DAM
Community Hub

Taking a career break to look after your children, travel the world or care for elderly family members can significantly reduce your pension savings by up to £80,000. Analysis has found that a typical saver who took a 16-year break of employment would be around £77,000 worse off in retirement compared to those who worked for the entire time. Even short gaps in employment can have a lasting impact on your pension pot in years to come, below you can find tips on how to boost your pension if you take a career break.

*Source: The I Paper: How taking a career break impacts your pension pot.

How to maximise your pension during a career break:

1.Make the most of tax relief.

If you are planning ahead and intend to take some time off, it can be beneficial for you to consider investing more into your pension in advance to make the most of tax relief available whilst you are continuing to earn. The larger amount should also continue to grow throughout your career break and allow your investments to grow.

2.Make extra contributions

It is a good idea to continue to make contributions to a personal pension throughout your break, even though you will not be receiving the employer contributions.

Even small regular contributions can make a difference in retirement.
Although it is important to remember that without any relevant UK earnings, the maximum you can pay into the pension (and receive tax relief) is limited to £2,880 pa.

3. Track down and consolidate old pots

If you have had several jobs over the years, it is easy to forget some of the benefits which came alongside these roles. And it is likely you have a few pension pots lying around that you have forgotten about. You should consider tracking down your old pensions and putting them all into one place to make them easier to track and manage.

4.Check your investment performance

While you are on your break, it is important to ensure your pensions are still working as hard as possible. You can check the performance of your funds in your online accounts for your pensions.

5.Contact your DAM advisor

If you are thinking of taking a career break and want to plan accordingly, contact your DAM advisor for support.

Please note that the information contained in this article is for information purposes only and should not be construed as individual advice. Please contact DAM directly to receive specific advice based on your own personal circumstances.