

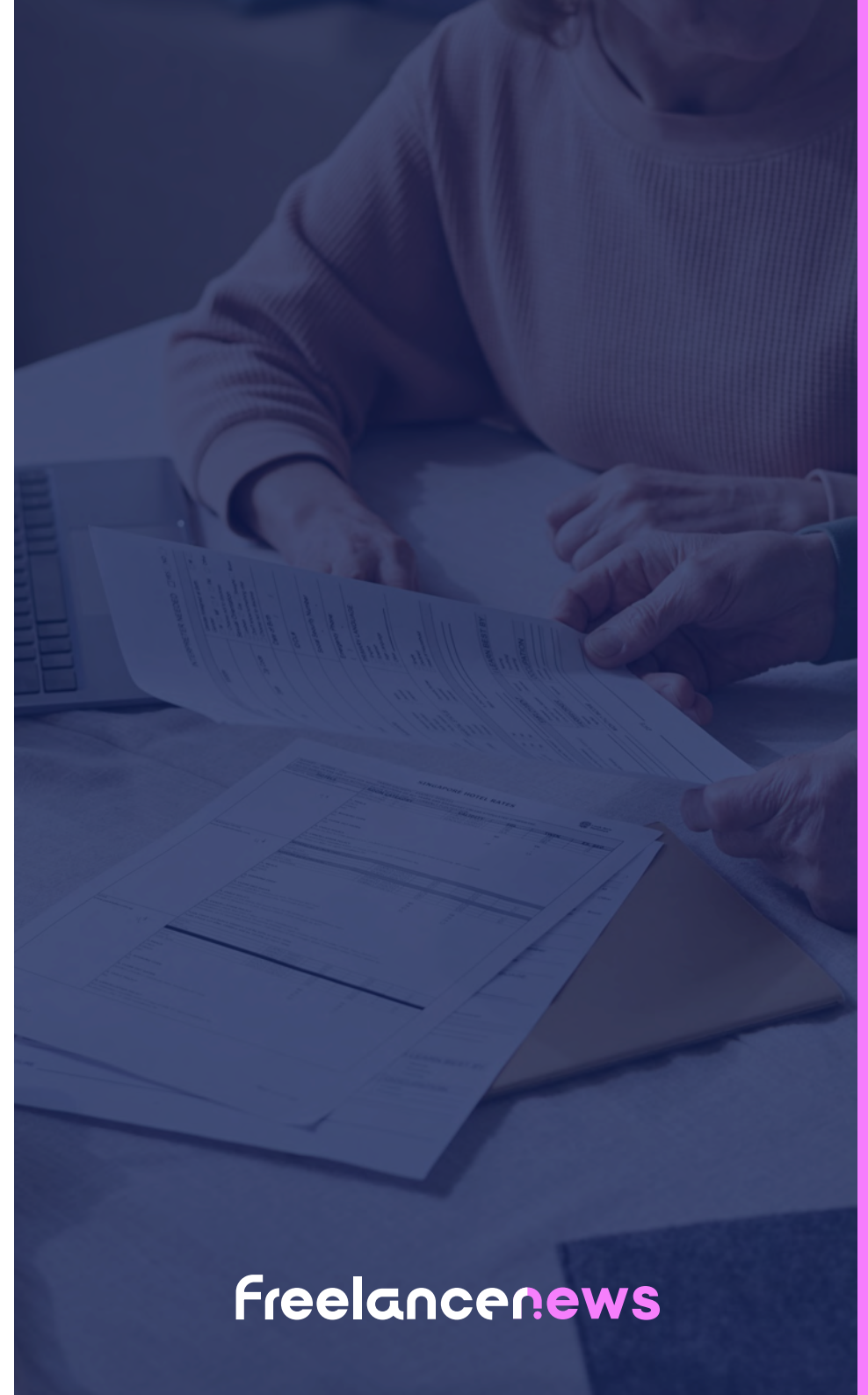


TIPS & ADVICE

A Quick Guide to Pensions

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A man with grey hair and glasses, wearing a yellow sweater, is sitting at a desk. He is looking down at a piece of paper he is holding in his hands. There are other papers and a pencil on the desk. The background is a blurred office setting. The image has a blue tint.

Intro

Pensions aren't exactly the most exciting topic. They usually sit in the same category as mortgages, interest rates, and insurance - things people know they should think about but often avoid.

