart contributions ASAP**
Even small amounts will grow over time, thanks to compounding and employer contributions.

2 **Make one-off top-ups**
Some providers let you add lump sums up to annual allowance limits to catch up on missed years. Current standard annual allowance is £60,000.

3 **Increase future contributions**
You can raise your regular payments to make up for lost time. For example, increasing your contributions by even a small percentage can make a big difference.

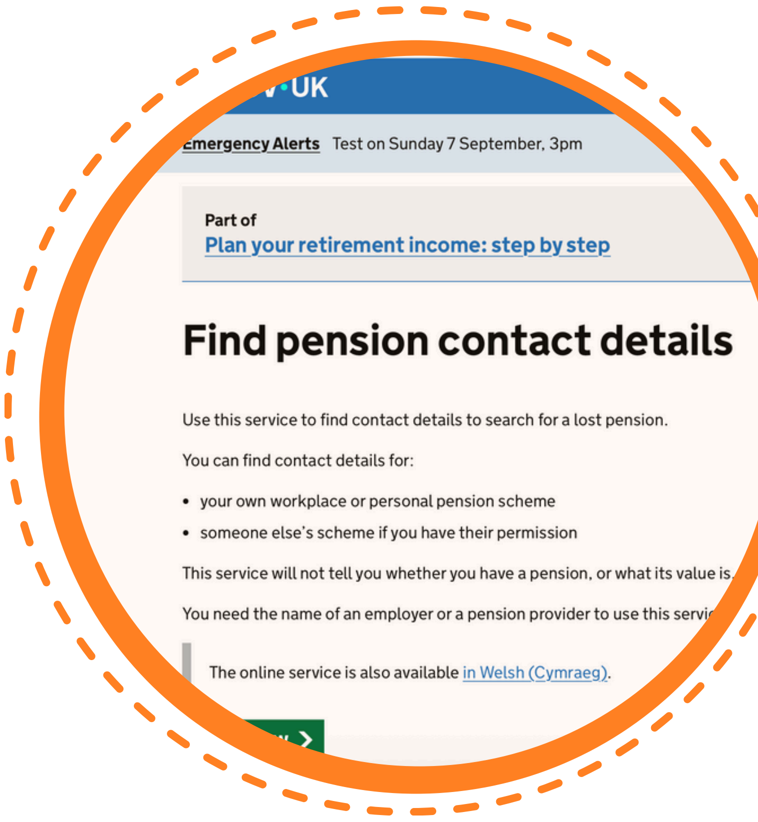
4 **Work longer or delay access**
Leaving your pension invested for a few more years can make a big difference in how much you have later.

Check and track your pension

1 Use the government pension tracing service (Free)

Go to: www.gov.uk/find-pension-contact-details

- It helps you find the contact details of:
  - Workplace pensions
  - Personal pensions
  - Pension schemes from old employers



You'll need:

- Employer or pension provider name
- Rough dates you worked there
- Any old paperwork if available
  - Pension policy numbers
  - Old employment contracts
  - Payslips showing pension deductions
  - Annual pension statements

2 Gather your personal information

Have these ready to help with the search:

- National Insurance number
- Full name (and any previous names)
- Date of birth
- Current and previous addresses

3 Contact old employers or pension providers directly

If you know who ran the pension, get in touch and ask for:

- A statement or value of the pension pot
- How to update your details or access it when you retire

4 Check your paper trail

- Look through:
  - Old emails or HR documents
  - Pension statements
  - P60s or payslips showing pension deductions

Lost or forgotten pension pots

Pensions can be 'lost' when people lose track of them over time. This usually doesn't mean the money is gone - it just means the person doesn't know where it is or how to access it. Here are the main ways pensions get lost:

1 **Changing jobs frequently**
Many people build up multiple pensions from different employers throughout their careers. If they don't keep track of each one, they might forget about a pension scheme altogether.

2 **Moving house without updating contact details**
If you change your address and don't inform your pension providers, they might not be able to contact you with updates or statements. Over time, this can lead to losing track of the pension.

3 **Name changes**
If someone changes their name (e.g. after marriage or divorce) but doesn't update their pension records, it can make it harder to trace their pensions later.

4 **Poor record-keeping**
Not keeping personal records of pension schemes, policy numbers, or employer contact details can make it difficult to track them down later.

5 **Employer or pension provider changes**
If a company goes out of business, merges, or changes pension providers, the administration of a pension might be transferred. People often don't know how to track the new provider.

6 **Not realising you had a pension**
Some people may not even realise they were enrolled in a workplace pension—especially if it was a short-term job or before automatic enrolment became widespread.

Find my pension

In the UK, you can use the **free government Pension Tracing Service:**

Use this checklist to help you trace lost pensions and stay on top of your retirement savings

Step 1: Gather your information

Collect the details you'll need to search or contact providers:

- Full name (including any previous names)
- Date of birth
- National Insurance number
- Current and past home addresses
- Previous employers' names
- Rough dates you worked there
- Any old pension statements or payslips

Step 2: Use the pension tracing service

Go to www.gov.uk/find-pension-contact-details

- Enter your previous employer or provider name
- Note down the contact details provided
- Reach out to request information about your pension

Step 3: Contact pension providers

Once you know who to contact:

- Ask for your pension pot value or statement
- Update your contact details (especially if you've moved)
- Ask about options for combining or accessing pensions

Step 4: Keep everything in one place

Start a dedicated pension folder (digital or paper):

- Save copies of statements
- Track each provider's contact info
- Record logins or policy numbers

You have to claim a pension—otherwise, it can go unclaimed, which is one of the main ways pensions are 'lost'. Here's how it works:

Why you have to claim a pension

Most pension providers **do not automatically start paying you** when you reach retirement age. You need to:

- **Contact the provider**
- **Confirm your identity**
- **Submit a claim** (usually via a form or online process)

If you don't do this, the money stays in the pension pot and doesn't get paid out—even though it's still legally yours.

What happens if you don't claim?

- The pension **remains invested** or held by the provider.
- You **won't receive any payments,** even if you're entitled.
- You might **miss out on money,** especially if you're relying on that income in retirement.
- If it's a **defined benefit** pension (like many public sector or military pensions), the provider may eventually try to contact you—but not always successfully, especially if your details have changed.

Types of pensions and claiming

Pension Type	Do You Need to Claim It?	What you need to do
State Pension (UK)	Yes	You need to claim it around 4 months before you hit State Pension age. It doesn't start automatically.
Workplace Pension	Yes	You must contact the provider or your old employer. Some may send you info, but it's your responsibility to act.
Personal Pension	Yes	You'll need to choose how to take the money (e.g. lump sum, drawdown, annuity).

Can I take a lump sum at retirement?

TIP
Start preparing to claim pensions at least **6 months before** you want to retire, especially if you've had multiple jobs.

Most workplace pension schemes allow you to access your pension between the ages of 55-60 with the exact date depending on the type of scheme.

Personal pensions can be accessed earlier, from the **'Normal Minimum Pension Age'**:

- This is currently **55,** but will rise to **57 in April 2028**
- At this point, you can usually take up to **25%** of the amount built up in any pension as a tax free lump sum, the most you can take currently is capped at **£268,275.** Taking any more at this point will be taxed at your marginal tax rate
- Many people decide to take some or all of the 25% before using a drawdown or annuity

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