PENSIONS for the Self Employed

Being self employed can be hard work, sometimes there don't seem to be enough hours in the day. Pensions may seem like a way off and not a priority but by putting it on your 'to do' list now, you'll thank yourself in years to come.
Even if you love what you do, one day you'll want or need to stop working and you'll need another source of income. Here are some key points to consider and help you along your way whether you are a contractor, small business owner or freelance.

Help yourself by starting early

Work out your dates and figures now. Decide how much you would like your pension pot to be and when you hope to retire. It goes without saying that starting young is the best thing to do and if you go by the rule of investing half of your age as a percentage, then a 30 year old should invest 15% of the wages into a pension and a 25 year would be investing 12.5% etc. It really doesn't matter if you can only afford small payments when you are young, as any contribution will benefit from compound interest. So even on small savings the returns will be reinvested again and again making considerable investments in the future.

You can be flexible

Most providers will be able to offer you flexibility when making contributions to your pension. You can make one off payments, or set up a direct debit . Money in a pension can not be accessed until you are 55, so you may feel that you need the option to alter contribution amounts so you can stop or start them as you wish. Of course, increasing your pension as and when you can, will ensure a bigger pot when your retirement age arrives.

Tax relief

Your pension contributions could improve your financial situation because of the tax relief you will receive. Some of the money that you would have paid in tax on your earnings goes into your pension pot rather than to the government. For basic rate tax payers would see a £100 contribution topped up to £125.

Review

Aim to review your pension twice a year.
Think about whether you will be on track for the retirement pot you need.

Risk

Your attitude to risk is a big factor in how much you will end up with for retirement. The amount of risk you are comfortable taking is likely to be impacted by how far away you are from retirement. The theory is that a young person still has many years ahead for their investment portfolio to recover from any downturns, while an older person might need that money sooner and may not be able to afford to wait for the recovery.

Do you own a limited company?

You may have the option to make pension contributions from your company if your pension provider allows it. These are classed as employer contributions. You may find this to be a more cost efficient option as you will save on other business costs. The employer pension contributions count as an allowable business expense.

Your future...

We always ask our clients, what do you want to achieve? What are your goals in life and your dreams? Thinking about the reasons you are contributing into a pension can really help and also steer you towards making the right decisions.

If you would like to speak to an adviser about setting up a pension, please call the office on **01752 837950** to arrange a free initial consultation.