

Pensions

Why investing in a pension is a vital ingredient for a happy retirement

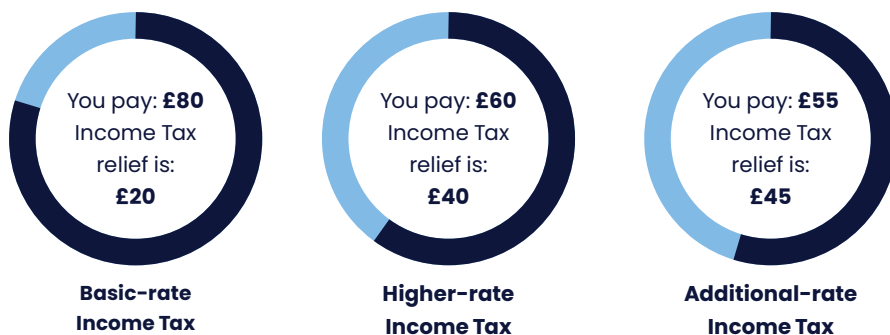
Because of the Income Tax relief you get on the money you pay into your pot, a pension – used as part of a balanced investment portfolio – is one of the best ways to save for your retirement. This tax year, subject to certain allowances, you can contribute up to £60,000 or 100% of your earnings, whichever is lower, and receive tax relief.

Bear in mind that the freezing of the Income Tax personal allowance and tax bands – and the reduction of the additional-rate Income Tax threshold to £125,140 – means you could end up paying more tax. Maximising your pension contributions is one way to reduce the effects of this.



How tax relief on pension contributions works

When you pay into your pension pot (up to £60,000 per year, or 100% of earnings, if less), you will receive tax relief on the contributions. So, to make a total contribution of, for example, £100:



You will need to claim any tax relief over the basic rate via your annual tax return.

Pay what you can into a pension now

It's worth topping up your pension as much as you can before the end of this tax year on 5 April. That's because, over the long term, this money can benefit from compounding and could add a significant amount to your retirement fund. Therefore, the earlier in life you start contributing to a pension, the better.

Let's say you're planning to retire when you're 67 and you make a contribution towards your pension of £200 a month.

If you start saving at age	Your estimated pension fund at retirement might be
20	£349,000
30	£215,000
40	£123,000

This calculation is based on monthly contributions invested each month, increasing by 2.5% a year, with growth after charges of 2.4% a year. These figures are examples only and are not guaranteed. All monetary values shown have not been adjusted for future inflation. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.






But whatever age you are, it's never too late to start saving for your retirement.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

How much do you need for a comfortable retirement?

Here's an idea of what various levels of income in retirement will cover for a single person:

Minimum	Moderate	Comfortable
Income required £12,800 per year	Income required £23,300 per year	Income required £37,300 per year
What could I do?	What could I do?	What could I do?
 DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10-15 years
 £54 a week on food (including food away from the home)	£74 a week on food (including food away from the home)	£144 a week on food (including food away from the home)
 No car	Three-year-old car replaced every 10 years	Two-year-old car replaced every five years
 A week and a long weekend in the UK every year	Two weeks in Europe and a long weekend in the UK every year	Three weeks in Europe every year
 Up to £580 for clothing and footwear each year	Up to £791 for clothing and footwear each year	Up to £1,500 for clothing and footwear each year

Source The Pensions and Lifetime Savings Association/Loughborough University, 'Retirement Living Standards', 2022. All figures are for illustration only and based on people living outside London

Your pension allowances for 2023/24

You can personally get Income Tax relief on **100% of your earnings, or £3,600 if lower**, but the total amount that can be paid into your pension, including from your employer is limited to an annual allowance of **£60,000**.

You can 'carry forward' your annual allowance if you haven't used it all in previous years. You use this year's one first, then you can go back up to three tax years (ie 2020/21) and use the unused allowance, then the next, and the next. The total amount you pay personally would still be limited to 100% of your earnings or £3,600.

From age 55 (set to rise to 57 in 2028), you can take out up to 25% of your pension pot tax free. The rest is charged at your usual Income Tax rate.

Your deadline to make the most of your annual pension allowances is 5 April, the end of the current tax year – so get in touch today for a no-obligation consultation.

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