2% could make a big difference to your future

What do the changes to workplace pension contribution rates mean?

Saving into a workplace pension is a simple and easy way to help boost your future finances. The more you're able to contribute, the greater your longer term savings.

In 2012, the government introduced automatic enrolment to help employees, like you, live the life they want when they retire. There are minimum contributions required which have been rising since April 2018, and in April 2019 the minimum amount contributed by employees, as a portion of their earnings, and from their employers, changes from a total combined contribution of 5% to 8%. Employees may also get tax relief* from the government on their contributions.

	Employee contribution	Employer contribution	Total minimum contribution
Minimum contribution before 6 April 2019	3%	2%	5%
Minimum contribution from 6 April 2019	5%	3%	8%

These figures may vary for some depending on the contribution set the employer is using. Please refer to your specific scheme contribution rates. The government minimum contributions shown may not be enough to reach your personal retirement needs, therefore you may want to contribute more.

Employers will contribute a minimum of 3% and employees will contribute up to 5% from a portion of their earnings, meaning that 8% will be paid into the employees' future savings. If you are already receiving a combined contribution of 8% or more into a workplace pension, the contributions won't change.

As your contributions increase, so do your future savings because the biggest advantage anyone can give their investments is time. See how a 2% increase could have a big impact on future savings in the examples on the next page.

* The law requires that, as a minimum, employee contributions will be based on earnings between £6,032 and £46,350. To find out what proportion of your salary your pension contributions are calculated on, check the information provided when you were enrolled. Contributions made by employees are generally eligible for tax relief at the individuals marginal rate of income tax. However, where an individual's earnings are less than £12,500 from April 2019 this may not be the case. Individuals should speak to their employer for more information if they think this affects them.

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An increase of 2% could make a big difference to your future, as these examples show.

Tom is **25**
Earns **£19,000**
Enjoys **Holidays**

£8 extra a week **£97,959***

Increasing his pension contributions by 2% would cost less than **£8 a week** and could provide Tom with an additional **£97,959** to spend on holidays.

Sarah is **35**
Earns **£27,000**
Enjoys **Sailing**

£11 extra a week **£70,075***

Increasing her pension contributions by 2% would cost less than **£11 a week** and could provide Sarah with an additional **£70,075** to spend on sailing.

RETIREMENT

Andrew is **45**
Earns **£35,000**
Enjoys **Family time**

£14 extra a week **£41,563***

Increasing his pension contributions by 2% would cost less than **£14 a week** and could provide Andrew with an additional **£41,563** to spend on his family.

*These figures are based on a regular 2% increase in contributions from the ages stated in the examples to age 68. The number of years of savings equals 68 years minus the age used in our examples.

We assume a nominal investment growth rate of 5%. Please note, we assume the examples will receive annual salary increases of 3.75% (2% inflation plus 1.75% of real salary growth). All accumulated retirement savings amounts are shown in future (nominal) pounds.

Your own retirement savings may earn more or less than this example and income taxes will be due when you withdraw from your account. Investing in this manner does not ensure a profit or guarantee against a loss in declining markets.

What happens next?

The changes to workplace pension contribution rates happen automatically and if the minimum combined contribution into a workplace pension is already 8%, or more, the contributions won't change at all. Employees can choose to save more than the minimum if they wish and the earlier they begin saving, the more time their savings have to grow.

The value of investments and the income from them can go down as well as up, so you may not get back what you invest. This information does not constitute investment advice and should not be used as the basis for any investment decision nor should it be treated as a recommendation for any investment. You should regularly review your investment objectives and choices.

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