Pensions for Self-Employed Workers

the accountancy partnership

Contents

How do pensions work?

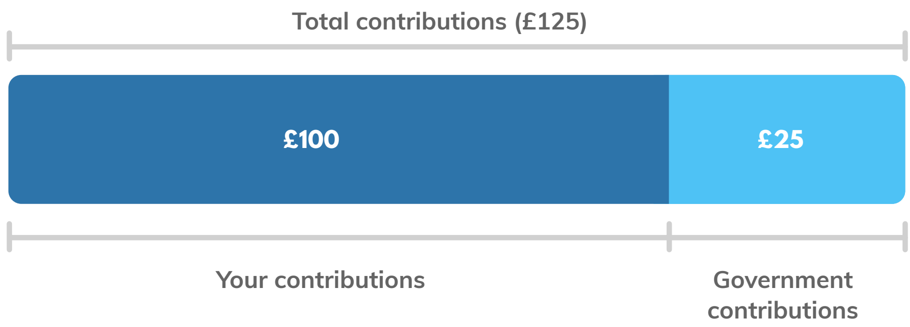
Paying into a pension can help cover your costs after you retire, especially as the state pension may not be enough on its own.

Paying into a pension normally means that you register with a pension provider, and make regular contributions to the fund.

The provider then manages this fund to help it grow, so that you have retirement savings ready for when the time comes.

Your pension provider will claim tax relief on the contributions that you make towards your pension.

Roughly speaking, this means that for **every £100** you pay in, the government will add an **additional £25**.



Higher-rate taxpayers in England, Wales and Northern Ireland can claim back a further £25% through their tax return.

What pension can I get if I'm self-employed?

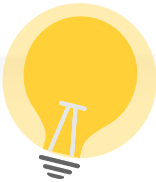
Most people who work for an employer are automatically enrolled into their workplace pension scheme, but it's a different for people who are self-employed.

Without an employer to set it up for you, it's important to start thinking about a personal pension as soon as possible to save for retirement.

You can make contributions on an ad hoc basis or more regularly if you wish, and your pension provider will claim tax relief and add it to your pension pot.

A good place to start is by gathering the details of any old personal and workplace pensions so they can be combined into your new pension plan.

This will make it much easier to manage everything!



Once you're ready to set up your self-employed pension, there are several options to consider. You can set up either a:

- Personal pension
- Stakeholder pension
- Self-invested personal pension (SIPP)

This is something our team would be happy to help you with.

Get in touch

I run a limited company. What does this mean for my pension?

It's always worth paying in to a private pension and this is certainly the case if you're the director of a limited company.

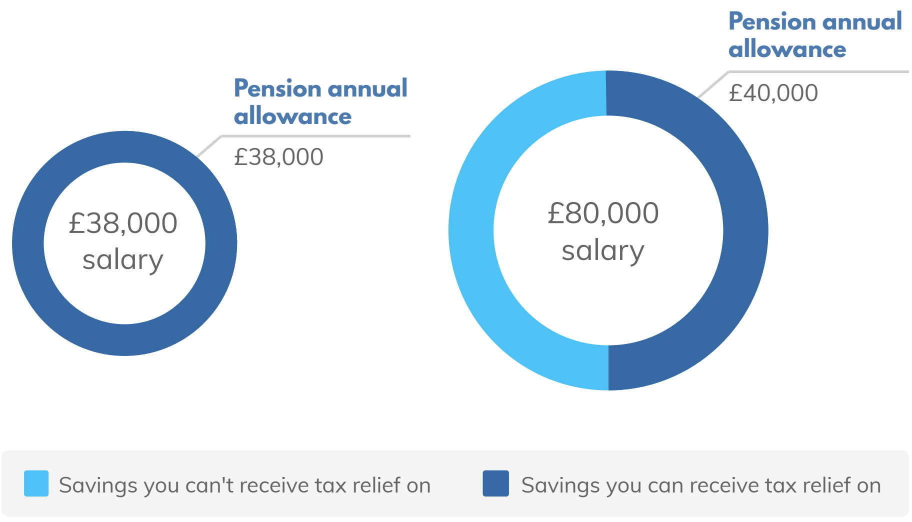
Your company is basically your employer, and can make employer contributions into your pension fund.

These are an allowable expense for limited companies, so doing so means your company can claim tax relief on them, reducing its Corporation Tax bill.

Is there a cap on how much I can save into my pension each year?

There is a limit on the amount you can pay into your pension in order to still receive tax relief.

Currently this is **£40,000** or **100% of your income**, whichever is less. This is referred to as the pension annual allowance.



If you're planning to save substantially more than this into your pension, the 'carry forward' rule may be more beneficial. Again, this is something we will be happy to advise you on.

Some providers might also limit the amount that you pay in, so be sure to check the terms!

What else should I know?

- You won't pay capital gains tax on pensions
- If you want to, you can take a 25% tax-free lump sum when your pension matures.
- You don’t have to pay employee or employer National Insurance on your pension payments.
- Employer contributions aren’t limited by earnings, but they are still subject to the annual allowance.
- Remember, you can’t take any money out of your pension once you’ve paid it in, until you’re aged at least 55. This is set to rise to 57 from 2028.

Looking for more advice on pensions?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

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