



**MURRAY JOHN**  
& Associates Ltd

# FINANCIAL VIEWPOINT

MURRAY JOHN & ASSOCIATES LTD

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Murray John & Associates, 7 Cumberland Street, , Edinburgh, EH3 6RT  
[laura.hamilton@murrayjohn.co.uk](mailto:laura.hamilton@murrayjohn.co.uk) | [www.businessname.co.uk](http://www.businessname.co.uk) | 01315241300

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# The benefits of starting a pension early

**It's never too early to start saving for retirement. In fact, the sooner you start saving, the more time for your money to grow.**

Starting a pension early is one of the best things you can do for your financial future. By taking advantage of the benefits of early retirement savings, you can ensure that you have a secure financial future and enjoy your retirement years to the fullest.

## More time to save

One of the most significant benefits of starting a pension early is the additional time you have to save money. The longer your money is invested, the more time for it to grow, which can help you accumulate a larger retirement fund. Starting early also means that you can take advantage of compound interest, which is interest earned on both the principal and the accumulated interest. Over time, compound interest can significantly increase the value of your pension fund.

## Lower monthly contributions

Starting a pension early can also help you keep your monthly contributions lower. Because you have more time to save, you can spread your contributions over a longer period. This can make it easier to budget for your retirement savings and ensure that you are putting away enough money to reach your retirement goals.

## Employer contributions

If you are enrolled in a workplace pension scheme many employers offer to match employee pension contributions, (up to a certain percentage). This 'free money' can help you save even more for retirement.

## Tax benefits

The government offers tax relief on pension contributions, which means you can put more money into your pension each month. For example, if you're a taxpayer, you can get up to 45% tax relief on your contributions.

## Financial security

Starting a pension early can help provide financial security in retirement. By starting to save early, you can build a solid foundation for your retirement years and ensure that you have enough money to cover your expenses. This can help alleviate financial stress and allow you to enjoy your retirement years without worrying about running out of money. Knowing that you have a secure financial future can give you peace of mind and allow you to enjoy your retirement more.

## Tips for starting a pension early:

- **Set up a regular contribution**  
The best way to make sure you're saving for retirement is to set up a regular contribution. This could be a fixed amount each month or a percentage of your salary.
- **Increase your contributions as you earn more**  
As your income increases, you can increase your pension contributions to make sure you're on track for a comfortable retirement.
- **Take advantage of tax relief**  
The government offers tax relief on pension contributions, which means you can put more money into your pension each month.
- **Consider employer contributions**  
Many employers offer to match employee pension contributions, which is free money that can help you save even more for retirement.

By giving yourself more time to save, keeping your contributions manageable, taking advantage of tax benefits, and providing financial security in retirement, you can set yourself up for a comfortable and fulfilling retirement. So, if you haven't started saving for retirement yet, now is the time to start!



**The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.**

**HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.**

# 5 tips to help you set realistic financial goals

**Realistic financial goals are an important part of a financial plan. They help you stay motivated, define your version of success and give you a benchmark to work against.**

But things can change and creating financial goals that will still be relevant in 10, 20 or 50 years can be difficult. We want to help you secure your finances and empower you to face the future with confidence, so here are five top tips for setting realistic financial goals.

## 1. Review your current financial situation

Set yourself up for success with a thorough review of your finances. Mapping out your income, assets and expenditure can help you understand how to use your wealth to set and achieve realistic financial goals.

You might identify opportunities to make more efficient use of your money – could that spare £100 left in your current account at the end of each month be working a little bit harder for you?

## 2. Build a strong foundation

Shocks like an emergency repair or sudden illness can undermine even the best-laid plans, but a solid financial foundation can help you weather periods of volatility.

An emergency fund for unexpected expenses is a good place to start. How much you put in depends on your specific circumstances, but a good rule is to have enough saved to cover three to six months of essential outgoings.

You might want to consider an ISA which works similarly to a regular savings account with one significant advantage – you don't pay tax on the interest you earn. You can deposit money whenever you like (up to your annual ISA allowance of £20,000 for the 2025/2026 tax year) and take out funds when needed.

