

3 reasons to increase your pension contributions

Pension saving is firmly in the limelight now that auto enrolment is in full swing. However there is still concern that, as a nation, we are not saving enough for our retirement and even with statutory minimum contributions, we're not avoiding potential problems in the future.

Basically the message is - we must accept responsibility for funding our own retirement - and we have listed below 3 reasons why it is advisable to increase your contribution levels.



Helen Jeffrey
Chartered Financial Planner

1. The Statutory Minimum Contributions are Too Low

The statutory minimum contributions are currently at 2% rising to 8% by 2019 (employee plus employer contributions). A 25 year old starting a pension plan today, earning a salary of £25,000 and saving the full 8% per month, would receive a monthly pension of approximately £237 (at today's prices) at age 65. This is unlikely to be enough to provide you with a comfortable retirement.

2. The State Pension is Not Enough

Although the State Pension has undergone some recent changes providing a flat benefit for all (depending on number of years National Insurance contributions have been paid) this is unlikely to be enough to give you a comfortable retirement. Therefore saving what you can, in addition to the statutory minimum, will help to increase the income you could receive during retirement.

3. Tax Benefits

The taxman provides valuable tax benefits on your contributions, so if you are a basic rate tax payer you will get 20% tax relief on your personal contributions (i.e. £20 for every £80 that you contribute). If you are a higher rate tax payer you can get additional tax relief (please ask us for further information).

How to Afford a Pension Top Up

It's not always easy to find spare cash on a regular basis but if you are about to pay off a loan or end a regular subscription, you could start paying the monthly amount into your pension instead. Alternatively, each time you receive a salary increase, try diverting a percentage of the additional funds into your pension before you get used to having the extra cash.

Get in touch

If you have any concerns about your own pension arrangements or would just like some advice or assistance, please get in touch:

Call us on: 01789 263257

or email: justask@jjfsltd.com