5 COMMON PENSION MYTHS

That Could Cost You Thousands

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Pensions are one of the most effective ways to build financial security for retirement, but they remain widely misunderstood. Half-truths and myths can discourage people from saving enough or lead to poor decisions that reduce their long-term wealth.
Here, we bust five of the most common pension myths and explain what you really need to know.

Myth 1: "I've already paid £60,000 into my pension this year, so I can't add more"

Most people are limited to 60,000 of pension contributions per tax year with tax relief. But the carry forward rules allow you to use up unused allowances from the previous three years.

This means if you only contributed 10,000 in 2024–25, you could roll forward the unused 50,000, potentially giving you scope to contribute over 100,000 this year.

Truth:
The annual allowance isn't always a ceiling — carry forward may give you more room.

Myth 2: "If I'm not working, I don't get pension tax relief"

Even non-earners, including children, can get pension tax relief. If you earn under 3,600 a year, you can contribute up to 2,880 annually, which the government will top up by 20% to 3,600.

Parents and grandparents often use this rule to start pensions for children, giving them an early savings advantage.

Truth:
You don't need a salary to benefit from pension tax relief.

Myth 3: "Pensions are always subject to inheritance tax"

Currently, pensions usually fall outside of your estate for inheritance tax (IHT) purposes. But from April 2027, the government intends to bring pensions into scope for IHT. This could see up to 40% of your pension wealth lost on death.

Planning ahead — using trusts, life cover or tax-efficient investment structures — can help mitigate the impact.

Truth:
Pensions remain tax-efficient for now, but change is coming. Forward planning is key.

Myth 4: "The state pension and auto-enrolment will be enough"

The full state pension is just over 11,500 a year. According to Pensions UK, a single person needs at least 13,400 for a minimum lifestyle and around 43,900 for comfort. Even with workplace auto-enrolment at minimum levels, most people won't bridge that gap without further saving.

Truth:
For a comfortable retirement, most people need additional savings beyond the state pension and auto-enrolment.

Myth 5: "It's too late to boost my pension"

While starting early is ideal, it's never too late to make a difference. Increasing contributions in your 40s, 50s or 60s can still significantly grow your retirement pot. For example, adding 200 a month from age 50 until 65 could increase your savings by more than 48,000 (assuming 4.5% annual growth).

Truth:
Every contribution counts — whatever your age.

Why These Myths Matter

Believing these myths could mean:

- Missing out on valuable tax relief
- Under-saving for retirement
- Paying unnecessary inheritance tax
- Overestimating income from the state pension

Pensions remain one of the most tax-efficient and flexible savings tools available. But the rules are complex, and changes such as the 2027 IHT inclusion mean forward planning is essential.

How Blacktower Can Help

At Blacktower, we've been guiding clients across the UK, Europe and internationally since 1986. Our advisers can:

- Review your pension contributions and allowances
- Create a tax-efficient withdrawal strategy
- Help you plan ahead for inheritance tax changes
- Align pensions with your wider wealth and estate planning

Final Thoughts

Don't let myths hold back your retirement savings. By understanding the facts — and seeking professional advice — you can unlock the full benefits of pensions and enjoy greater financial security in later life.

Speak to Blacktower today to find out how we can help you protect, grow and pass on your pension wealth with confidence.

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