











# How is your pension different to a savings account?

Based on relief at source\*

Imagine your salary was the UK Median (£30,414.80). Let's take a look at how your monthly pay packet would look in a savings account vs your pension...

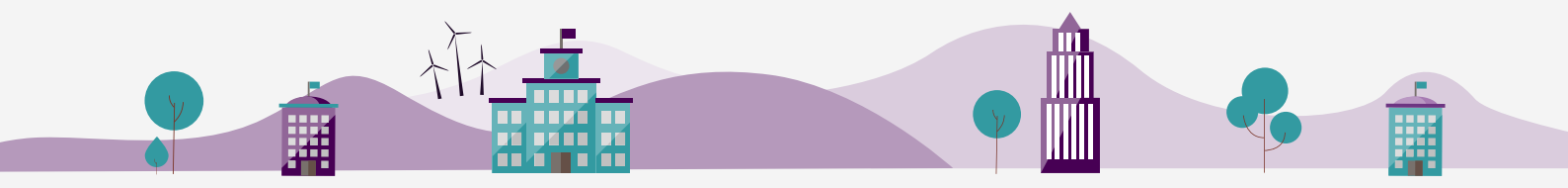
	 <b>SAVINGS</b>	<b>VS</b>	 <b>PENSION</b>
 <b>Your Pension Contribution (5%)</b>	£0.00		£126.73
 <b>Your Employers Pension Contribution (3%)</b>	£0.00		£76.04
 <b>Savings (matching equivalent pension contribution)</b>	£126.73		£0.00
 <b>Total put away (monthly)</b>	£126.73		£202.77
 <b>Actual monthly cost to you (Because of tax relief on your contribution)</b>	£126.73		£101.38
 <b>Take-Home Pay (after savings, tax and National Insurance deductions)</b>	<b>£1,900</b>		<b>£1925</b> (after net pension contributions, tax and National Insurance deductions)

While your money could sit in a savings account gathering interest and doing not very much, after 30 years invested in a pension, it could look like this...

 <b>Total contributions over 30 years</b>	£45,622		£72,997
 <b>Total after 30 years</b>	<b>£53,163**</b> **Based on savings account growth rate of 1%		<b>£154,414**</b> ** Based on investment growth rate of 4.6%

\*Relief at source means your contributions are taken from your net pay (after your wages are taxed). Then your pension provider automatically claim tax relief for you from HM Revenue & Customs (HMRC), adding the basic tax rate of 20% to your pension contributions.

**Remember, investments can go down as well as up and you might not get back all the money you paid in.**



And while we're here, let's take a look beyond the numbers...



## SAVINGS

VS



## PENSION

### Advantages of savings account

- ✓ You have more flexibility and can access your money at any time

### Disadvantages of savings account

- ✗ Generally interest rates are lower, which means your money doesn't grow as much as it could with your pension
- ✗ Inflation (the general rise in prices of things over time) is likely to outpace your savings which means your savings money can buy less
- ✗ It's only your money, your employer does not contribute to the amount
- ✗ Your money is paid into your savings account after you have paid tax, which means your take-home is less than if you put this into your pension

Based on current tax legislation

### Advantages of pension account

- ✓ Your employer also pays in to your pension which can make a huge difference over time
- ✓ When paying into your pension, you receive tax relief on any contributions that you make
- ✓ Generally the higher investment growth rate of your pension over time means that your money can keep up with or even outpace inflation
- ✓ You can take a tax free lump sum from age 55

### Disadvantages of pension account

- ✗ You can't access your pension money until you're 55
- ✗ Risk of poor returns

To find out more about where your pension money goes, visit us at [royallondon.com/secretlifeofpensions](https://royallondon.com/secretlifeofpensions) or [#SecretLifeOfPensions](https://twitter.com/SecretLifeOfPensions). Find out what happens when your pension money leaves your pay packet.

