

## YOU MAY BE TEMPTED TO OPT OUT!!



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### AUTO ENROLMENT CONTRIBUTION LEVELS INCREASE

You may have heard that from April 6<sup>th</sup> this year, the amount you pay into your pension has increased. Many of you may be tempted to 'opt out' but **DON'T DO ANYTHING WITHOUT ADVICE!**

The reason 'auto enrolment' was introduced was to help everybody save for their retirement as the State Pension Age keeps increasing and is not enough to live on in retirement. If you earn above £6,136 and are aged between 22 and State Pension Age, you will be 'automatically' enrolled into your workplace pension. If you are not automatically enrolled, you could still 'OPT IN' where the employer still HAS to contribute. This includes all of you who are aged 16-21 or past the state pension age but below age 75 and those earning over £6,136 and £10,000.

From 6<sup>th</sup> April 2019, the employer has to contribute 3% of your 'qualifying earnings,' or on your whole salary if your employer is being more generous. You will have to contribute 5% from your gross salary but if you think about it, it is only costing you 4% as you would normally be taxed on that amount (see example below).

**My advice is don't PASS or OPT out of the pension without advice** – you are being offered **free money** by your employer on top of your salary in return for a small contribution by yourself.

Your State Pension will not start until age 68 + (which could increase in the future as we are living longer). If you want to retire at 60, saving into a pension will help you fund those in-between years and allow you to: travel, 'buy that car', take up a hobby or just enjoy your life whilst you are fit and healthy! The state pension is currently £168.60 per week, could you live on that?

**Another, and probably the main, added bonus is the government adds 20p for every 80p you contribute.**

Let's look at a real-life example:

*Samuel is aged 35 and earning £24,000.*

*If Samuel's employer is contributing the minimums to comply with regulations, they will need to contribute 3% of earnings between £6,136 and £24,000 each month.*

***Employer Annual contribution = 3% x £17,864 = £535.92***

***Samuel will contribute 5% of x £17,864 = £893.20\****

***Therefore a £893.20 contribution (£74.43 per month) is actually giving Samuel a TOTAL monthly contribution of £119.09.***

\*If you didn't pay into the pension, you would be taxed and National Insurance contributions would also be deducted therefore MORE SAVINGS for you!

**So again... My advice is don't PASS or OPT out of the pension without taking advice!**

**THE VALUE OF PENSIONS AND INVESTMENTS CAN FALL AS WELL AS RISE. YOU MAY GET BACK LESS THAN YOU INVESTED**