Press Release

10 ways to kick start your pension in the New Year

By Mark Reilly, Pensions Proposition Lead, Royal London Ireland

The New Year is a great time to spring clean your finances and to tackle those financial issues that you've put on the long finger. People can understandably put off dealing with their pension – whether that be starting one or making sure their pension in place is adequate. This however can be an expensive mistake which could ultimately see people struggle financially when retired. So how can you make 2025 the year you get around to kick-starting your pension?

1. Start a pension as soon as possible!

Saving into a pension as early as possible will give you the best chance of building up a reasonable or significant pension pot. The sooner you start saving into a pension, the more prepared you will be for your retirement – and the more benefit you will gain from the pension tax reliefs that are available. Even if you can only afford to save a small amount into your pension, contributing smaller amounts in the early days can help build a significant pot at retirement - particularly when the benefits of compounded investment growth are considered. So, if you haven't yet started a pension, make it your priority to do so in 2025.

Even if you consider yourself a late starter on pensions, it is never too late to start saving into one. While it's not ideal to start saving into a pension in your 50s or early 60s for example, starting late is better than never starting at all. Those aged 60 or over can contribute up to 40pc of their relevant earnings a year into their pension and claim tax relief on their contributions at their highest rate of income tax – which is currently 40%. This is the highest amount of tax relief that is available on pension contributions so late starters can take advantage of this relief as much as possible.

2. Put a pay rise towards your pension

The start of the year is often a traditional time for workers to get a pay rise. Private sector workers may be set for pay rises of up to 7pc next year after the Irish Congress of Trade Unions recommended that union officials seek increases of 4pc to 7pc next year . If the New Year heralds a pay rise for you, consider using some of it to increase the amount you're saving into your pension – if you can afford to do so. Similarly, if you get an annual bonus, consider putting this money towards pension. Be mindful of the tax relief limits on pension contributions if increasing your contributions or lodging a bonus to your pension – it makes sense not to exceed these limits.

3. Make the most of pension tax relief

Have a clear understanding of the amount of tax relief you can get on pension contributions – and take full advantage of that tax relief. There are limits to the amount of tax relief you can get on your personal pension contributions, depending on your age and relevant earnings. The older you are, the more tax relief you are entitled to. For example, those under 30 can get tax relief on pension contributions equivalent to no more than 15pc of their relevant earnings. People aged 60 or over can contribute up to 40pc of their relevant earnings to their pension a year and get tax relief on it. Note too that there is a €115,000 cap on the maximum annual earnings that pensions tax relief on personal contributions can be claimed on.

Pensions are the most tax-efficient way of saving. You qualify for 40pc tax relief on your pension contributions if you're a higher-rate taxpayer; 20pc if you're a standard rate taxpayer. So, if for example, you're paying €600 a month into your pension and you're a higher rate taxpayer, this €600 contribution would only cost you €360 once tax relief has been accounted for.

4. Make the most of contributions by the company you work with

With most company pension schemes, employers make a contribution to your pension on your behalf. Make the most of any employer contributions available to you, particularly if your employer matches your contributions. If this is the case, find out the maximum contribution that your employer is prepared to match – and if you can, match your own personal contributions to that.

5. Don't let a lack of company pension put you off

Not everyone has access to a company pension scheme. There is currently no legal obligation on an employer to set up or contribute to a pension scheme. However, when a company pension is not available, employers must provide their employees with access to at least one standard Personal Retirement Savings Account (PRSA), a type of personal pension.

It is important that self-employed individuals don't overlook their pensions. The main choices of pensions for the self-employed are PRSAs and personal pensions (also known as retirement annuity contracts).

6. Top-up your pension

Saving extra money into your pension through Additional Voluntary Contributions (AVCs) is a good way to boost your pension, particularly if you have not been saving enough into a pension or you need to make up for lost time on pensions.

7. Check your investments

Check how your pension fund is performing. This information will be detailed in annual pension statements sent to you by your pension provider each year or made available to you online. If you are dissatisfied with the performance of your fund, it might be wise to switch to another one – but get financial advice before doing so. A Financial Broker will give you independent advice and will help ensure your pension savings are invested in suitable funds and products which will hopefully deliver the retirement income you are hoping for. It's important your pension investments are appropriate for your stage in life. Generally, the longer you have until retirement, the more risk you may want to take with your pension investments. As you approach retirement, you may want to move your pension savings out of any higher-risk investments.

8. Be ready to supplement your AE pension

The Government is expected to introduce auto-enrolment (AE) in autumn 2025. Under AE, workers aged between 23 and 60 who earn more than €20,000 a year that don't currently have a company pension will be automatically signed up to a pension plan co-funded by their employer, the workers and the State. All workers can leave the pension plan at any stage. Under the proposed AE scheme, employers will be required to match a portion of an employee's pension contributions, up to a set percentage.

If you're one of those who will be eligible for AE, understand your entitlements under the scheme and how much of a pension AE is likely to generate for you. Be mindful that the limits on contributions allowed under the AE scheme could make it difficult for you to save up an adequate retirement income through AE alone. So, it may be wise to supplement your AE pension with a personal pension.

9. Make sure your pension will be enough

People often underestimate the amount of money they need to save for retirement, as well as the amount they will spend at that stage of their lives.

Get a sense of what kind of income you want and will need when you retire – and then set this as your target pension. Most Financial Brokers recommend you aim to have an annual income equivalent to between 50pc and 66pc of your final salary on retirement, but you may need more or less than this, depending on your own financial circumstances. Try to understand the regular and discretionary expenses you are likely to face in retirement - as well as possible healthcare costs you could face at that stage of your life.

Once you have decided on your target pension, check your annual pension statement to find out what pension you will be entitled to in retirement. If your retirement income falls short of your target, you'll need to save more into your pension – if you can afford to. There are tools available to allow you to estimate the contributions you need to pay into your pension to hit that target. For example, the Pensions Authority has a useful calculator on its website that allows you to do this.

10. Get advice

Pensions are a complex area - so don't be afraid to seek independent financial advice from a Financial Broker to ensure you're on the right track for your retirement.

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Notes to the Editor:

About Royal London Ireland:

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