But pensions are one of those necessary financial realities you must think about. Whether you're a freelancer just starting out or already established, retirement planning should be at the top of your agenda.

This guide breaks down why pensions matter for freelancers, how to start saving, and what pension options are available.

Why You Should Think About Your Pension Early

Retirement can feel like it's decades away, even when it really is, so pensions often fall to the bottom of the priority list – especially if there are more pressing financial commitments waiting in the here and now.

But here are some truths you may (or may not) want to hear:

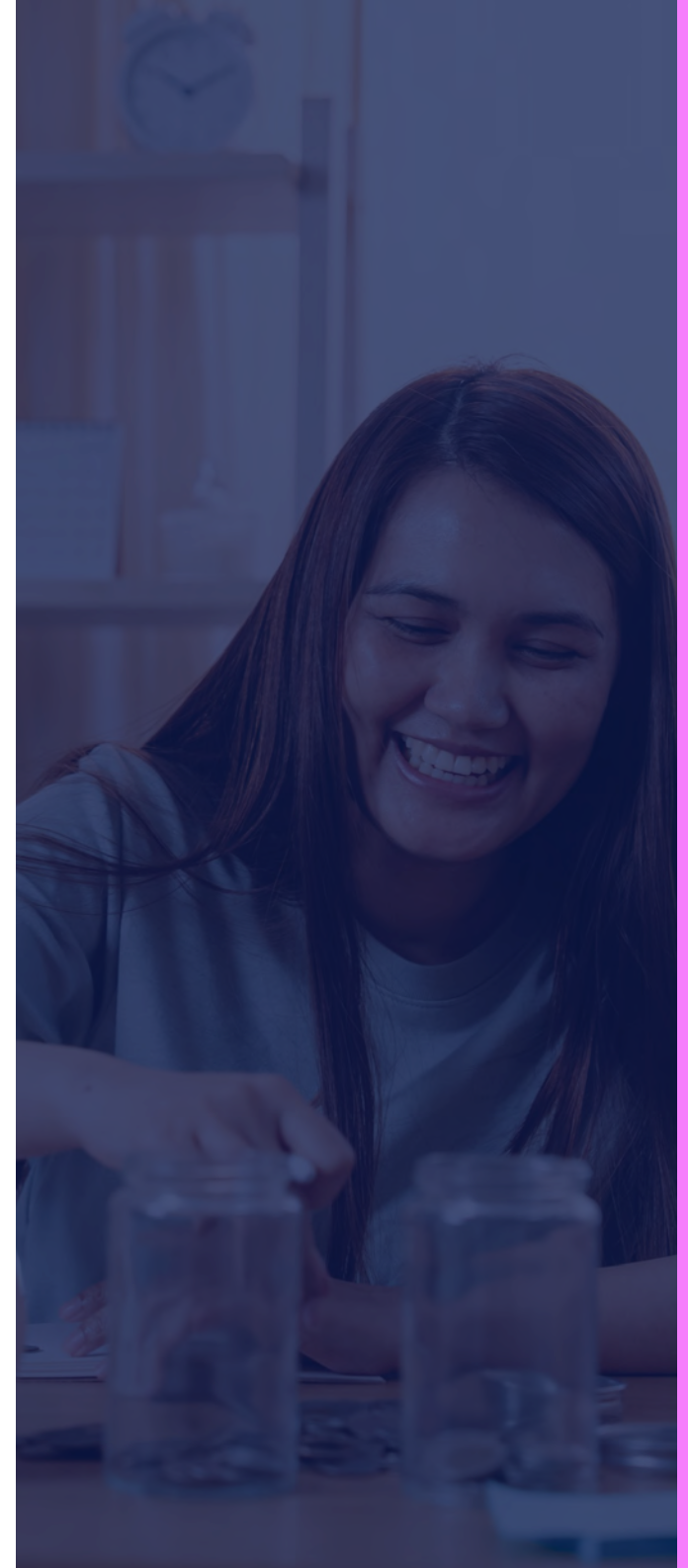
- You *will* get older
- Retirement *will* eventually happen
- And relying only on the state pension is *unlikely* to be enough

With the cost of living rising over time, the state pension alone may not cover a comfortable lifestyle in the retirement that we all dream of.

The good news is, if you start planning early:

- Your savings have more time to grow
- Compound investment growth works in your favour
- You can contribute smaller amounts over a longer period

For example, someone who started saving at 25 could end up with a larger pension pot than someone who started 20 years later, even if they put the same amount into the pot.



