Auto Enrolment

STAR FINANCIAL SOLUTIONS LIMITED
INDEPENDENT FINANCIAL ADVISERS

Agenda

- Food for thought.
- Auto-enrolment.
- Retirement options.
- HMRC allowances
- What if?...

Food for thought!

Some facts:

"Many millions of us will be spending around a third of our lives or more in retirement in the future"

(Former)Pensions Minister Steve Webb[1]

Pensions gap

Baby Boomer Generation

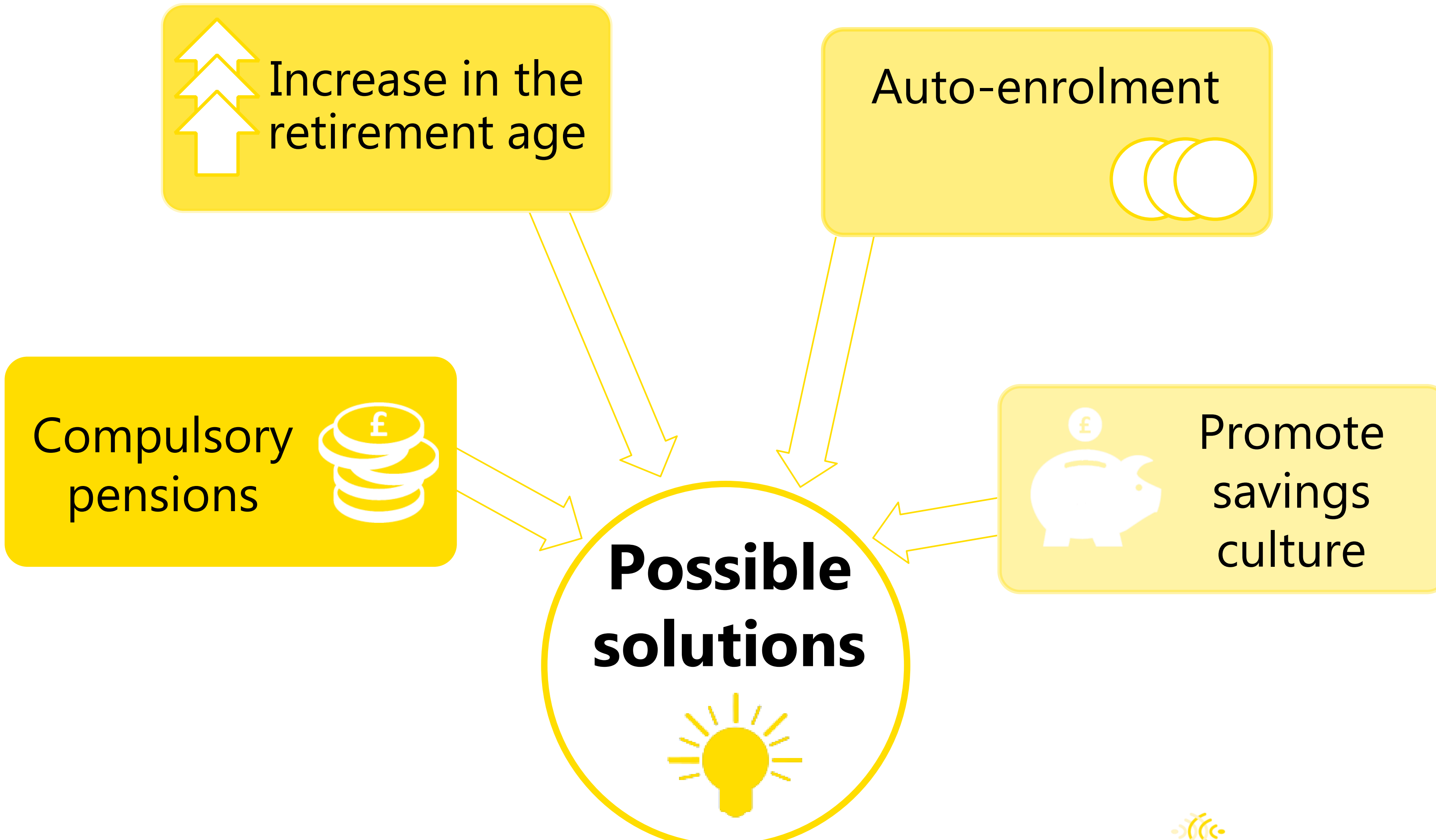
Office for National Statistics (2019) data shows that:

In 2019 there were 12.4 million people aged 65 and over. That's 18.5% of the population[1]

- The **number of people of age 65 and over increased by 19.56% between 2011 and 2021,** and is projected to **increase to** 16.9 million by 2035.[1]

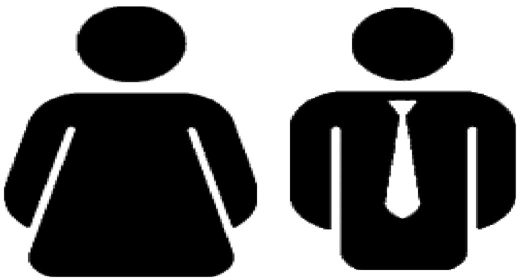
- The number of people over 85 will **double** over the next 25 years, to 3.1 million.

