

PENSION



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2021

NEWSLETTER

AUTO-ENROLMENT AND WORKPLACE PENSIONS

MYTHS ABOUT **AUTO-ENROLMENT** AND **WORKPLACE PENSIONS**

As you may be aware, all employers in the UK are required to automatically enrol their employees into a workplace pension scheme.

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Unfortunately, while auto-enrolment laws tend to benefit workers in the long term, there are several myths circulating about pensions and how best to fund one's retirement.

To help set the record straight, we've busted some of the most common misconceptions about auto-enrolment and the workplace pension:

MYTH #1. SAVING FOR A PENSION IS NOT WORTH IT

Employees can expect to gain more money from a pension than they put in. This is because most people enrolled on a workplace pension scheme benefit from employer contributions and government tax relief. This means that part of their salary that would have gone towards the government in the form of income tax goes straight into retirement savings.

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MYTH #2. ORGANISING A PENSION IS JUST TOO COMPLICATED

This couldn't be further from the truth. Employees enrolled on a pension scheme do not have to lift a finger in order to obtain financial rewards. All administrative issues are dealt with by employers.

MYTH #3. EMPLOYEES WILL LOSE THEIR PENSIONS IF THEIR EMPLOYER GOES UNDER FINANCIAL HARDSHIP

Pensions are protected in such a way as to ensure that workers do not lose out if their employer faces financial hardship. All money in a pension pot is held by a third party, not the employer. In fact, most pensions are protected by something known as the Financial Services Compensation Scheme (FSCS), while others are protected by the Pension Protection Fund. The latter covers 'defined benefit' schemes, in which workers receive a final pension pay-out based on their average earnings over the course of their career or their final salary.

MYTH #4. THE STATE PENSION WILL BE SUFFICIENT

While the State Pension certainly serves an important purpose, it is simply not sufficient to suit the lifestyles of many people upon retirement. Saving money while you are working will ensure employees are able to do the things they enjoy as soon as they enter their golden years.

GET IN TOUCH

Are you an employer with questions about auto-enrolment schemes? Get in touch with Taxcare Accountancy today. We can help your business thrive and grow.

Find contact details in the last page.



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