Saving Alongside a State Pension

The key step is to save for retirement in addition to the state pension.

Some common ways freelancers do this include:

- Pension schemes
- Investment accounts
- Individual Savings Accounts (ISAs)

The important part is consistency. Contributing a fixed amount regularly can help build a pension pot over time.

A good strategy is to automate your savings, treating pension contributions like a regular expense.



The Challenges for Freelancers

Freelancers often struggle to prioritise retirement savings because:

- Income may be irregular
- Money is needed for rent, food, and living costs
- Retirement feels too far away to worry about now

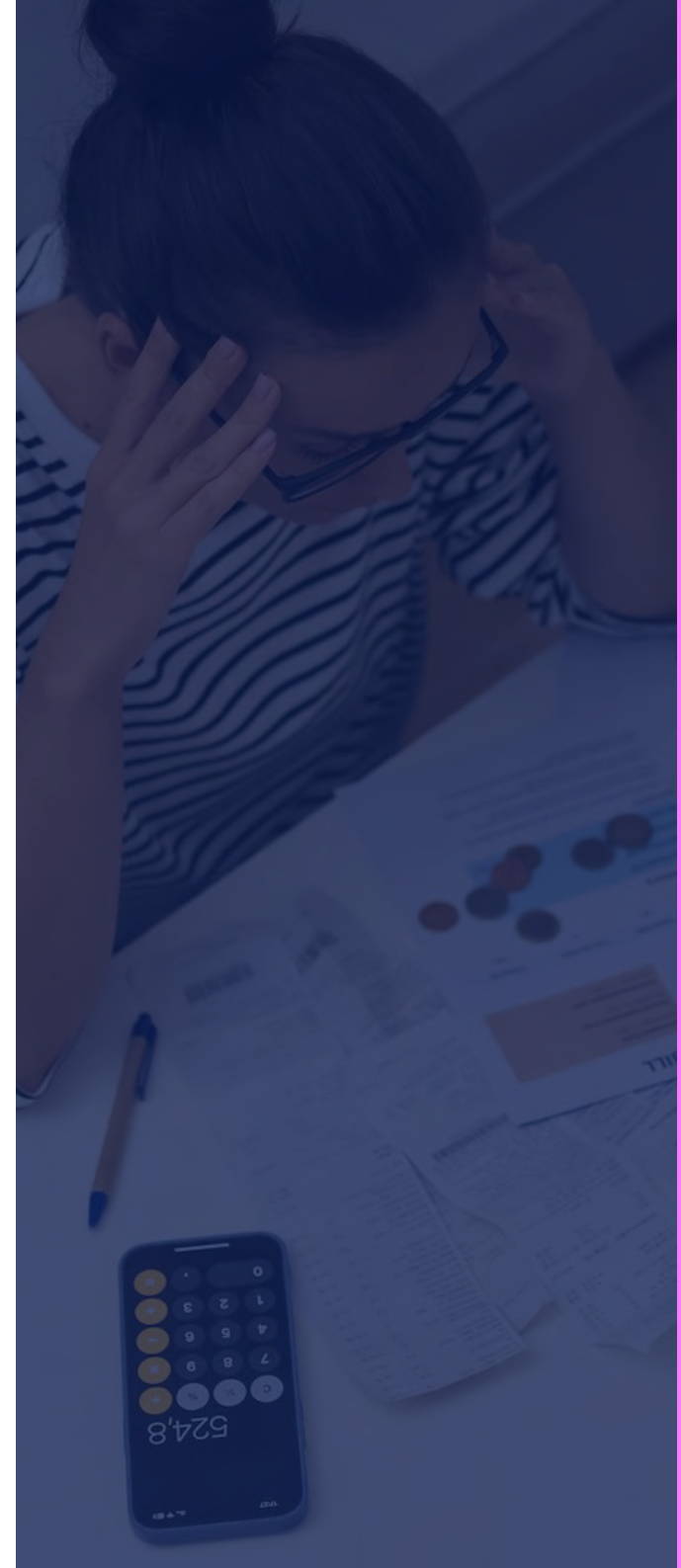
If saving feels impossible, it may be a sign that the business itself needs to grow.

Here are a few ways to improve your financial position.

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Growing your Freelance Business

Raise your rates

One common issue freelancers face is under-pricing their services.

Many freelancers set their prices based on market averages rather than calculating the true cost of running their business.

