

A Guide to Workplace Pensions

Understanding your workplace pension and making the most of your retirement savings

This guide contains 15 pages and will take approximately 12 minutes to read



Your workplace pension is one of the most valuable benefits your employer offers

This guide explains how workplace pensions work, what you are entitled to, and how to make the most of your retirement savings.

Contents

Page 3

What Is a Workplace Pension?

Page 4

Auto-Enrolment: Are You In?

Page 5

How Much Goes Into Your Pension

Page 6

Tax Relief: Your Hidden Pay Rise

Page 7

Salary Sacrifice in Action

Page 8

Where Your Money Is Invested

Page 9

Planning Your Retirement Income

Page 10

Your Options at Retirement

Page 11

Meet Sarah and James

Page 12

Protecting Your Pension

Page 13

Your Next Steps

Page 14

Your Future Starts Today

What Is a Workplace Pension?

A workplace pension is a way of saving for your retirement that your employer arranges for you. Both you and your employer contribute money each month, and the government adds tax relief on top. Over time, these contributions grow the value of money you can use when you retire.

Workplace pensions usually are defined contribution plans. This means the amount you receive at retirement depends on how much you have paid in and how your investments have performed.

Key Points

- Your employer must provide a workplace pension for you.
- You can opt in and the employer will contribute.
- The money is invested in stocks and bonds.



Auto-Enrolment: Are You In?

Since 2016, employers have been required to automatically enrol eligible employees into a workplace pension. 89% of eligible employees are now enrolled in a workplace pension. 21.7m workers are enrolled in a workplace pension across the UK. Total saved by private sector employees in 2026/27 is £91bn.

89%

Of eligible employees now save into a workplace pension

21.7m

Workers enrolled in a workplace pension across the UK

£91bn

Total saved by private sector employees in 2026/27

Auto-Enrolment Thresholds for 2025/26

£10,000

Earnings trigger (annual)

£6,240

Lower earnings limit

£50,270

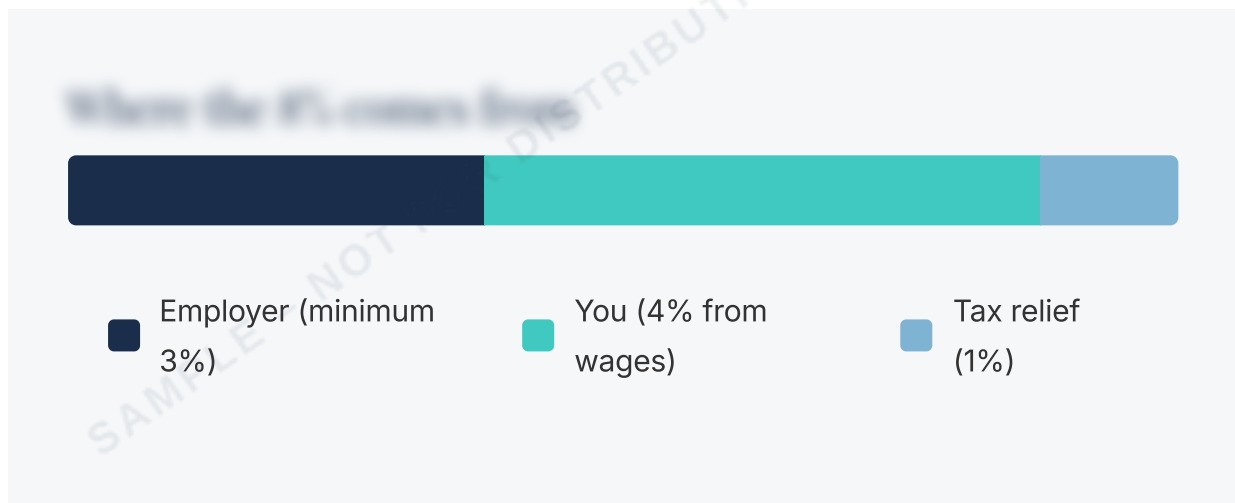
Upper earnings limit

How Much Goes Into Your Pension

The minimum total contribution to your workplace pension is 6% of your qualifying earnings. This is split between you and your employer, with the government adding tax relief.

The Contribution Breakdown

Your qualifying earnings are the portion of your salary between the lower limit (£6,035) and the upper limit (£50,270). Contributions are calculated on this basis, not your full salary.



Can You Pay In More?

Many employers will match additional contributions you make above the minimum. For example, if you increase your contribution to 6%, your employer might match with 6%. Check with your HR department or speak to us about the options available through your scheme.

Did you know?

A 6% total contribution to your pension can make a significant difference to your long-term wealth. Regular contributions can help you build a significant pension pot over time, which can then be used to provide for your retirement.

Tax Relief: Your Hidden Pay Rise


One of the biggest advantages of workplace pensions is the relief you contribute to your pension. The government will repay 20% of the amount you contribute, effectively giving you 20% more for your money. This means you can get more from your pension, even if you're not getting a pay rise. This is a hidden pay rise that you can take advantage of.

