How is your pension different to a savings account?

Based on relief at source*

Imagine your salary was **£38,600**. Let's take a look at how your monthly pay packet would look in a savings account vs your pension...

	SAVINGS	PENSION
Your Pension Contribution (5%)	£0.00	£160.83
Your Employers Pension Contribution (3%)	£0.00	£96.50
Savings (matching equivalent pension contribution)	£160.83	£0.00
Total put away (monthly)	£160.83	£257.33
Actual monthly cost to you (Because of tax relief on your contribution)	£160.83	£128.67
Take-Home Pay (after savings, tax and National Insurance deductions)	£2,331.68	£2,363.85 (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...

	SAVINGS	PENSION
Total contributions over 30 years	£57,900	£92,640
Total after 30 years	£79,000** **Based on savings account growth rate of **1%**	£110,000** ** Based on investment growth rate of **4.3%**

We've assumed a fund management charge of 1% and an inflation rate of 2%. Please note these figures are for illustrative purposes only and are not guaranteed

*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% (different rules apply for Scotland) 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.

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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
- Less risk in losing your money compared to an invested pension as it is less likely to fluctuate

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** or **#SecretLifeOfPensions**.
Find out what happens when your pension money leaves your pay packet.

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