A proper pricing strategy should consider:

- Taxes and National Insurance
- Business expenses
- Tools, software, and equipment
- Sick leave or time off
- Retirement savings

When you include these costs in your pricing, retirement savings become a planned business expense rather than an afterthought.



Grow your Client Base

Freelancers should aim to market their services consistently.

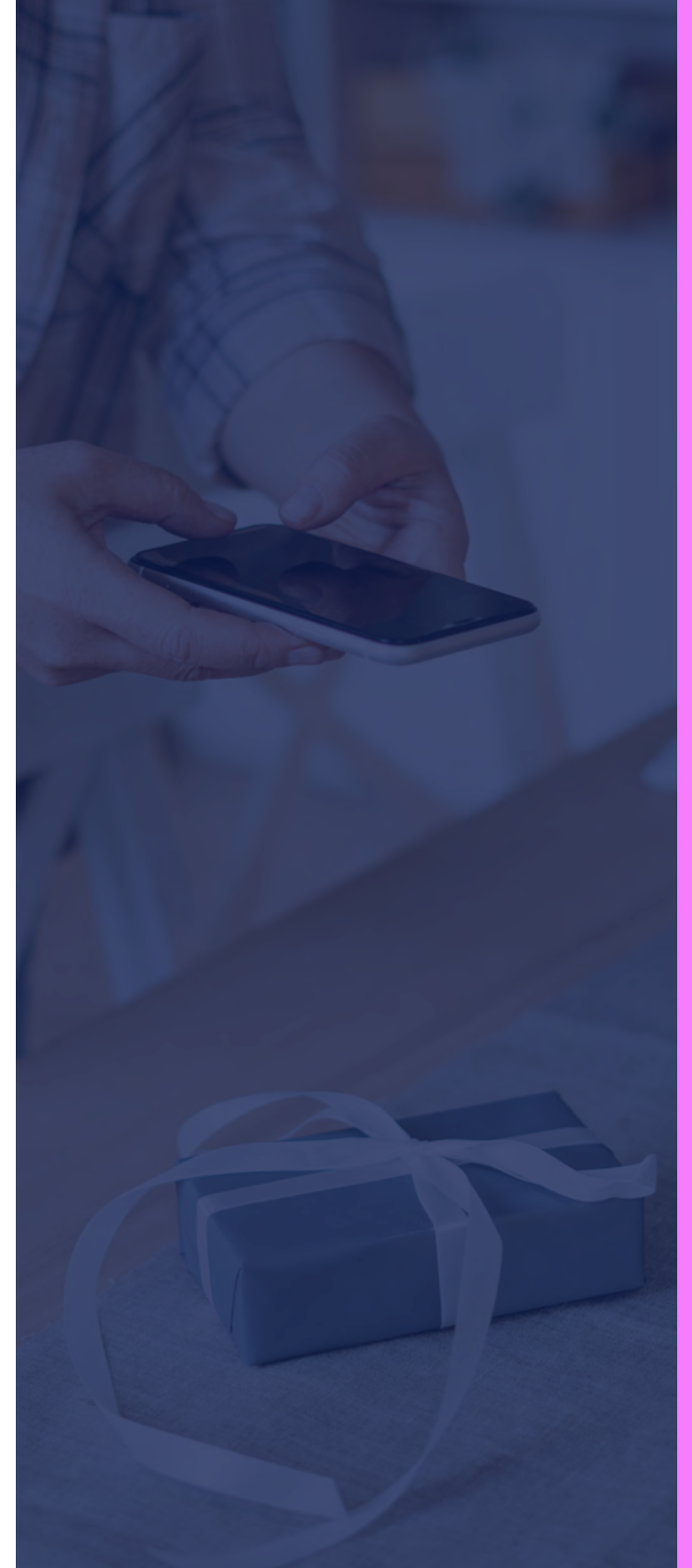
Daily marketing activities could include:

- Networking on social media
- Writing blog posts or sharing expertise
- Reaching out to potential clients
- Building a personal brand

If you're too busy to market, consider:

- Raising your rates
- Outsourcing admin or accounting tasks

Freeing up time allows you to focus on revenue-generating work.



Allocate a percentage of your earnings to your pension

Once your income becomes more stable, it can help to allocate percentages of your income.

For example, every payment you receive could be split into categories such as:

- Tax and National Insurance
- Living expenses
- Business expenses
- Retirement savings

Even small contributions to retirement can grow significantly over time.