Feature	Relief at Source	Net Pay
How it works	Contribution taken after tax, provider claims 20% back	Contribution taken before tax is calculated
Basic rate (20%)	Automatic	Automatic
Higher rate (40%)	Claim extra 20% via Self Assessment	Automatic
Additional rate (45%)	Claim extra 25% via Self Assessment	Automatic
NIC savings	No	No
Best for	Most common scheme type	Higher earners (full relief at once)

For more information on workplace pensions, visit [www.pensions.gov.uk](#). This guide is for information only and does not constitute an offer of any financial product. It is not intended to be relied upon as a basis for investment decisions. The information is for general information only and does not constitute an offer of any financial product. It is not intended to be relied upon as a basis for investment decisions. The information is for general information only and does not constitute an offer of any financial product. It is not intended to be relied upon as a basis for investment decisions.

Salary Sacrifice in Action

With salary sacrifice, you agree to forgo salary and your employer uses the difference to pay for your pension. It's both you and your employer's choice.



RM
Name: **RM**
Job title: **Marketing Manager**

Her goals:

- Retire by 60
- Family holidays each year

Annual salary	£42,000
Pension contribution	5%
Employer match	5%

Salary sacrificed for pension (5%)	£2,100
Her NIC saved (8%)	£168
Employer NIC saved (15%)	£315
Total annual saving	= £483

How to make the most of salary sacrifice

When you sacrifice salary for pension, you can save up to 15% on your pension contributions. This means you can save up to 15% on your pension contributions. For example, if you have a salary of £42,000, you can save up to £6,300 on your pension contributions. This is because you can sacrifice up to 15% of your salary for pension contributions. This means you can save up to 15% on your pension contributions. For example, if you have a salary of £42,000, you can save up to £6,300 on your pension contributions.

Where Your Money Is Invested

The workplace pension contributions are invested to help your money grow over time. Most workplace pension plans use a default fund, which is designed to suit the majority of members without requiring you to make active choices.

The Default Fund

Default funds typically use a diversified strategy. When you are young and retirement is still many years away, your money is invested in higher-growth assets such as shares. As you approach retirement, the fund gradually moves the money into investments that are less likely to fluctuate and are less risky.

Can You Choose Your Own Investments?

Most schemes offer a range of funds beyond the default. You can usually choose funds focused on specific goals, such as ethical investing, higher growth, or lower risk. We can help you understand whether the default fund is right for you, or whether a different approach might better suit your circumstances.

Charges and Value

The pension provider charges on default funds at 0.75% per year. That means for every £1,000 invested, you pay to have that 0.75% default charge. Lower charges mean more of your money stays invested and working for you.

Key Figures

£60,000

Annual allowance for most people aged 75 and under

0.75%

Default fund charge on workplace pension

£10,000

Minimum annual contribution for most people aged 75 and under

Planning Your Retirement Income

The first step in planning your retirement income is to assess your current financial situation. This involves understanding your income, expenses, and existing retirement savings. It's important to consider how much you need to live on in retirement and how long you expect to live. This will help you determine how much you need to save and when you should start withdrawing from your savings.

The next step is to identify the sources of your retirement income. This could include your employer's pension plan, a private pension, or other investment vehicles. You should also consider the tax implications of each source and how they will affect your overall retirement income. It's important to work with a financial advisor to help you make the most of your retirement savings.

Building the Full Picture

- Assess your current financial situation
- Identify the sources of your retirement income
- Consider the tax implications of each source



Your Options at Retirement

Thanks to pension freedoms introduced in 2015, you have more choice than ever about how to use your pension savings when you retire. You can access your workplace pension from age 55 (rising to 57 from April 2028). Here are the two main approaches:

Drawdown

- Flexible income amounts
- No upper limit on the amount you can take
- Flexibility to vary the amount you take
- Flexibility to stop or start taking money
- Flexibility to take lump sums

Get the full facts
How working flexibility will work

Annuity

- Guaranteed income for life
- No investment risk
- Simple and predictable
- Low flexibility once purchased
- Usually cannot pass on full value

Get the full facts
How working flexibility will work

Don't forget the bigger picture
While you can compare the two approaches, it's important to consider the right balance of security and flexibility for your retirement needs.

Meet Sarah and James

A real world example of how you can identify your workplace pension contributions and transfer your retirement wishes.

Sarah, 45, and James, 48 [View profile](#)

The couple wants to help their children with university, with the aim of:

- Retire by 62
- Help children with university
- Travel in retirement



What you should do next

The next steps would be to review your pension contributions, and to ensure you have a clear understanding of the options available to you. You should also consider the impact of your pension contributions on your overall financial situation.

Protecting Your Pension

Protecting your pension is a key part of your financial planning. Here are the key steps to ensure that your pension is protected and that you can access it when you need it.

The image shows a grid of 8 numbered boxes, each containing blurred text. The boxes are arranged in two columns and four rows. The numbers are: 1, 2, 3, 4, 5, 6, 7, 8. The text is illegible due to blurring.

Your Next Steps

Taking control of your workplace pension does not have to be complicated. Start with these simple actions:

1 **Check your pension** 5 MINS

Look at how much you and your employer are contributing each month. Make sure you are receiving the full employer match.

