



**10 MINUTES TO
UNDERSTAND
THE INCREASE**
TO MINIMUM PENSION CONTRIBUTIONS

LIFE FEELS BETTER WHEN YOU HAVE A PLAN

SCOTTISH WIDOWS

MINIMUM PENSION CONTRIBUTIONS ARE INCREASING



The Government is increasing the minimum pension contributions that must be paid in to your workplace pension scheme from April 2018 and then again from April 2019.

WHAT'S CHANGING?

	To April 2018	6 th April 2018 to 5 th April 2019	From April 2019
Joint minimum contribution from you and your employer	2%	5%	8%

These contribution rates will apply to most workplace pension schemes. They will apply to qualifying earnings, which for the 2017/18 tax year are earnings between £5,876 and £45,000. However please speak to your employer for the contribution rates that will apply to you.

REMEMBER YOUR EMPLOYER AND THE TAXMAN HELP

The minimum contribution is split between you and your employer. Your contribution can be topped up by the taxman.

	Your employer pays	You pay	Taxman pays*
From April 2018	2%	2.4%	0.6%
From April 2019	3%	4%	1%

*The taxman's contribution is in the form of basic rate tax relief, currently at 20%.

So, from April 2019 you could be paying **only half of the overall contribution** with the other half coming from your employer and the taxman.

CONSIDER THE POTENTIAL ADDITION TO YOUR POT FROM THE INCREASE

Detailed below are examples of the potential increases in an individual's pension pot size at age 65, as a result of the change to minimum payments:

25 year old	35 year old	45 year old
£76,600	£49,700	£28,300

We have assumed:

- the individual earns £26,000 each year, and earnings will increase each year in line with Average Weekly Earnings Index (AWEI)
- total contributions are currently paid at the minimum rate of 2% and increased to 5% from April 2018 and 8% from April 2019
- investments grow at a net rate of 2.5% each year (after inflation)*
- price inflation of 2.5% each year
- taking benefits at 65
- plan charges of 0.75% each year.

The figures are for illustration purposes only and are not guaranteed. Remember, the values of investments can go down as well as up.

* Price inflation reduces the worth of savings and investments over time. The figures above are shown in real terms, meaning they take account of the effects of price inflation.

Tax rules may change.