RATHBONES

Secure your retirement

Your guide to planning with confidence.

Invest well. Live well.

Wealth Management | Investment Management | Financial Planning

It all starts here

How to make the most of it

The essential top tips to grow your pension

Plan for a quiet retirement or a noisy one

Four steps to follow to determine the type of retirement you want and the most efficient way to get there

This is just the beginning

Discover the wide range of savings options for retirement

Your need-to-knows to plan for the ideal retirement

Everybody has their own version of the ideal retirement. Some take the traditional route and opt for a 'cliff-edge' retirement, where work stops completely and you start to draw on your pension. Others prefer a gradual transition to that kind of retirement – choosing to slow down but continuing to work.

Whether you imagine a quieter pace of life or a busier chapter full of new experiences, the most important step is understanding what you want your future to look like, and how to prepare for it.

While retirement looks different for everyone, the starting point should be the same. To decide what retirement looks like for you.

Life is full of ups and downs, so it's important to review your plan regularly. Our team of expert financial planners can help you calculate how much it will take to deliver that retirement. By clearly assessing what you already have and making realistic assumptions about what you'll need when you begin using your retirement savings, you can determine how much to invest and for how long.

Our financial planners can help you understand what you already have, model what you may need and assess whether you're on track. *It all starts with a conversation.*

Get in touch at

Contact us | Rathbones
rathbones.com/contact-rathbones

Call us: 0330 390 9191
(weekdays from 9am-5pm)

The information in this brochure should not be taken as financial advice or a recommendation and is based on our current understanding of HMRC tax rules in the UK. Tax treatment depends on your individual circumstances and may be subject to change in the future. Investments can go down as well as up and you can get back less than you originally invested.

Building your pension

How to make the most of your contributions

1. **Take advantage of tax relief.** When you pay into a pension, you usually receive tax relief from HMRC, boosting your contribution. There are limits on how much tax relief you can receive, so it's important to understand how the rules apply to you.
2. **Know your annual allowance.** Your annual allowance is the most you and your employer can save in your pension in a tax year (6 April to 5 April). Currently, it is £60,000. Tax relief on your personal contributions is also limited to 100% of your earnings in the tax year. Earnings include sources such as employment or self-employment income, but not pensions, dividends or property income.
3. **Understand your pension scheme.** Depending on your pension type and tax rate, tax relief may be applied automatically, or you might need to claim it yourself through your self-assessment tax return. Make sure you know your scheme's specifics to avoid missing out.
4. **Match contributions to your tax rate.** The amount of tax relief you can claim depends on the rate of income tax you pay. There's more information below to help you plan your contributions strategically and make the most of the relief available to you.
5. **Seek professional advice.** If you aren't sure where you stand, it's wise to get advice. From annuities and flexi-access drawdown to defined contribution schemes, it's understandable that many people find pension choices complex. There are a lot of options, and no single approach works for everyone. Our financial planners work with these rules and decisions every day. Their expertise helps bring clarity to those complexities, guiding you through your choices and helping you find the approach that feels right for you and your family.

A note on Inheritance Tax: Following the 2024 Autumn Budget, pension death benefits will be included in Inheritance Tax calculations from April 2027. While pensions remain tax-efficient during your lifetime, this change may influence how you plan to pass on wealth. The implications of inheritance planning could be significant, and working with one of our financial planners could help you find an optimal balance between lifetime income and legacy planning.

Understanding what you can save

This information is based on our current understanding of HMRC tax regulations in the UK, which can change.

Tax treatment (and any tax relief) depends on your individual circumstances and may be subject to change in the future.

For example, a £100 gross pension contribution costs:

- £80 for a basic-rate taxpayer
- £60 for a high-rate taxpayer
- £55 for an additional-rate taxpayer

Even if you are not earning, it is possible to make up to £2,880 net (£3,600 gross) in pension contributions and claim tax relief. These contributions can be paid personally, or on behalf of someone else, such as a child or non-earning spouse.

If you are part of a workplace scheme, then it is likely your employer contributes to your pension too. In most cases, it makes sense to remain as a member of your employer's scheme to benefit from these contributions.

The real cost of a £100 gross pension contribution

Boost due to tax relief | Actual cost to the taxpayer

The amount of tax relief you can claim depends on the amount of tax you pay

Your pension provider will usually claim the basic rate of 20% tax relief for you – it normally takes 6–11 weeks to receive the tax reclaim from HMRC.