## 3. Make your goals specific and measurable

A vague goal might be flexible, but how do you know when you've achieved it? Clear goals with a specific outcome and measurable progress make it easier to understand if your financial plan is on track.

Let's say you want to help your child buy their first home. Stating that you want to save £20,000 by your child's 18th birthday is a better goal than simply saying you want to create a nest egg for them because you have a specific amount to aim for and a clear timeframe in which to achieve your goal.

For this, you could think about a Junior ISA (JISA). Set up by parents or guardians, a JISA provides a long-term, tax efficient savings strategy. With an annual allowance of £9,000 (for the 2025/2026 tax year), all growth is tax-free. Entirely for the benefit of the child, the child can take control of the account at 16, but cannot withdraw funds until 18.

## 4. Act on evidence rather than assumptions

We'd all love to achieve our financial goals with no downsides, but no financial plan is entirely risk free. Informing your decision-making with evidence, rather than acting on assumptions, helps keep your goals realistic and your finances secure.

You might be investing towards a target amount and calculate that you need returns of 8% every year for five years to reach your goal. Chasing these returns in such a short timeframe might present more risk than you're comfortable with, so you might opt for a product with a strong track record of providing 4% annual returns. You'll invest for longer, but this could be a more secure approach.

## 5. Work with a financial adviser

You know your finances best, but expert advice could help you make the most of your wealth. A financial adviser can bring together your current financial situation and your long-term goals to create a tailored plan. We'd love to help you turn your aspirations into reality and empower you to face the future with confidence.

**An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.**

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# “Stealth taxes”

## will push more than 3 million workers into a higher Income Tax bracket by 2029

“Stealth taxes” refer to government policies that increase tax revenue even though they’re not labelled as tax hikes. Through freezing Income Tax thresholds, the government may benefit more than you expect.

### Income Tax thresholds are frozen until April 2028

Income above your Personal Allowance, which is £12,570 in 2025/26, could be subject to Income Tax.

The rate of Income Tax you pay depends on which band your earnings fall into. The current Income Tax thresholds and rates are:

Band	Taxable income	Tax rate
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	over £125,140	45%

NB Income Tax bands, thresholds, and rates are different in Scotland.

Crucially, the Personal Allowance and Income Tax thresholds are frozen until the 2027/28 tax year rather than increasing in line with inflation. This can lead to “fiscal drag”, where taxpayers are dragged into a higher tax bracket, even if their income hasn’t increased in real terms.

While you might have benefited from a rise in income, for much of the last two years, inflation has been higher than wage growth. So, many workers haven’t experienced a boost in their salary in real terms.

### Millions of taxpayers are expected to be affected by fiscal drag

According to figures from the Office for Budget Responsibility (OBR), the government’s policy of freezing Income Tax thresholds means that by 2028/29:

- Nearly 4 million additional people are expected to pay Income Tax
- 3 million more will start paying the higher rate
- 400,000 workers will be dragged into the additional-rate bracket.

The figures represent a significant increase in the number of taxpayers in each band of Income Tax. The number of higher-rate and additional-rate taxpayers is expected to soar by 68% and 49% respectively.

Of course, this will boost government coffers. The freezes are estimated to raise £42.9 billion by 2027/28.

The cuts to National Insurance (NI) offset some of the fiscal drag, but many taxpayers are likely to find their tax burden is higher overall.

From 6 April 2024, the main employee rate of NI was reduced from 10% to 8%.

### There may be ways you could reduce your Income Tax bill

The good news is that there may be steps you could take to reduce your Income Tax bill in a way that supports your finances now as well as your long-term goals.

Depending on your circumstances, you may want to:

- Check if you could use the Marriage Allowance if your spouse or civil partner’s income doesn’t exceed the Personal Allowance
- Increase your pension contributions to reduce your taxable income
- Save through an ISA to reduce the tax you pay on the interest your savings earn
- Make use of salary sacrifice schemes your employer offers
- Use dividends to supplement your salary.

The above list isn’t exhaustive and it’s important to weigh up the pros and cons before you proceed.

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Source: Office for Budget Responsibility, Economic and fiscal outlook – November 2023

