



Getting more out of your bonus

Putting your bonus into your retirement savings can be a great way to make the most of it. That's because:

- **it's tax and National Insurance (NI) free** - meaning you get the full amount
- **it can give your retirement savings a huge boost** - the extra payment may help you reach your target retirement income sooner
- **it has more opportunity for it to grow** - through how it's invested, the bonus has the opportunity to work hard for you between now and when you take your retirement savings
- **it gets an extra boost from your employer** - your employer will share half of the NI contributions they also save, by adding half of it as part of the money paid into your retirement savings

Tax savings really add up

If you take your bonus as cash, you'll pay tax on it. If you pay it into your retirement savings, you won't.*

It's a very simple - and a very effective - way to save.

Read Fern's story

Fern isn't sure what to do with her bonus. Her bonus is £2,000 and her salary is £51,000.

	Taking her bonus as cash	Putting it in her retirement savings
Total bonus	£2,000	£2,000
Tax at 40%	Less £800	£0
NI contribution at 3.25%	Less £65	£0
50% of employer's NI saving of 15.05%	£0	£150
Final amount	£1,135 (to spend now)	£2,150* (paid into retirement savings)

Of course Fern might need the money now which would mean taking her bonus as cash makes more sense. However, paying her bonus straight into her retirement savings means that by the time she comes to retire, the value she receives as a result of that bonus could be much, much more! Remember, as with all investments, Fern's retirement savings can go down as well as up.

*Under current tax rules, when you come to take your retirement savings, 25% can usually be taken tax free but the balance will be subject to income tax.

You could pay part of your bonus into your retirement savings

Don't worry, it's not all or nothing. You could split your bonus so that some of it is paid into your retirement savings and the rest you take as cash. That way you'll pay some tax, but whatever you pay into your retirement savings will be tax-free.

Read Clive's story

Clive isn't sure what to do with his bonus. His bonus is also £2,000 and his salary is £51,000.

	Taking all his bonus as cash	Taking half half (£1,000 as cash and £1,000 in his retirement savings)	
Total bonus	£2,000	£1,000	£1,000
Tax at 40%	Less £800	Less £400	£0
NI contribution at 3.25%	Less £65	Less £32	£0
50% of employer's NI saving of 15.05%	£0	£0	£75
Final amount	£1,135 (to spend now)	£568 (to spend now)	£1,075* (paid into retirement savings)

Unlike Clive you may wish to have more in your retirement savings or more cash but the important thing is that it's your decision. You can choose how much you want to take as cash (if any) and how much to boost your retirement savings.

How to pay some or all of your bonus into your retirement savings

If you'd like to pay some or all of your bonus into your retirement savings, just complete and return the **bonus exchange form** and return it to Payroll.

Finding out more

You can find out more about the Plan on the website:
<https://www.morgansindall-pensions.co.uk/>

Tax allowances

There are limits to how much you can save into your retirement savings over a tax year and in your lifetime. These are known as the Annual Allowance and Lifetime Allowance. You can find out more about these limits at www.morgansindall-pensions.co.uk/grow/annual-and-lifetime-allowance