Higher-rate taxpayers can then claim back a further 20% via HMRC, and additional-rate taxpayers can claim back 25%.

This table shows the tax rates you pay above the basic rate band (income tax bands are different if you live in Scotland, which may affect how much extra tax relief you can claim):

Band	Taxable income	Tax rate
Higher-rate	Annual income over £50,270	40%
Additional-rate	Annual income over £125,140	45%

What is the annual allowance?

The annual allowance is the maximum amount you can save into your pension each tax year without triggering an annual allowance tax charge.

For most people, a pension is the most tax-efficient way to save for retirement, and you can contribute up to the annual allowance of **£60,000** each year. Tax relief on personal contributions is also limited to 100% of your relevant earnings in the tax year.

If your total income and employer contributions are over £260,000, you may have a reduced annual allowance, potentially as low as £10,000. This is commonly known as the 'tapered annual allowance'. Professional advice is recommended if your annual earnings exceed £200,000.

While you can usually carry forward unused allowances from the previous three tax years, potentially increasing your contribution limit, it's wise to seek advice if you're approaching the limit.

If you have already accessed your pension funds flexibly, a different limit may apply – the Money Purchase Annual Allowance (MPAA). The MPAA is a restriction on pension contributions eligible for tax relief, reducing it to £10,000 per tax year. It is triggered once you start drawing an income from your defined contribution pension.

Is there a limit on total pension savings?

The Lifetime Allowance (LTA) was abolished in April 2024. It was a limit on the amount of pension benefits you could build up without facing extra tax charges. It was removed in the 2023 Spring Budget and fully abolished from 6 April 2024, ensuring no one will face a lifetime allowance charge from 6 April 2023.

While there is no maximum amount of pension savings you could build up over your lifetime without paying extra tax, the Lump Sum Allowance (LSA) limits the amount that someone can receive in tax-free lump sums from all their pensions to £268,275.

To get the clearest picture of your own unique circumstances, it's always best to seek professional advice. One of our financial planners can help you navigate the increasing number of changes in the pension market and understand what impact they are having on your pension.

Type	Allowance amount	Meaning
Annual allowance	£60,000	The annual allowance limits the total contributions that can be paid to your pension from both you and your employer. Tax relief on personal contributions is also limited to 100% of your relevant annual earnings.
Tapered annual allowance	£10,000–£60,000	For every £2 of adjusted income (typically your taxable income plus employer pension contributions) over £260,000, your allowance reduces by £1, down to a minimum of £10,000.
Money Purchase Annual Allowance (MPAA)	£10,000 minimum	If you've accessed your pension flexibly (e.g. taken money from a drawdown fund), your annual allowance reduces to £10,000 regardless of your income.

Keeping track of your pensions

Understanding what you have already accumulated in your pension schemes is an important part of deciding what needs to be invested to reach your financial goals.

Since 2012, employees earning over £10,000 annually, aged 22 to state pension age, are auto-enrolled in workplace pensions, meaning you may have multiple schemes from past employers as well as pensions you may have paid into personally, outside of work.

It's important that schemes can contact you when you become eligible to access your pensions (from age 55, rising to 57 from 6 April 2028).

If you think you have lost track of any of your pensions, you can get in touch with your old employer or use the government's free Pension Tracing Service to find contact details for your lost or old pension schemes: **gov.uk/find-pension-contact-details**

In some circumstances, it can make sense to consolidate your pensions into one, but care should be taken to avoid the loss of any additional benefits they may provide, such as guarantees or additional flexibilities.

You can contact the schemes and ask them for details of what your pensions might be worth at retirement. These figures are not a guarantee in most cases but will leave you better equipped to determine where you stand against any targets you might have regarding your retirement.

There are many types of pension schemes, but they tend to fall into two categories

	Defined Contribution (Money Purchase)	**Defined Benefit** (Final Salary)
How it works	Contributions are invested, and the value at retirement depends on how the investments perform.	Provides a set income for life in retirement, typically based on your salary and time in the scheme.
Retirement income	The accumulated value is used to provide retirement income and any available tax-free cash.	Your income in retirement is pre-determined and not affected by market performance.
Who uses it	Personal pensions, and most private-sector workplace pension schemes.	Mostly public-sector workplace pension schemes. Defined benefit pensions are increasingly rare in the private sector.
Risk	The investment risk is yours – your retirement income depends on the performance of the investments, and you could get back less than you paid in.	The employer takes on the investment risk. If funds are insufficient, the employer must make up the difference.