2 **Speak to us about your options** 15 MINS

We will review your current pension, check your employer's matching policy, and see if there are things we can do for you.

3 **Check your State Pension forecast** 10 MINS

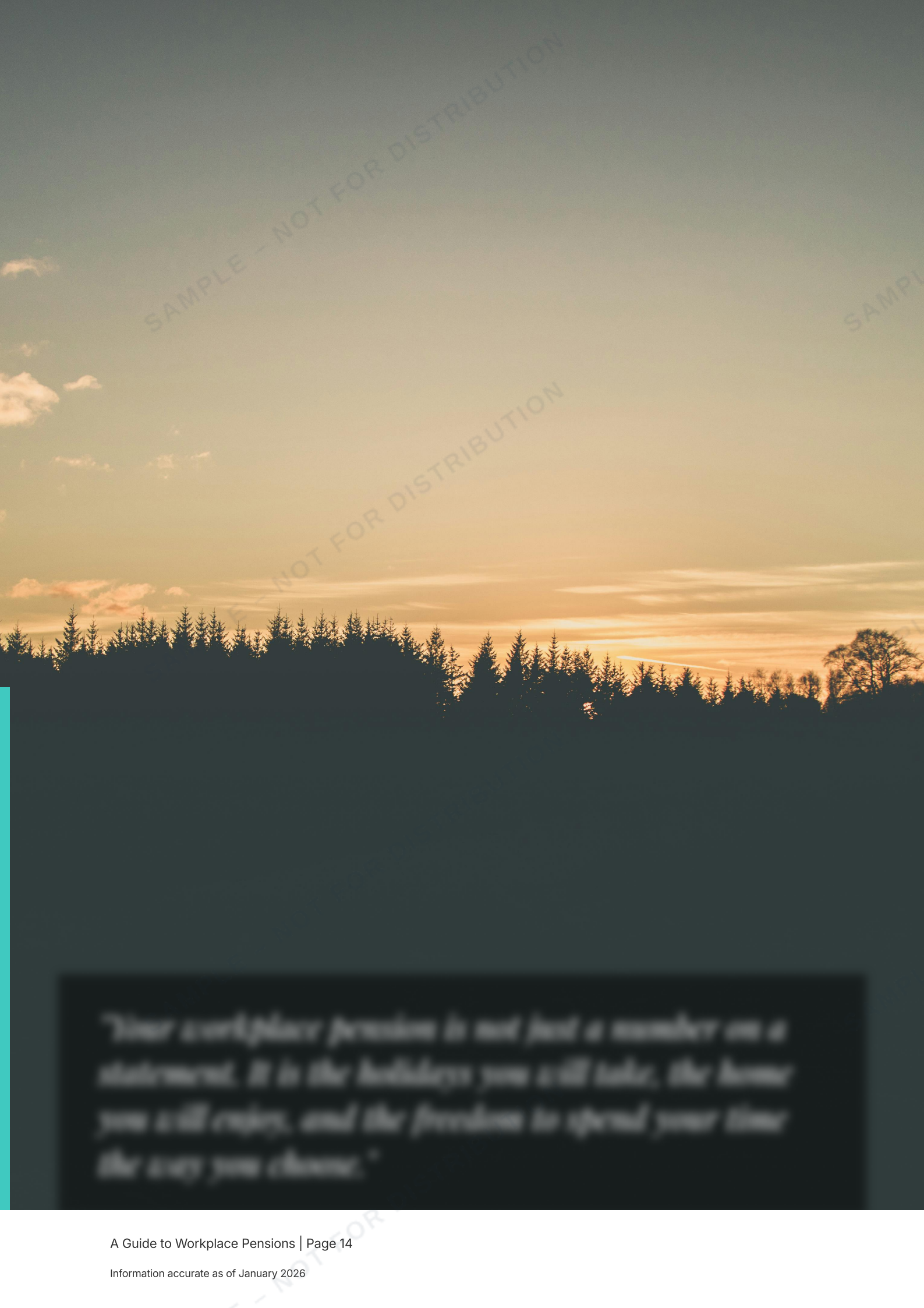
We will help you to request your State Pension statement. This shows how much State Pension you can expect and whether you have any gaps to your National Insurance record.

4 **Consider increasing contributions**

Even an extra 1% each month can make a meaningful difference over time. We will review the numbers and offer specific advice on how you can get the most.

Ready to take the next step?

Get in touch with our experts at [avenuepensions.com](https://www.avenuepensions.com) to book your free 15-minute consultation. We will help you make the most of your workplace pension.



"Your workplace pension is not just a number on a statement. It is the holidays you will take, the home you will enjoy, and the freedom to spend your time the way you choose."

Your Financial Adviser

Expert guidance for your financial future

Our team of experienced financial advisers is here to help you make the most of your workplace pension and plan for the retirement you deserve.

Ready to take the next step?

Call us on [020 7123 4567](#) or email [advice@financialadviser.com](#)
Visit us at [www.financialadviser.com](#)