Possible solutions



How this affects you as employers

Since 2012 Employers have been required to set up a Qualifying Workplace pension scheme if they:



- Employ at least 1 person
- If they are aged 22 and State Pension age
- Earn more than £10,000 a year
- Work or usually work in the UK
- These employees are called Eligible Jobholders and must be auto enrolled into a Qualifying Workplace Pension Scheme.
- If employees are aged 16 – 74 and have income in excess of £6,240 per annum, then they may ask to opt into Auto Enrolment subject to certain conditions and are called Non Eligible Jobholders and if they opt in your required to pay a contribution for them.
- Employees who are aged between 16 – 74 and have income below £6,240 are called Entitled Workers and they can join a scheme but you don't have to pay a contributions for them unless you want to.

Directors of Limited Companies

- Officers of a Limited Company such as Directors, without a contract of Employer are not classified as Workers for the purpose of Auto Enrolment and do not have to be Auto Enrolled.
- This also includes Company Secretaries.

The costs of Auto-enrolment

- The minimum contribution is 8% of banded earnings of which at least 3% must be paid by the employer.
- Pension contributions will be taken from employees pay at every payroll run and will be transported to their pension pot.
- Employers pay a percentage of the employees salary in addition, and into their pot.
- These are the minimum levels as an employer you can choose to pay more than 3% but never less.

From 5th April 2019:

3%

Employer contribution

5%

Employee contribution

Benefits to Employers

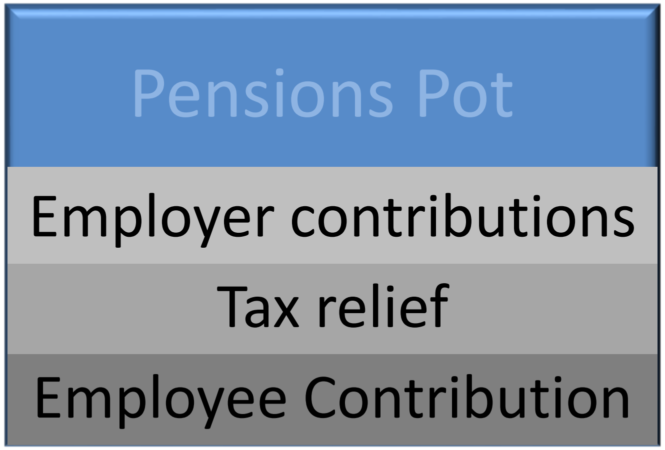
- Compliance with the Law and The Pension Regulator requirements.
- Every Employer has to now offer an Auto Enrolment scheme, so it ensures you maintain a competitive position in attracting new staff.
- If you choose to pay more than the minimum then this can make your Company more attractive than a competitor and will aid staff acquisition and retention.

What about the State Pension?

- Auto Enrolment doesn’t affect your entitlement to State Pension
- The full New State Pension for an individual is **£203.85 per week from April 2023, increased by 10.1% from 2022.**
- This is payable from the State Pension Age.
- The State Pension Age is gradually increasing to **age 67**.
- Minimum 10 years NI contributions required.
- 35 Years NI contributions required to get the maximum.
- Employees will be automatically enrolled into a **workplace pension** scheme to make saving easier and efficient.
- The government aim is to encourage more people to have the State Pension **AND** an additional income for when they retire.

Impact of Tax Relief

- Your employee's pension contribution net of basic rate tax will be deducted from their earnings.
- At a tax rate of 20% - every £10 of your employee's pension contributions will only cost them £8.
- The extra £2 will be paid by the government as tax relief and the employer contributions will be paid on top.
- However, it may cost them even less if the employee pays tax at a higher rate.
- Employers receive Corporation Tax Relief on their contributions



Retirement Options

25% Tax free cash

Access to remaining pot taxed at a marginal rate

Ability to take any amount of income until pot runs out

An annuity is another option. This is a guaranteed income for life.

HMRC Allowances

- **Annual Allowance**: this is the maximum you can contribute to a pension per tax year, this is currently £60,000 for the 2023/24 tax year*

- **Lifetime Allowance**: Recently abolished but could be reinstated in the future.

- *Caveats and conditions apply which may alter the amount that can be paid

What if?...

You Don’t Make It?

Tax treatment on death.

Death before 75

Nominees receive funds tax free

Death after 75

Nominees receive funds but taxed
at marginal rate

No IHT on this money!!!

Nomination of Beneficiaries

- Can be anyone
- Mother, Father, Spouse, Partner, Brother, Sister, Son, Daughter, Niece, Nephews, Friend, Grandchildren, Godchildren
- Can be changed at any time
- After the employees death the person they nominate can then nominate someone else

Any Questions?

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