Your key steps to planning for the retirement you want

> "Understanding what you'll need in retirement is an essential first step in the planning process."

1. **Determine what you'll need in retirement.** Trying to determine what you'll need to fund your lifestyle in retirement is a difficult task, but it's an essential first step in the planning process. Informed financial advice can be helpful, even essential.

   Start with the lifestyle you want. Think about everyday spending, essential costs and the experiences you hope to enjoy. This includes making informed assumptions for some unknowns, such as your expected time of drawing on your retirement fund, how long you will live, and how your needs might change – just to name a few.

2. **Work out how much to invest and over how long.** The next step is to determine how much to invest and over what period to reach the fund value required to provide the income and capital you need. This step will help you establish a goal-based investment plan guided by expected returns, which is essential for achieving your objectives. Remember, the value of investments can fall as well as rise, meaning you could end up with less than you originally invested.

3. **Factor in your outgoings.** In considering the income you expect to need, you should factor in outgoings such as housing, insurance, utilities and other essentials. Then, consider the nice-to-haves, such as hobbies and holidays, and factor these in too. Don't forget that in retirement, things don't stop needing to be repaired or replaced, such as your fridge or your car.

4. **Consider how you might take your pension.** Some pensions have restrictions but tend to fall into two different categories:
   Guaranteed income: this could be provided by the scheme directly if it is a defined benefit pension scheme, or by an annuity purchased using your funds. Annuities have many options, such as increases in retirement and protection for your spouse or civil partner. Once started, these types of income will continue for life and can't be changed.
   Flexible income: here, the funds remain invested, and you draw income out as and when you need it. This gives you the option to increase or decrease the income, but because the funds remain invested, they are affected by market fluctuations, and you may be required to make investment decisions.

Don’t forget

Whichever route you take, you will generally be entitled to tax-free cash at the outset. This is usually 25% of the value of the pension, up to a maximum of £268,275, after which you will be taxed at your marginal rate. Some individuals have a protected right to take a higher lump sum. If you don’t take this in association with one of the previously mentioned income options, then it will be lost.

25%

of the value of the pension, up to a maximum of

£268,275

It pays to seek advice

Navigating the UK tax system can seem complicated, but this is where working with one of our experienced financial planners can help. Our team is here to help you stay ahead. We can help you embrace and understand the appropriate forecasting tools, and ensure your plan remains up to date, taking into account expected returns and rules around taxation to ensure your money is working as hard as it can.

> "Our team is here to help you stay ahead."

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Taking a wider view of your finances

Retirement planning involves more than just your pension. It's important to consider your savings and investments beyond pensions to ensure your money is working as hard as it can.

Consider tax efficiency.

If you have a choice, think carefully about which assets to draw from first to optimise your tax efficiency and maximise the value of your retirement income.

Plan for flexibility.

Your needs may change over time. Ensure your withdrawal strategy provides flexibility to help you navigate life's unexpected turns.

Consider all your investments.

Beyond pensions, consider all available assets, including ISAs, equities, collective investments (unit trusts, OEICs), and residential property (main residence or buy-to-let).

ISA

Main residence

Bonds

Other asset type

Cash

Collectives

Own business

You may be able to retire sooner than you think

If you have other investments, you may be able to take advantage of the tax-efficient drawdown opportunities they offer, allowing you to leave your pension fund untouched or largely intact.

“it’s essential to consider investing in assets other than pensions while you’re generating an income.”

To maximise the choice of where to draw from in retirement, especially once you have maximised investment into pensions, it’s essential to consider investing in assets other than pensions while you’re generating an income.

Our experts can help you create a strategy that considers a broader range of wrappers and their benefits to ensure you’re working to your ideal retirement.

Let’s talk.

Are you planning for a quiet retirement, or a noisy one? Whatever retirement looks like for you, our financial planners can help you plan with clarity and confidence.

Preparing for an enjoyable and financially secure retirement involves so much more than just your pension, important though that is. As we all live longer and enjoy unprecedented freedom to decide our own retirement options, it has never been more important to know what you want to do and how much money you’ll need to achieve that.

It all starts with determining what you expect and want your retirement to look like, and we’re here to help you do just that.

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Submit an enquiry online:
rathbones.com/contact-rathbones

A typical Rathbones client has more than £300,000 to invest or plan their financial future with, including any pensions they may already have.