

## Automatic enrolment explained

In the UK, 79% of employees participate in their workplace pension scheme\*. It's a number that's been steadily rising, helped in no small part by **automatic enrolment**, implemented in 2012.

**Auto-enrolment** is a way to save for your retirement with a helping hand from your employer and the government.

### How does it work?

Your employer arranges for some of your earnings to go into a workplace pension, which they set up for you. You can choose how much you contribute, but it'll start at a default number. The government says you must save at least 5% of your salary into your pension and your employer must chip in at least 3%.

That's 8% in total, and a surefire starter sum to a lifetime of saving.

### Can I contribute more if I want to?

You can pay in whatever you like (do bear in mind though, there is a limit on the total amount you can save each tax year into your pension and the tax relief you receive on your contributions). In fact, it's encouraged to contribute more than the default. Rough suggestions say that saving about half of your age and maintaining this amount towards your retirement is a good rule of thumb.

A 30-year-old would look to save 15% in total, for instance. But it's more of a helpful guideline than a rule.

That's because if you're 50 years old you might find that 25% is a bit trickier to achieve. And on the other end of the scale, a 22-year-old in their first job might want to save more than 11%. As a result, some people suggest aiming for a rough mid-teens percentage and then leaving it be, without thinking too hard about the details. Like we said, more like guidelines anyway.

Many employers will pay in more than the minimum requirement, so it's worth maximising your contributions, if you can. Some employers may even match your contribution, up to a certain amount, which is a really sweet deal. Ask your HR team how much your employer is prepared to put in your pot.

### Does everyone get enrolled?

You'll be automatically enrolled if you're aged between 22 and State Pension age, work either full or part time in the UK, are not already in a suitable workplace pension scheme, and earn at least £10,000 a year.

Even if you don't tick these boxes, you can still ask your employer to let you join.

### Do I have a choice?

Everyone has a choice. You can stop contributing to your workplace pension at any time, for whatever reason – and you can usually re-join at any time, as long as you're still working for that employer. If you do wish to re-join, it could take a few weeks or months to be back up and running with your pension again.

But if you do cut off your contributions, you'll miss out on the extra money you'd get – in the form of your employer's contributions and tax relief from the government. And turning down free money needs one hell of a justification.

Do also be mindful that if you opt out for too long, you may also have to fill the gap by working for longer later in life.

If you decide to opt out of the workplace pension within a month of being enrolled, any payments you've made into your pension pot during this time will be refunded to you. After this time, you can still opt out but any payments you've made will stay invested in your pension pot for retirement rather than be refunded. You'll be able to access this money from age 55 (or age 57 from 2028).

As a final safety net, every three years your employer must put you back into the pension if you still qualify, even if you've chosen to stop contributing before. This is called re-enrolment and it works in exactly the same way as auto-enrolment.

You don't want to miss out on the wonderful world of saving for retirement. Check out some of our other guides to pensions and money topics across the website. And, if you're tired of reading, why not check out our handy explainer animations.

\*Research provided by the Office of National Statistics.  
[https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions/bulletins/annualsurveyofhoursandearningspensiontables/2021provisionaland2020finalresults#:~:text=2.-,Participation%20trends,\(COVID%2019\)%20pandemic.](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions/bulletins/annualsurveyofhoursandearningspensiontables/2021provisionaland2020finalresults#:~:text=2.-,Participation%20trends,(COVID%2019)%20pandemic.)