

What does the Autumn Budget actually mean for me?

Chancellor of the Exchequer, Rachel Reeves delivered the first Autumn Budget under the Labour government on 30th October 2024.¹

For months, speculation has been mounting about what will be in store. The Prime Minister himself even warning that the budget is likely to be ‘painful’,² so it can be easy to feel confused or perhaps overwhelmed by the amount of information out there. Don’t worry, we get it.

To help, we’ve summarised what the Autumn Budget *actually* means for you – and for your pension. You can thank us later.

Key announcements:

1. State Pension to rise
2. Employer’s National Insurance contributions increase
3. Inherited pensions to face Inheritance Tax (IHT) from 2027
4. National Living Wage grows

First of all, what is the Autumn Budget 2024?

Sometimes called the Autumn Statement, it’s an official speech where the Chancellor updates Parliament about the economy. Usually, it’s when tax increases or spending cuts are announced.¹

The Autumn Budget on 30 October 2024 was the Labour Party’s first Statement since assuming power that July.

It is the first delivered by the Party in over 14 years, and the first Budget delivered by a female chancellor in Britain’s history.³

How does it affect me?

Since assuming her role as Chancellor, Rachel Reeves has inferred that there is a £22bn ‘black hole’ in the country’s finances.⁴

In turn, the Government announced that it would raise taxes by £40 billion.⁵ This could affect the way you budget for – and fund – your plans for later life.

How does it affect my pension?

There are a number of ways that the Autumn Statement could affect your pension and plans for retirement. Here are our key takeaways:

State Pension increases

From April 2025, the full new State Pension will increase by 4.1%, or from £221.20, to £230.30 per week, in 2025-2026.⁶

The government also announced that they will maintain the State Pension Triple Lock for the duration of Parliament.⁶ This is a government guarantee that the State Pension will increase every year by either the rise in inflation, earnings, or 2.5% (whichever is highest).⁷

It's estimated that over 12 million pensioners will receive up to £470 each per year.⁶

This may not affect you directly now, but for those who are considering retirement in the coming years, it's helpful to know how much extra State Pension you're entitled to.

National Insurance contributions

Reeves said that she will not increase National Insurance, VAT and income tax for working people.⁸

However, from April 2025, employers' National Insurance contributions will rise to 15%.⁶

The threshold at which businesses start paying National Insurance on a workers' earnings will also be lowered from £9,100, to £5,000.⁶ It's expected to raise £25bn for the government.³

National Insurance contributions will not change for employees, but it could have an impact on your employer.

Increase in the National Living Wage

It may not seem it at first, but there's a hidden pension benefit to the increase in the National Living Wage, coming next April.

It was announced that the National Living Wage was to increase by 6.7% to £12.21 per hour for those aged 21 and over.⁶

In turn, this may help enable employees to build up larger pension pots.

This increase (based on a 35-hour working week, is £22,222 per annum) means that those on National Living Wage who are auto-enrolled into a workplace pension will benefit from a total annual pension contribution of £1,278 a year.⁹

Made up of an employee's own and their employer's pension contributions, this means an additional £112 going into their pension annually.⁹

Additionally, 18-to-20-year-olds will receive an even greater 16.3% percentage increase in wage from £8.60 to £10 an hour.⁶

Inherited pensions

From April 2027, it has been confirmed that inherited unspent pension pots will form part of a person's estate and count towards their Inheritance Tax threshold.⁶

Based on what we know so far, unused pension funds and death benefits payable from a pension into a person's estate may be taxed from 6 April 2027.⁶

This means that, those who pass away early – leaving an unspent pension pot – may see their asset taxed. This means that it could lose value for their estate.

More on this is expected to come from the government in the coming months and years.

Pension Credit

The Budget has shown that the government is pushing Pension Credit take up, ensuring those eligible for this benefit are receiving it.⁶

From Spring 2025, those applying for Housing Benefit will be proactively encouraged to apply for Pension Credit, too. The Budget has showed that the government is already contacting 120,000 pensioners to claim Pension Credit.⁶

While it may not affect you now, for those approaching retirement, it's good to know ahead of time what you're entitled to when it comes to later life.

Income tax thresholds to lift

Income tax thresholds remain frozen, but Reeves has confirmed that these will be lifted in 2028 – rising with inflation.⁶

This means that, if you have an increase in wages, this could move you into a higher tax bracket in the future.

In turn, this could have an impact on how much salary you wish to – or can – sacrifice, if you decide to do so.

ISA and LISA limits untouched

Following the Budget, ISA and LISA limits will remain the same.

Annual subscription limits will stay at £20,000 for ISAs and £4,000 for LISAs.⁶

A LISA – or lifetime ISA – can help you save up to £4,000 every tax year towards a first home or your retirement. It can be opened between the age of 18 and 39, helping you save £4,000 tax-free each year until the age of 50.¹⁰

The government then adds a 25% bonus on these contributions, up to £1,000 a year, each year.¹⁰

So, what happens next?

The announcements made at the Autumn Budget could impact the way you budget for your retirement in various ways – both now, and in the future.

If you want to get into the detail, you can read the Government's full [Autumn Budget report](#).

Unless otherwise stated, all statements in our article are taken from the Autumn Budget announcement on 30 October 2024, and are accurate at time of writing.

Tax treatment depends on individual circumstances and taxation levels which may change. This information is based on our understanding of current taxation law and HMRC practice, which may also change.

Sources:

¹ [When is the Autumn Budget 2024 and what could be in it? | The Standard](#). Data source, The Standard, October 2024.

² [Autumn Budget will be painful, warns Keir Starmer - BBC News](#). Data source, BBC News. August 2024.

³ [Budget 2024: Rachel Reeves to set out tax rises and increased borrowing to 'rebuild Britain' | ITV News](#). Data source, ITV News, October 2024.

⁴ [Is there a £22bn 'black hole' in the UK's public finances? - BBC News](#). Data source, BBC News. September 2024.

⁵ [Budget 2024 live: Rachel Reeves raises taxes by £40bn, with businesses paying more than half - BBC News](#). Data source, BBC News. October 2024.

⁶ [Autumn Budget 2024 – HC 295](#). Data source, HM Treasury. October 2024.

⁷ [State Pension triple lock - House of Commons Library](#). Data source, House of Commons. November 2023.

⁸ [Employer national insurance hike to slow hiring and wage growth, critics say | The Standard](#). Data source, The Standard. October 2024.

⁹ [UK minimum wage to increase from next April in a boost for workers and with hidden pensions benefit | reaction - IFA Magazine](#). Data source, Aegon. October 2024.