Pension Option for Freelancers

Freelancers have several pension options available. The best choice depends on your income level, financial goals, and need for flexibility.

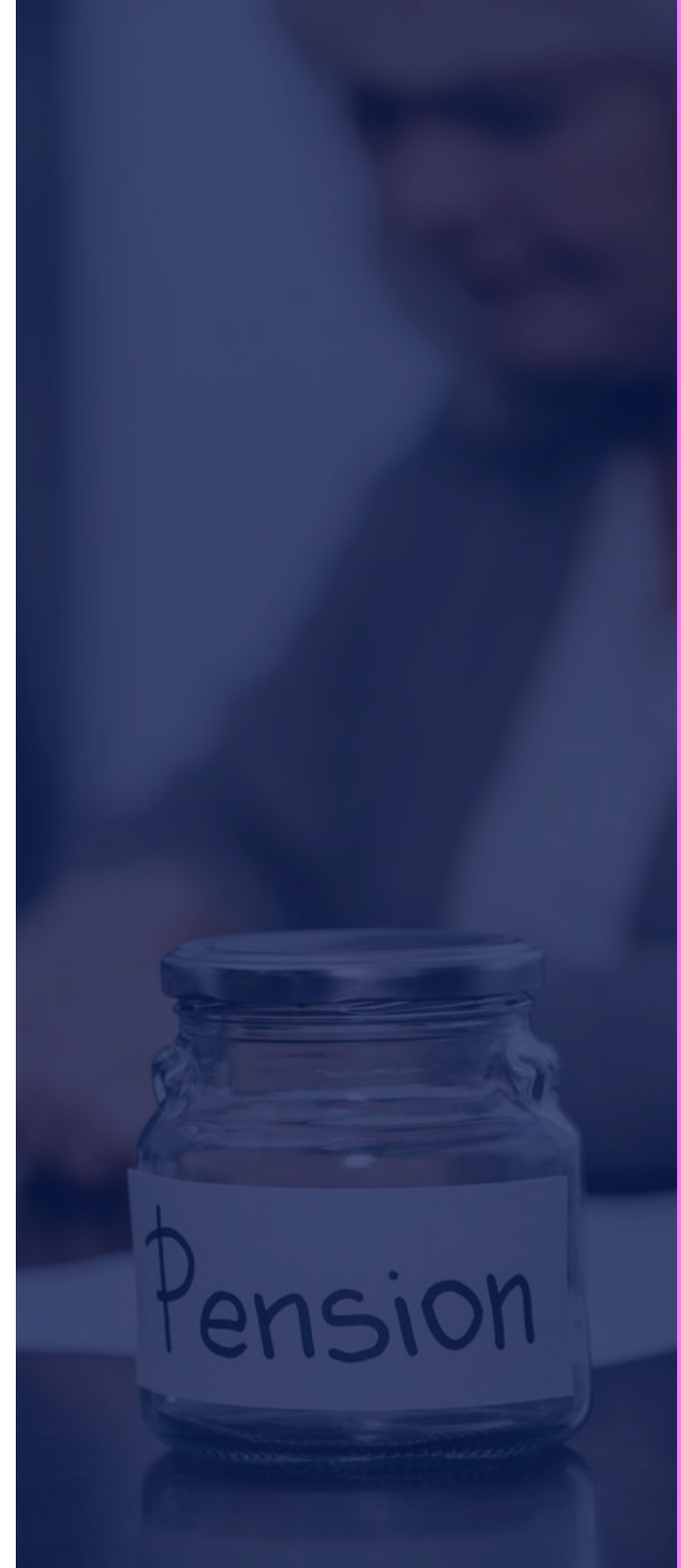
Since 2006, individuals can have multiple pension schemes, although there are annual limits on how much tax relief you can claim on your pension contributions.

Here are some common pension types.

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Stakeholder Pensions

Stakeholder pensions are designed for people who:

- Don't have access to a workplace pension
- Are self-employed

Key features:

- Contributions are invested on your behalf
- Usually offered by banks, insurance companies, or investment platforms
- Flexible contributions
- You can keep contributing even if your work situation changes

They're generally considered a simple and accessible option.



Personal Pensions

Personal pensions allow individuals to save in a tax-efficient way.

Key features:

- Contributions are invested in the stock market
- The government provides tax relief on contributions
- Can be used alongside other pension arrangements

This option can provide strong long-term growth potential depending on investment performance.





