



M A R C H 2 0 2 5

SPOTLIGHT ON:

Retirement savings in your
50s: How to catch up



MAKING UP FOR LOST TIME WITH SMART PENSION PLANNING

By your 50s, retirement planning often moves to the top of the financial agenda. If your pension pot isn't where you'd like it to be, there are ways to increase contributions, take advantage of tax reliefs, and strengthen your long-term financial security. This guide outlines the latest pension rules, allowances, and strategies, helping you make informed decisions about your retirement savings. Whether you're looking to top up your pension, explore additional investment options, or adjust your approach, having a clear understanding of your options can make a significant difference to your future financial stability.

THE CURRENT OUTLOOK FOR RETIREMENT SAVING IN THE UK

Retirement savings in the UK typically include workplace, private, and state pensions. Automatic enrolment has significantly increased participation, with 88% of eligible employees enrolled in a workplace pension in 2023, covering approximately 20.8 million individuals.

Many people underestimate how much they need to save for retirement, with the Pensions Policy Institute highlighting a gap between expected and actual retirement income. By your 50s, earnings may be more stable, but financial commitments – such as a mortgage or supporting children – can still be a priority. However, with careful planning, higher earning potential offers a chance to boost pension contributions and strengthen retirement savings.

TAX RELIEF AND PENSION ALLOWANCES FOR 2025/26

Annual allowance

The annual allowance is the maximum you can contribute to pensions each tax year while still benefiting from tax relief. From April 2023, it increased to £60,000 for most people.

Money purchase annual allowance (MPAA)

If you have started taking pension benefits flexibly (for example, using flexi-access drawdown), the MPAA might apply. This restricts contributions to £10,000 per year once triggered.

Lifetime allowance (LTA)

The Government abolished the Lifetime Allowance (LTA) on 6 April 2024, removing the previous tax charge for exceeding a set lifetime pension pot limit. This means that there is no LTA from the 2025/26 tax year onwards, and individuals can contribute to their pensions without facing additional tax penalties for breaching a lifetime cap. However, standard tax rules still apply to withdrawals, and certain lump sums remain subject to limits.

Personal allowance and tax thresholds

Income tax thresholds remain frozen until April 2028. The personal allowance is £12,570, with 20% tax up to £50,270, 40% tax up to £125,140, and 45% tax above £125,140. In 2025/26, you can expect these bands to remain the same unless new policies intervene.

WORKPLACE PENSIONS IN YOUR 50s

Review your contribution rate

Auto-enrolment sets a minimum total contribution of 8% of qualifying earnings, including at least 3% from your employer. Contributing more than the minimum is often beneficial if you want to catch up on retirement savings. Some employers match higher contributions, so find out if yours does.

Use salary sacrifice

A salary sacrifice agreement allows you to reduce your gross salary in exchange for higher employer pension contributions. This lowers your National Insurance liability and can increase pension funding. However, salary sacrifices may affect other benefits such as life insurance or bonuses.

Explore additional voluntary contributions (AVCs)

If your workplace offers a defined benefit (final salary) scheme, AVCs can boost your retirement income. Tax relief for AVCs works like it does for other pension contributions, so you usually receive relief up to your available allowance.

STATE PENSION CONSIDERATIONS

Understand your State Pension age

Your State Pension age may be 66 or 67, depending on your date of birth. Future increases are possible, but any changes must be passed into law.

Check your National Insurance record

To get the full new state pension, you need around 35 qualifying years of NI contributions. Review your NI record online, and if there are gaps, you may opt to make voluntary contributions to improve your State Pension.

Projected amount of the State Pension

The full new State Pension is £221.20 per week for 2024/25 and is set to rise to £230.25 per week from April 2025. This increase follows the triple lock mechanism, which ensures the State Pension rises by the highest of inflation, average earnings growth, or 2.5%. The 2025/26 increase is based on average earnings growth of 4.1%. Keep an eye on official updates for any further changes.



INCREASING YOUR PENSION CONTRIBUTIONS

Catch-up approach

In your 50s, higher earnings or lower expenses may allow you to increase pension contributions. If you pay 40% tax, a £12,000 gross contribution effectively costs £7,200 after tax relief. Ensure your contributions remain within the £60,000 annual allowance to avoid potential tax charges.

Carry forward rules

Carry forward lets you use unused annual allowance from up to three previous tax years if you had a pension in those years. This can allow significant one-off contributions. If you have enough earnings and capacity for tax relief, carry forward may help you catch up quickly.

Balancing other savings

At this stage in your life, you may also want to pay off a mortgage, build an emergency fund, or address high-interest debts. Compare your mortgage interest rate to the long-term growth of pension investments, and if the pension offers higher returns (especially with tax relief), extra pension contributions may be more appealing. However, reducing high-interest debts is often wise before stepping up pension savings.

