10 Reasons for saving in a pension

UNISON campaigns for decent pensions for all workers – the new system of auto-enrolment is one step on the path to getting decent pensions for everyone.

The more members we have the more we can achieve – join today or get a colleague to join.

Below we set out why we believe all workers deserve a decent pension

1. Do you really think the State Pension will be enough?

- The full Basic State Pension is only currently £107.45 a week
- The Pensions Credit (which guarantees a minimum weekly income) is £142.70 a week for a single person
- Yet the Official Poverty Level in the UK exceeds £170 a week!

2. Why miss out on a free "employer" pension contribution?

- Local Government Pension Scheme (LGPS) employers contribute, typically, well in excess of 13%
- NHS workers receive an employer contribution of 14.2%
- In contrast the average employer contribution to a typical pension in the private sector is about 6.2%
- That is a lot of money to be missing out on!

3. Saving for a pension is very tax efficient

- You qualify for tax relief on your pension contributions meaning that it's not as expensive as you think to contribute to a pension
- For example a member who joins the LGPS 2014 earning £23,000 would have a headline contribution rate of 6.5% but in reality would pay 5.20% because of the tax relief applied
- It's possible to claim a tax-free cash sum on your retirement

4. A pension can also act as a form of life assurance for your dependants

- Many schemes will pay out a lump sum in the event of your death to people that you nominate
- Some schemes will also pay a survivors pension to a surviving dependant – which can in some cases, include a dependent child

5. You can accumulate a tax-free cash sum on your retirement

- All pension schemes allow members to convert some of their pension into a tax-free cash sum.
- In some schemes, members will receive a tax-free cash sum without having to exchange any of their annual pension. The sum is simply paid in addition to the pension

6. If you suffer ill-health your pension can sometimes be paid early

- Many pension schemes allow for a pension to be paid early (often at any age) if the member suffers ill-health
- Ill-health pensions in defined benefit schemes usually attract an enhancement to help offset the fact you’ve been deprived of saving for longer
- For other types of pension scheme it’s more common for a fixed sum to be paid from an insurance contract and/or possibly a special type of pension (called an impaired life annuity) to be paid to help offset your reduced working life

7. How else are you going to achieve financial independence in old age?

- A pension provides a great means of building up sums of money for your retirement in a structured way
- You are entitled to annual benefit statements so you can always check how much you have saved and how this compares with your retirement aspirations
- Also you cannot generally access your funds until you’ve reached at least 55 which encourages long-term provision and helps to ensure your funds are still available when you need them

8. You can change the way companies behave – through share ownership

- The money you save into a pension is invested in other companies meaning that you effectively own a share of them. This means through your pension scheme you can campaign for these companies to be run in a way that is better for the good of society.

9. You may not always be able to rely on the State

- Notwithstanding that you are unlikely to find the UK state pension as sufficient for achieving your retirement aspirations, there is no guarantee of its future value or indeed very existence!
- Who knows what direction of travel the UK state pension system could take in the future and it would be wise to have other “eggs in the basket”

10. You need to start saving straight away

- Generating a sufficient enough pension for your retirement will take time and a not inconsiderable cost so you should start saving as soon as possible!
- A pension also gives a guarantee of future payments irrespective of how long you live. If you just simply saved a sum of money up – this could run out before you die without securing a pension!

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