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Safety in numbers

THE EXPLORER'S GUIDE TO AUTO-ENROLMENT PENSIONS

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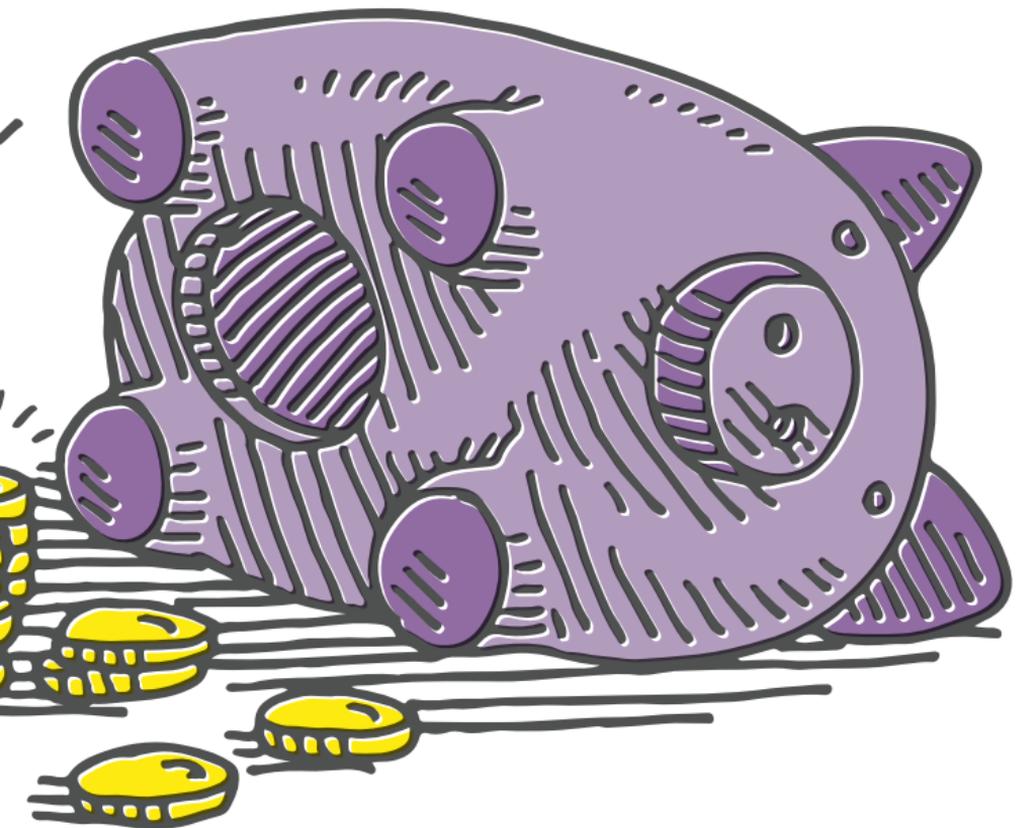
AUTO-ENROLMENT PENSIONS

It's a sad fact of life and business that people are continuing to get older every year, and there doesn't seem to be anything we can do to convince them to stop it. Perhaps surprisingly, this fact seems to be catching a lot of people unawares, employer and employee alike, and many are discovering themselves retired one day without adequate provisions to top up their state pensions to a comfortable level. In an effort to combat this situation, the government has introduced an auto-enrolment process for the compulsory workplace pension scheme, and it's going to affect businesses of all sizes.



WHY THIS IS HAPPENING

Not only are people still insisting on continuing to age well into later life, but they're also actually living longer. An increasing proportion of us are living well into our retirement years and there's worry in government circles about the stresses this might be placing on the economy as a whole. More importantly, retired people need to be sure that they've got enough money to live on - and with an estimated 20 million people expected to be over the age of 60 by 2031, right now that just isn't the case.



WHAT YOU NEED TO KNOW

Automatic enrolment is government-speak for their scheme to help people save for the future throughout their working lives. The compulsory workplace pension, as they're calling it, means that every employer will have to provide a pension for employees who qualify. It's a legal obligation with fines and potential prison terms for failure so it's not something you can afford to take lightly, whatever size your business might be. In fact, all businesses will be enrolled in the scheme by 2017.

As an employee, if you're working in the UK and are between 22 and the state pension age, are not already in a pension scheme and earn more than the threshold amount (currently £10,000 per year), then you'll be enrolled automatically for the workplace pension scheme. Beyond that, people between 16 and 75 may opt in if they earn a lower threshold of (currently) £5,824 yearly.

The main thing to remember is that eligible employees who don't want the scheme will need to opt out of it, rather than opting in. As an employer, your first responsibility is to get everyone who qualifies auto-enrolled. Even if they opt out now, if they still qualify in three years they have to be auto-enrolled again.

WHAT YOU NEED TO DO

The date you have to get your auto-enrolment ducks in a row (known as your staging date) will depend on the number of people you employ. Most small businesses will need to have the arrangements made by a staging date between the 1st of January 2016 and the 1st of April 2017, assuming they employ thirty people or fewer. Wheels can turn slowly in government circles, though, so it's worth getting them in motion as soon as possible. You'll get a letter from the Pensions Regulator well in advance of your staging date, so keep an eye out for that and make sure you get moving when it arrives. Keep in mind the time it might take to get all your employees' eligibilities assessed and to find a suitable pension provider. You'll also need to be sure all your employees know what's happening. If you want to check on staging dates, give us a call.

THE BOTTOM LINE

Until the 30th of September 2017, employers' contributions will be 1% of an employee's earnings, out of a total contribution of 2%. Current proposals suggest that the amounts will then rise to 2% employers' contribution out of a total of 5%. This will be followed by another rise to 3% from a total contribution of 8%.

As with all business matters, the best way to make sure you don't get tripped up is to find the right advice early on. Get in touch with RIFT Accounting now and talk to the best guides in the business jungle.

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