

# Guide to Auto Enrolment for Employers

This year, about half a million small business owners will need to get their heads around ‘Automatic Enrolment’ – pensions for your staff.

## The basics

Automatic Enrolment happened because the powers that be in Westminster saw that no-one was saving up for retirement. Gone are the days of comfy final salary schemes AND everyone’s living longer, so people increasingly faced the prospect of retiring with no big handouts from the State OR from their employer.

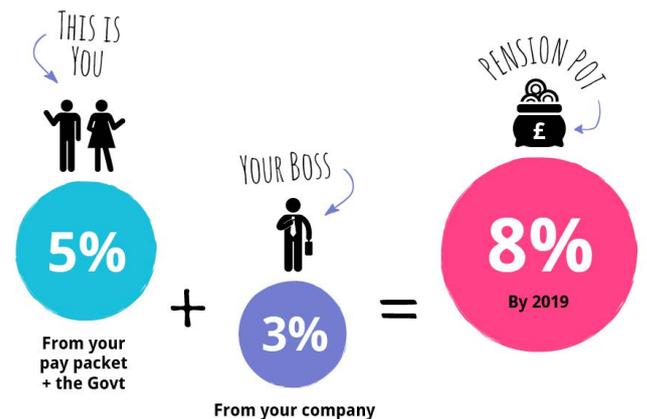
So enough of the carrot, here comes the stick. Every business has to provide a pension for its staff – whether you’re British Airways, the local chippie or even if you employ a nanny or carer.

Every firm will have a “staging date” – this is D-Day, when you need to have everything done.

As a boss, this means you need to choose a pension and set it up, if you haven’t already. You also need to tell your staff what this means for them. Between your staging date and April 2018, you, the boss, will pay 1% of ‘qualifying earnings’ into a pension for your staff. This will be topped up by another 1%, which is siphoned off your staff’s wages with a smidge coming from the Government. So that’s 2% all-in. But this snowballs. After April 2019 you will be paying 3% of wages into a pension with another 5% heading to them from a combo of their wages/a Government top-up.

## How it works for staff

### Your workplace pension by 2019 – how much!?



These %s typically apply to the band of your salary from £5,876 up to £45,000 a year.



These %s are applied to ‘qualifying earnings’ – specifically, the amount earned between £5,876 and £45,000 (for the 2017/18 tax year).

So don’t forget to factor these extra payroll costs into the Masterplan. If you have 10 employees on £35,000, this will cost you about £240 monthly until 2018, rising to circa £730 per month from April 2019. Not inconsiderable!

## Your options

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You should really get cracking and start to sort this out 4 months before your “staging date”. Don’t know your staging date? Grab your PAYE reference and head to the Pension Regulator’s website asap. The People’s Pension also has a **handy timeline here** which will help you plan.

If you have lost your letter from the Pensions Regulator with that all important “letter code” needed, **this link** will help.

## Choose a scheme

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You need to choose a pension scheme as soon as possible – check out our **Best Buys page** to see who we rate and why. These are all providers who will deal with us smaller businesses, who offer OK investments and who have fair pricing.

Your staff can opt-out if they don’t want to set aside this amount of their salary. But this way they miss the top-ups from you and the Government so it’s generally a bad idea. And as a boss you are not allowed to try and have a quiet word to encourage ‘opt-out’ – that’s not kosher.

## Boring Money tips

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- Check out our auto-enrolment **Best Buys**.
- Typically the Government’s option NEST will make sense for those employers with less than 5 staff – there are no costs for you’re the employer and it’s the bog standard option (and decent enough too).
- Your life will be a lot easier if your payroll software talks to your pension provider’s software. HMRC’s freebie payroll services won’t let you do this. Ask your accountant.
- Don’t procrastinate: not completing these tasks can result in fines which for smaller businesses which are potentially painful (they start at a £400 as a one off but can be up to £500 per day for small businesses).
- If you need some help along the way we suggest you check out **AE In A Box** OR **find a financial adviser**.



NEST PROBABLY  
OFFERS THE PATH OF  
LEAST RESISTANCE

## Here are the web links in full:

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<b>Auto Enrolment Best Buys</b>	<a href="http://www.boringmoney.co.uk/best-buys/auto-enrolment">www.boringmoney.co.uk/best-buys/auto-enrolment</a>
<b>The People's Pension timeline</b>	<a href="http://www.thepeoplespension.co.uk/for-small-business/employers">www.thepeoplespension.co.uk/for-small-business/employers</a>
<b>Find your letter code</b>	<a href="http://www.automation.thepensionsregulator.gov.uk/LetterCode">www.automation.thepensionsregulator.gov.uk/LetterCode</a>
<b>AE In A Box</b>	<a href="http://www.aeinabox.co.uk">www.aeinabox.co.uk</a>
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