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Deciding if a workplace pension is right for you

Your situation will influence how a pension from your employer can benefit you or if you need to opt out. Find out how already having a pension, being in debt and your age may affect your decision to stay in or opt out of a workplace pension**.**

How saving into a workplace pension affects you

Find out what saving into a workplace pension means for your financial situation.

Already have a personal pension

If you already have a personal pension, you need to think about what you can afford and what your personal and employer's pensions are offering. The Pensions Advisory Service might be able to help you. The Pensions Advisory Service is an independent, non-profit making organisation which provides independent, free advice about pensions.

- Pensions Advisory Service

Debt

For many people, paying into a workplace pension is a good idea, even if you have other financial commitments, such as a mortgage or loan. This is because you could benefit from contributions from your employer and tax relief from the government. Over time, this money adds up and can grow. You should make sure first that you can afford to meet your other commitments.

If you're behind on your mortgage, rent, credit card or other debt payments, a pension might not be the right step at the moment. It's something you should come back to at a later date, once your debt is more under control.

If you're struggling with debt and would like advice on managing your money, you may find the Money Advice Service a good starting point.

- Money Advice Service

Think you're too young

It may seem early to start planning for later life but remember you could have twenty years' retirement and you will need an income. A workplace pension is one way to provide an income. As well as your payments, you could benefit from contributions from your employer and the government. Usually, the younger you are when you start paying into a pension the better. The money has more time to grow.

Even if it's only a small amount, the money you put away early in life can build up over time.

Think you're too old

Unless your retirement is just a few months away, there's still time to build up some money for your later years. Staying in a workplace pension is worth considering.

Unlike other ways of saving, being in a workplace pension means you aren't the only one putting money into your pension. If you earn more than £5,824 a year, your employer has to contribute too.

You will get a contribution from the government as tax relief. This means some of your money that would have gone to the government as income tax, goes into your pension instead.

You can usually take some of your workplace pension as a tax-free lump sum when you retire.

If the amount of money you've saved is quite small, you may be able to take it all as a lump sum. Twenty five per cent is tax free but you'll have to pay Income Tax on the rest.

Enhanced protection or fixed protection for large pensions

People with pension savings over a certain amount (£1.25 million in the tax year 2015-2016) at the time they take their pension are liable for a tax charge. This is called the 'lifetime allowance charge'.

In the past, people with very large pension savings could apply for protection from this tax charge. This was called 'enhanced protection' or 'fixed protection'.

If you have 'enhanced protection' or 'fixed protection' and you're automatically enrolled into a workplace pension, you'll lose your protection if you don't opt out.

When you're automatically enrolled, your employer has to tell you the start and end dates of the one month opt-out period. They must also explain what you need to do to opt out.

More information is available on the GOV.UK website:

If you lose protection, you must tell HM Revenue & Customs.

- HMRC information on 'enhanced protection' (HMRC website)
- Lifetime allowance and 'fixed protection' (GOV.UK website)

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Earnings

If you earn more than £5,824 a year and you are in a workplace pension, your employer has to contribute to it. If you earn £5,824 or less a year, your employer does not have to contribute, but can choose to do so

The earnings £5,824 are valid in the 2015-2016 tax year if you are paid: daily, weekly, monthly, or four weekly.

How your situation affects your workplace pension

Your enrolment in a workplace pension depends on your employment circumstances, please see our Auto Enrolment section.

Your age and how much you earn affect whether you’ll be automatically enrolled into a pension at work. See 'How your situation affects your workplace pension' for workers' examples.

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