



Sapphire
CONTRACTING

Contractor Factsheet: Pensions



Salary sacrifice pension options

Contracting is a lifestyle and career choice many people have chosen for the greater flexibility and earning power it offers. However, this greater freedom also means that you have a bigger responsibility to maintain financial stability and ensure that your hard-earned money is working for you.

Financial planning tailored to you

At Sapphire, part of our offering is to give our contractors access to independent financial planning experts who can help ensure you are saving enough for retirement, getting the most from your investments and that you have sufficient protection in place for you and your family in the event of ill health or worse.

Planning your retirement

Pensions offer great tax benefits and should be an important requirement when choosing an Umbrella provider, especially if you are a higher rate taxpayer. Sapphire and our financial planners can help with:

- **Making payments into any existing private pension:**

You may already have a Private Pension (SIPP) setup and simply want Sapphire to continue to contribute payments into this pension. Sapphire will operate your contributions via Salary Sacrifice and give our contractors the full saving of Income Tax, Employees NI and Employers NI – which is not feasible via agency PAYE or other payroll schemes. We charge a £5 per week admin fee to administer this additional service, with payments deducted from your income weekly or monthly (dependent on your pay frequency) and paid to your Pension provider monthly in arrears.

- **Setting up a pension:**

If you do not already have a pension setup then it might be something you want to consider. By contributing a monthly amount to your pension, you can then start to build up a fund that will help you achieve the retirement you want. Our financial planners can look at the benefits of a workplace pension and personal pension and also help ensure you are in the right portfolio funds based on your stage in life and attitude to risk.

- **Review existing pensions:**

You may have several pension pots from different schemes. As part of our financial planners review process they can look at all your different pensions and ensure the portfolios match your level or risk. They can also consolidate your pensions into one easy to manage plan.

What is salary sacrifice

A salary sacrifice arrangement is an agreement to reduce an employee's entitlement to cash pay, usually in return for a non-cash benefit such as Pension contributions and allows these contributions to be paid tax free. A salary sacrifice arrangement must not reduce an employee's cash earnings below the NLW/NMW and must be a fixed amount or percentage deduction each week or month.

Auto enrolment

As your employer we are still required by law to opt you into an Auto Enrolment pension. Once you are enrolled, you will receive an enrolment notice within a few weeks of your first contribution which will explain your options in more detail.

Further reducing your tax liability

We understand that sometimes tax can be frustrating. Although Sapphire will work hard to ensure you only pay the tax required, a good financial planner can help ensure you are making the most to maximise available allowances and reduce your tax liability further. Whether it be through savings or inheritance tax planning it is always worth a conversation to find out more.



Are there limits?

For the 2024/25 tax year, there is a £60,000 annual limit on the total amount that can be contributed to all your pension savings. You could contribute more to your pension over the £40,000 limit but you wouldn't receive the tax benefits that the first £40,000 gains. If you earn over £200,000 per annum (2020/21) then your annual allowance will be reduced by £1 for every £2 you earn over this amount.

How much can I save?

Salary Sacrifice contributions via Sapphire's Umbrella service give our employees the full tax benefit of Income tax, Employees and Employers NI. As a rough guide, for every £200 per week a higher rate of taxpayer pays into a Private Pension via Salary Sacrifice you would save £100 in tax.

Can I change the amounts I pay into my pension?

Under Salary Sacrifice rules and to ensure you receive the tax benefits that this affords, the amounts deducted each week or month must remain the same and agreed (fixed) up front with your employer (Sapphire). The amount can only be changed if there's an extreme change in your circumstances.



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