Self-Invested Personal Pensions (SIPPs)

Self-Invested Personal Pensions (SIPPs) can offer the most control.

With a SIPP you can:

- Choose your own investments
- Invest in a wide range of HMRC-approved assets
- Manage your pension strategy yourself or with advice

This option tends to suit freelancers who:

- Are comfortable with investing
- Want more control over their pension portfolio

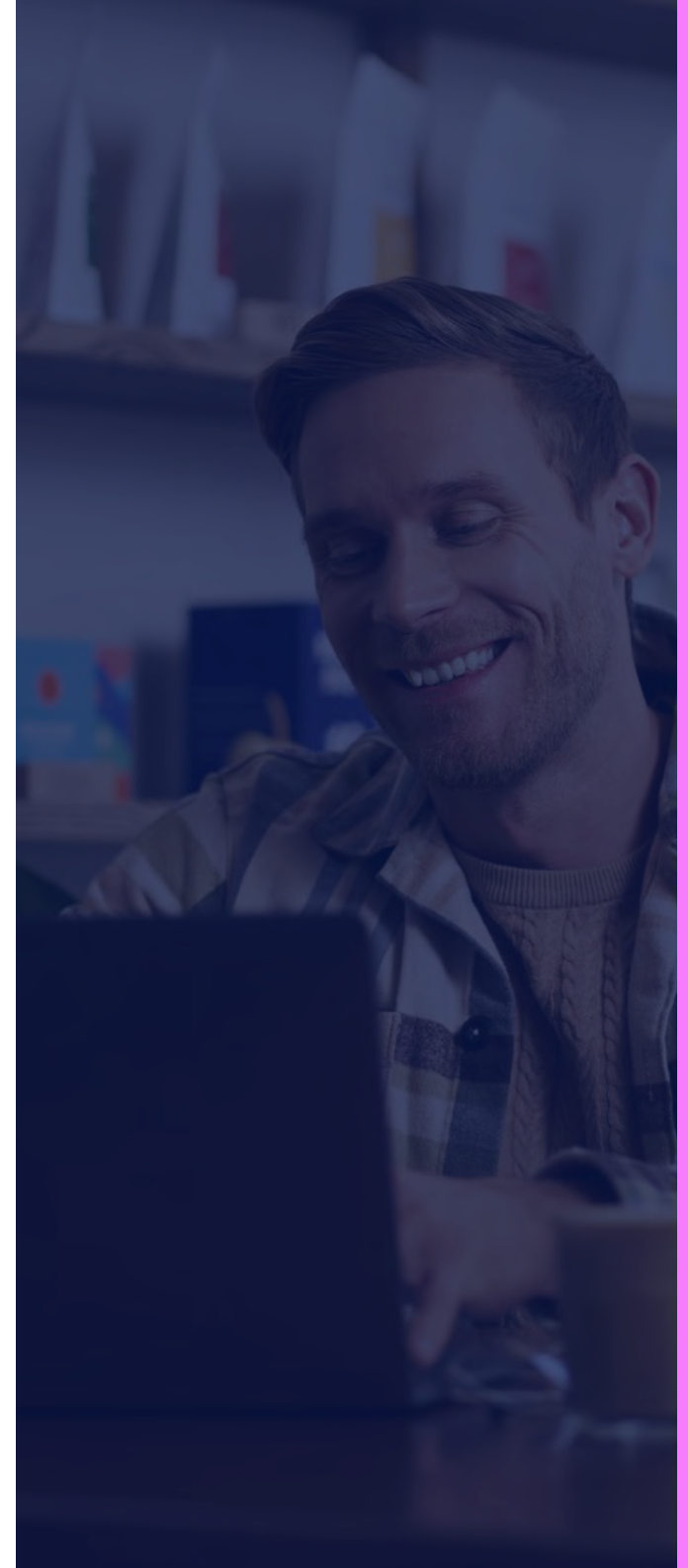
Pension Tips for Freelancers

Pensions may not be exciting, but they're one of the most important financial decisions freelancers make.

The key lessons are simple:

- Start saving as early as possible
- Treat retirement savings like a business expense
- Grow your income so saving becomes easier
- Choose a pension option that fits your freelance lifestyle

Even small contributions today can make a huge difference decades from now.



Got a Question?

Need clarity on pensions as a freelancer?

Drop us a line - your question could feature in the next edition of this guide.

Contact us

