

Puzzled By Pensions?

10 Reasons Not To Opt Out Of A Workplace Pension Scheme



1. Comfortable Retirement

Most people no longer want to work when they reach retirement age. The sooner you start saving for retirement, you will be in a better financial position when you get older, and if you would prefer not to work – or can't work – you may not have to.

2. Employer Contributions

Employers will often match or exceed the contributions you pay into your pension. It's not cash you will see in your pay packet, but it's invested for your future.

3. State Pension Alone Is Not Enough to Live on

The State Pension should be seen as a foundation. From April 2026, the new full State Pension will be £241.30 per week, or around £12,547 a year. Your workplace pension will boost this to a more comfortable amount to live on.

4. It's Easy

Your employer's workplace pension scheme is already set up and, if you meet certain criteria, you will be auto-enrolled and your contributions will be deducted from your pay each month. You don't actually need to do anything. If you are not in your employer's workplace pension scheme, find out why.

5. It's Safe

Once your money is in your pension pot, it's safeguarded for you until you are ready to retire.

6. It Does Not Cost As Much As You Think

Your pension contributions benefit from tax relief, so for every £1 paid into your pension pot, you only pay 80p.

7. Tax-Free Lump Sum When You Retire

You can currently take up to 25% of your pension pot as a tax-free lump sum. Since April 2015, you now have more options on what to do with the remaining amount – convert it into a regular income or take it as cash subject to tax.

8. You Can Pay Extra if You Want

Your employer will tell you how much you can pay – however, if you can afford to, you can pay additional contributions.

9. Reduced Administration Charges

If you take out a personal pension, you may have to pay a set-up fee or an annual management fee to the fund manager. Employers can usually negotiate lower fees than an individual.

10. Life Insurance

Many employers will also provide life insurance cover for members of their pension scheme.

If You Do Decide To Opt Out

As long as you still meet the criteria, your employer is required to re-enrol you back into the pension scheme every three years. So, if your situation has changed in three years' time, you may be in a position to stay in the scheme.



For more information, contact Usdaw's Pensions Section on **0161 224 2804**, email us at pensions@usdaw.org.uk or scan the code to ask a question through the website.

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