Pensions and retirement planning



Planning for retirement is one of the most important financial decisions you will make. The UK pension system offers generous tax reliefs and a range of ways to save and draw an income. This factsheet sets out the key options, the 2026/27 rates and allowances, and what you can do now to make the most of them.

At a glance

- Full new State Pension: £241.30 per week in 2026/27
- Tax relief given at your marginal rate of Income Tax
- Annual pension allowance: £60,000 for 2026/27
- Pension access from age 55 (rising to 57 after 5 April 2028)

The State Pension

The new State Pension is a regular government payment available to men born on or after 6 April 1951 and women born on or after 6 April 1953. The full amount for 2026/27 is £241.30 per week.

To receive the full new State Pension you need 35 qualifying years of National Insurance (NI) contributions. A minimum of 10 qualifying years is required to receive any amount at all. You can check your forecast using the government's State Pension Forecast Tool and, if you have gaps in your record, it may be possible to buy back missing years.

The State Pension age is currently 66, rising to 67 by 2028. Those who reached State Pension age before 6 April 2016 receive the old State Pension rather than the new one.

Workplace pensions and auto-enrolment

Under auto-enrolment, most UK employees are automatically enrolled into a workplace pension scheme. Eligible employees are those aged between 22 and State Pension age who earn at least £10,000 per year.

The minimum total contribution is 8% of qualifying earnings (which includes salary, wages, bonuses, commission and overtime). Employers must contribute at least 3%, with employees making up the balance — typically 5%. All employee contributions attract tax relief at the individual's marginal rate.

Employees can opt out, but doing so means losing both the employer contribution and the tax relief. For most people, staying enrolled is the better long-term choice.

Personal pensions and contribution allowances

Personal pensions — including self-invested personal pensions (SIPPs), which allow investment in stocks, funds and bonds — give you greater control over how your retirement savings are invested. SIPPs are particularly useful for the self-employed or those who want flexibility over where their money is held.

Contributions attract tax relief at your marginal rate of Income Tax, subject to the annual allowance. The tax rates for 2026/27 in England and Northern Ireland are:

RATE	BAND (2026/27)
Basic rate — 20%	£1 to £37,700
Higher rate — 40%	£37,701 to £125,140
Additional rate — 45%	Over £125,140

Key allowances for 2026/27:

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- Annual allowance: £60,000 (or 100% of earnings, whichever is lower). Unused allowance from the previous three tax years can be carried forward.
- Tapered allowance: for those with income above £260,000, the allowance reduces by £1 for every £2 of income above that threshold, down to a minimum of £10,000.
- Non-taxpayers: UK residents — including children — can contribute up to £2,880 per year even with no income. Basic rate relief tops this up to £3,600 automatically.

If you have already started drawing from a defined contribution pension, the Money Purchase Annual Allowance (MPAA) limits further tax-relieved contributions to £10,000 for 2026/27.

Employer contributions and Corporation Tax

Employers can contribute directly into employees' pension schemes. These contributions are exempt from National Insurance and are a deductible expense for Corporation Tax purposes, making them a tax-efficient way to reward staff or remunerate owner-directors.

There is also a Pensions Advice Allowance of £500 per use, which allows individuals nearing retirement to withdraw up to £500 from their pension pot tax-free to put towards the cost of financial advice. A separate employer-arranged pensions advice exemption of £500 per tax year applies where an employer pays for or reimburses the cost of pensions advice for an employee.

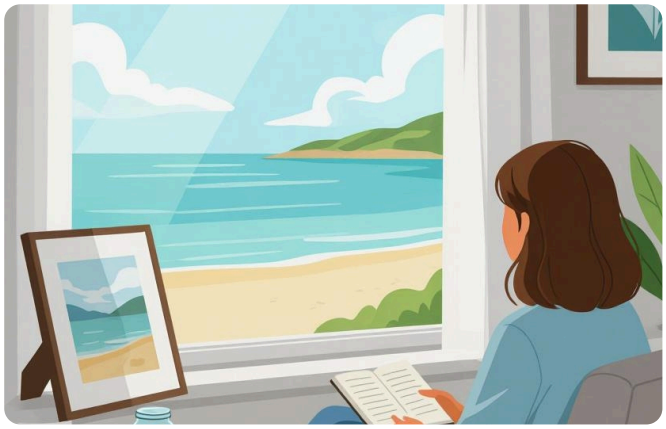
Accessing your pension

From age 55 (rising to 57 after 5 April 2028) you can begin drawing from your pension. The first 25% of your pot can be taken tax-free; the remainder is taxed as income at your marginal rate. Be aware that accessing your pension may trigger the MPAA, restricting future tax-relieved contributions to £10,000.

There are three main options, which can be used individually or in combination:

- Lump sum: take some or all of the pot; 25% is tax-free and the rest is taxed as income.
- Income drawdown (flexi-access drawdown): keep the funds invested and draw a regular income as needed.
- Annuity: use the pot to buy a guaranteed income for life from an insurer.

Note on inheritance tax: from April 2027, most pension death benefits are expected to be brought within the deceased member's estate for inheritance tax purposes. This is a significant change from the current position and is worth considering as part of your overall estate planning. We would recommend speaking to a regulated financial adviser about the implications for your circumstances.



Next steps

- Check your State Pension forecast online to identify any gaps in your NI record worth filling before 5 April 2027.
- Review your pension contributions for 2026/27 — if you have unused allowance from earlier years, now is the time to consider carrying it forward.
- If you are approaching retirement or concerned about the April 2027 inheritance tax changes, consider speaking to a regulated financial adviser about your options.

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