Media Q&A

16 October 2026

Do I really need to start a pension in my twenties?

I finished college earlier this summer and have just started my first job. It's a good steady job in financial services and one of the perks of the job is a company pension with a generous employer contribution. As I'm only in my early 20s, I'm not sure if I need to rush into starting a pension now. Would you have any advice around this - and also around how my approach to pensions should change as I become more established in my career?

Mark Reilly, Pension Proposition Lead, Royal London Ireland

The best thing you can do for your future self is start your pension now. One of the biggest advantages you have if you start a pension in your 20s is time. Starting a pension at the beginning of your career is one of the simplest and most effective ways to build substantial retirement savings over the long term.

Pensions remain one of the most tax-efficient ways to save for the future, with tax relief on contributions, tax-free investment growth and the option to take a tax-free lump sum at retirement. Combined with the power of compound investment growth, even modest contributions made in your twenties can have a significant impact by the time you retire.

In fact, someone who contributes consistently from their mid-twenties for just ten years can often build a larger pension pot by retirement than someone who waits until their mid-thirties to start saving, even if the second person contributes for much longer, assuming contribution levels and investment growth

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are the same. It's a powerful reminder that, when it comes to pension saving, getting started early can be just as important as how much you contribute.

It’s also worth noting that if you don’t take up your employer’s offer to join the company pension scheme, you will be signed up to the State’s Auto Enrolment (AE) pension scheme, assuming you’re eligible for it. Employees aged between 23 and 60, earning over €20,000 per annum (across all employments) and not already contributing to an occupational pension will be automatically enrolled into AE.

AE is a defined contribution pension scheme: employee contributions are matched by employers and topped up by the State at a rate of €1 for every €3 you pay in (effectively a 25% top-up). Contributions will be deducted alongside your salary and shown on your payslip.

You don’t mention if you’re a higher rate taxpayer or not. Note that if you are a higher rate taxpayer, you may benefit more from the tax relief available on a company pension than the State top-up available under AE. With a private pension (such as a company pension), you receive tax relief at your marginal rate - currently 40% for higher rate taxpayers - on your contributions (subject to Revenue limits). This can make private pension options particularly attractive if you wish to contribute more than the fixed AE limits or maximise your tax advantages earlier in your retirement planning.

AE does not allow flexibility in contribution rates: both employee and employer contributions are set as a percentage of earnings, rising from 1.5% to 6% over the first ten years. Neither employees nor employers can contribute more or less than these set percentages. Employer and State contributions are capped at €80,000 of annual salary.

As this is your first pension, it is strongly recommended that you seek independent financial advice to ensure you choose the most suitable pension arrangement for your circumstances.

30s

Your thirties are often when careers gather pace, but they can also be a decade of competing financial priorities, from buying a home to starting a family. While retirement may still feel a long way off, it's important that your pension keeps pace with your career. Reviewing your contributions whenever your salary increases and upping them where possible can make a meaningful difference over the long term.

If your budget allows, Additional Voluntary Contributions (AVCs) are another effective way to boost your retirement savings while benefiting from available tax relief. Even relatively modest additional contributions made over many years can have a significant impact by the time you retire.

Your pension isn't something to set up once and forget about. Taking the time to review your pension regularly, including whether your investments remain suitable for your stage of life and retirement goals, can help keep you on track.

40s

By your forties, many people are balancing pension saving alongside significant financial commitments, including childcare, school fees, supporting older children through third-level education or even helping them onto the property ladder.

If you're having children later in life, it's worth considering how those future costs could coincide with your retirement years. Planning ahead for expenses such as college costs from an early stage can help reduce the pressure on your retirement savings later.

This is also a good time to take stock of all the pension benefits you've built up during your career. If you've changed employers several times, make sure you know where each pension is held and keep your contact details up to date with each scheme administrator. Having everything organised well before retirement can save a considerable amount of time and frustration when it comes to accessing your pension benefits.

50s

Your fifties are often the decade when retirement shifts from being a long-term ambition to a real financial plan. The closer you get to retirement, the more important it becomes to review your pension regularly to make sure you're still on course to achieve the retirement lifestyle you want. The final ten years before retirement can be particularly important, as they give you an opportunity to make informed decisions while you still have time to act.

It's also worth remembering that inflation can gradually reduce the spending power of your retirement savings over time. Reviewing your pension contributions regularly and increasing them where possible can help your retirement planning keep pace with rising living costs.

Just as importantly, think carefully before taking on new debt as retirement approaches. If possible, aim to have your mortgage repaid before you retire, as carrying mortgage repayments into retirement can place unnecessary pressure on your income. Equally, while it can be tempting to top up a mortgage later in life to fund home improvements or help family members financially, it's important to consider how those decisions could affect your own financial security in retirement.

As you approach retirement, the focus also shifts from building your pension to understanding how it will support your lifestyle in the years ahead.

It’s good that you are thinking ahead on your pensions – and that you already realise that you will need to change your approach to your pensions. In this regard, regular reviews with your Financial Broker throughout your career can help ensure your retirement plan, investment strategy and expected retirement income remain aligned with your long-term goals.

ENDS

About Royal London Ireland:

Royal London Ireland has a history of protecting its policyholders and their families, and it is committed to continue to do so for a long time to come. Our heritage in Ireland is 190 years starting when the Caledonian Insurance Company's first office opened on York Street, Dublin 2 in 1834. Today, Royal London Ireland is owned by The Royal London Mutual Insurance Society Limited – the UK’s largest mutual life insurance, pensions and investment company, and in the top 30 mutuals globally*, with assets under management of €228 billion, 8.5 million policies in force, and over 5,000 employees. Figures quoted are as at 31 December 2025.

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*Based on total 2022 premium income. ICMIF Global 500, 2024