DRAWING BENEFITS AND AVOIDING EARLY WITHDRAWAL PITFALLS

When can you start drawing your pension?

The normal minimum pension age will rise to 57 in April 2028. By 2025/26, most individuals can access pensions from at least age 55. If you withdraw too early, however, you might deplete your funds before retirement.

Tax implications of early withdrawals

Taking pension benefits early can trigger the MPAA, lowering your future contribution limit to £10,000 a year. If you plan to keep contributing significantly, be aware of how early withdrawals might limit you.

Partial retirement

Some people choose to reduce work hours in their 50s and draw partial pension benefits. This can help you transition into retirement, but you should check if your overall pot can still grow or maintain its value; you might pay income tax on withdrawals, depending on your allowances.

DIVERSIFYING YOUR RETIREMENT STRATEGY

Consider ISAs and other savings

An Individual Savings Account (ISA) offers tax-efficient savings alongside pensions. You can invest up to the annual ISA allowance (currently £20,000). Withdrawals are free of income tax. In retirement, these funds can complement your pension and give you more flexibility.

Investments outside of pensions

Some people choose to invest in property, shares, or bonds. These can yield returns but also carry risks. They are also likely to be less tax efficient. If you have limited time to rebuild savings, you may prefer investments that are less prone to volatility. Seek advice from your accountant or financial adviser if you need to decide on risk levels that suit your age and goals.

Self-employed considerations

If you are self-employed, auto-enrolment does not apply. You must set up your own pension, such as a personal pension or SIPP. In your 50s, you can still receive tax relief on contributions within your annual allowance. Increase contributions if your earnings allow, especially while you have the carry forward option.

REVIEWING AND ADJUSTING YOUR PLAN

Regular pension forecasts

Ask your pension provider for updated projections. This allows you to track progress toward your retirement target. If you find a shortfall, you can increase contributions or adjust your investments.

Adjust contributions when possible

If you receive a salary increase or bonus, direct a share of it to your pension. This approach ensures consistent growth and reduces the chance of spending extra earnings on non-essentials.

Monitor legislation changes

Pension policies can shift with Government budgets. Check official sources such as GOV.UK or HMRC for announcements. If changes affect the annual allowance or the MPAA, adjust your strategy accordingly.

Talk to your employer

Your employer might offer more generous matching or additional benefits. Also, they can explain any changes to workplace pensions that could affect your contributions for the 2025/26 tax year.

POTENTIAL RISKS AND HOW TO ADDRESS THEM

- 1. Overexposure to certain assets:** Relying on one type of investment can lead to higher risks. Diversify across different asset classes to reduce vulnerability.
- 2. Delaying contributions:** Time in the market is important for compound growth. Contributing sooner, even if the amount is moderate, is generally beneficial.
- 3. Ignoring inflation:** Rising living costs can erode the real value of your savings. Consider strategies or funds that aim to outpace inflation over the long term.
- 4. Accessing your pension too early:** Early withdrawals reduce your pot's ability to grow. Evaluate whether you truly need the funds and the possible tax implications.

PRACTICAL STEPS TO BOOST YOUR PENSION BEFORE RETIREMENT

- 1. Carry forward:** Check your unused allowances from the past three tax years. You can make a large lump-sum contribution in 2025/26 if you have enough earnings and space for tax relief.
- 2. Increase regular contributions:** Small monthly increases can add up significantly over the remaining years to retirement.
- 3. Review monthly outgoings:** Identify unnecessary spending and redirect these funds toward your pension.
- 4. Maximise employer matching:** If your employer offers to match above the minimum, contribute enough to claim the maximum match.
- 5. Track old pension pots:** Consolidating older pensions might reduce fees and simplify management.



KEY TAKEAWAYS

You can still improve your retirement prospects in your 50s. By taking note of the current annual allowance, carrying forward opportunities and workplace pension benefits, you can raise your contributions. Watch for changes to pension legislation, tax thresholds, and State Pension rules, and make sure you understand the impact of early withdrawals.

Combine your pension with other savings vehicles like ISAs to give yourself more flexible options. Seek regulated professional advice if you need personalised guidance, and review your plan regularly to ensure it remains on track.

With active steps, you can catch up on retirement savings and strengthen your finances before you reach State Pension age.



Speak to us today to ensure you're making the most of your pension allowances and tax reliefs.

brown&co
chartered accountants

5A Marsh Mill Village, Fleetwood Road North, Thornton-Cleveleys, Lancashire, FY5 4JZ

