Filling the pensions hole for the self-employed

The Department for Work and Pensions (DWP) is aiming to expand pension coverage among the self-employed.

Pension automatic enrolment has become a major success since it was launched nearly seven years ago, with almost 10 million people joining a workplace pension arrangement. Take-up rates have been much higher than some pundits had forecast – the latest calculation from the DWP showed that in 2016/17 the overall opt out rate was just 9%.

However, there is one group of people that the automatic enrolment regime completely misses: the self-employed. According to the DWP, the self-employed account for about 15% of the UK workforce – 4.7 5 million people. Private pension coverage in this sector is low, despite the tax benefits on offer. The DWP has calculated that in 2016/17, only about 1 in 7 of the self-employed were saving into a pension.

Encouraging pension saving

In December the DWP announced that it would be running a programme of trials aimed at encouraging the self-employed to start saving. These trials will involve a range of trade bodies and financial services organisations, including the main government initiated auto-enrolment scheme, NEST, which now has over seven million members.

If you are self-employed and one of the 6 in 7 who is not yet saving for your retirement, you should not wait for the DWP to find ways to nudge you into action. The hard fact is that with no private pension provision, your retirement pension will simply be the new state pension – £168.60 a week (£8,767 a year) from April. Remember too that the state pension is only payable from state pension age, which is now in the process of rising to 66 by October 2020 and 67 by April 2028.

If you want a higher pension, and/or you do not want to wait until the state decides it is time for you to retire, then the sooner you begin to consider your retirement planning, the better. Talk to us about your options now – these could well include routes other than pure pension arrangements.