



**WANT TO MAKE
YOUR MONEY
WORK HARDER?**



MAKE YOUR MONEY WORK WITH **SALARY EXCHANGE**

Saving into the pension plan that your employer has set up means that you're looking after your future. And like any savings plan, you'll want to get the most from your money. One way to make your money work harder could be to save into your pension using salary exchange. It's a way to add to your retirement savings without having to dig any deeper into your pockets.

WHAT IS SALARY EXCHANGE?

Salary exchange is a tax efficient way to make contributions into your pension plan. You agree with your employer to give up part of your contractual gross salary or bonus entitlement in return for non-cash benefits such as pension contributions.

The amount you want to give up is taken from your gross salary and paid straight into your pension as an employer contribution.

And because the contribution is taken from your gross salary it means you don't pay any tax or National Insurance Contributions (NIC) on it. Which means the whole amount is saved for your future.

By paying into your pension via salary exchange your employer also saves on their NIC bill. The added value for you is that this saving can be reinvested back into your pension.

HOW DOES SALARY EXCHANGE WORK?

Salary exchange can be set up in a number of ways. For example, your employer can set it up so that although you give up part of your gross salary your net take home pay stays the same. They can also choose to reinvest their own NIC savings back into your pension plan so your total pension contributions will increase.

By using salary exchange this way your money will work harder to increase your future income without reducing your current spending power.

Of course, investment returns are never guaranteed. So while your savings could grow, their value can also go down. This means you could get back less than what you put into your plan.

Remember this is an example, your employer will tell you how salary exchange has been set for your pension plan.

Take a look at other benefits of salary exchange

- You're receiving a valuable benefit from your employer.
- You have peace of mind that you're helping to protect your lifestyle in retirement.
- You can also exchange any contractual or discretionary bonuses that you receive.

IS SALARY EXCHANGE RIGHT FOR YOU?

You need to think carefully about whether salary exchange will work for you. Here are some of the things you should consider.

- If your salary drops below the national minimum wage as a result of salary exchange then it's not appropriate for you.
- Your entitlement to State benefits such as statutory sick pay could be reduced as they are linked to your total gross earnings which will reduce after salary exchange.
- Your new State pension entitlement may be reduced as it's based on your NIC record, which may reduce after salary exchange.
- Some mortgage lenders will base the amount they are willing to lend you on your salary after salary exchange, so the amount you can borrow may be reduced.
- The rules about salary exchange may change in the future.

PUTTING IT INTO PRACTICE

The examples below are designed to show you how salary exchange works in practice.

If you'd like more information and a personalised statement, please contact your employer.

	Gross salary		Pensions contributions		Net take-home pay	
	Before	After	Before	After	Before	After
Example 1	£15,000	£14,118	£1,500	£1,754	£13,136	£13,136
Example 2	£25,000	£23,529	£2,500	£2,924	£19,536	£19,536
Example 3	£35,000	£32,941	£3,500	£4,093	£25,936	£25,936
Example 4	£45,000	£42,353	£4,500	£5,262	£32,336	£32,336
Example 5	£55,000	£52,155	£5,500	£5,987	£38,786	£38,786

All figures are based on you and your employer contributing 5% of your gross salary into your pension. It also assumes that all tax and NIC savings are being reinvested as a pension contribution, so your retirement savings would increase.

All figures are based on annual tax allowances and NIC thresholds/limits for the 2019/20 tax year, a single person's tax allowance of £12,500. They are for illustration only. These may be affected by future changes in tax/NIC, legislation or by your particular circumstances. These are based on UK income tax rates and bands, excluding Scotland.

If you have any doubts about whether salary exchange is suitable for you, you should contact a financial adviser. You may be charged for any advice a financial adviser gives you. You will be given details of this at the time if applicable.

These figures are only illustrative.



Royal London
1 Thistle Street, Edinburgh EH2 1DG
royallondon.com

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