

# Pensions: paying your future self

Why a few pounds now can become a lot later

## Answers and teaching notes

**For the teacher**

- **Aim:** Pupils know the three main kinds of pension, understand who pays into a workplace pension under automatic enrolment, and see why time is the most powerful ingredient.
- **Curriculum links:** Financial Education Planning Framework, ages 14 to 16: understanding the important role money plays in our lives (pensions and the State Pension) and how to manage money (long-term saving). Maths: percentages, fractions of an amount and compound growth. Citizenship: savings and pensions. PSHE: economic wellbeing.
- **Watch first:** the Penny Explains video “What is a pension?” at pennyexplains.com.
- **Starter:** Ask: at what age do you think you will stop working, and what will you live on? Take a few answers, then explain that today is about how that money gets there.
- **Support:** Before pupils start the payslip, point out the three amounts in the note underneath it. Allow calculators throughout.
- **Stretch:** How long does money take to double at 5% a year? (About 14 years.) How many doublings does Asha's first payment get, compared with Ben's?
- **Note:** Bea's employer works out contributions on full pay. Many schemes use only "qualifying earnings" (£6,240 to £50,270). The 5% growth is an example: investments can fall as well as rise.
- **Total:** 36 points. Suggested answers are shown in red; accept any answer that is well reasoned.

**I can...**

- ☐ I can describe the State Pension, workplace pensions and personal pensions.
- ☐ I can explain automatic enrolment and work out the contributions.
- ☐ I can show with numbers why starting a pension early matters.

**Key words**

**State Pension:** a regular payment from the government, based on your National Insurance record.

**Workplace pension:** set up by your employer, who pays in as well as you.

**Personal pension:** one you arrange yourself, for example if you are self-employed.

**Compound growth:** growth on your growth: the longer money is invested, the faster it can build.

## 1 Quick check

4 points

Circle one letter for each question.

**a) Which pension is paid by the government and based on your National Insurance record?**

- (A) A workplace pension
- (B) A personal pension
- **(C) The State Pension**
- (D) A Lifetime ISA

**b) An employer must automatically enrol a worker who earns £10,000 or more a year from what age?**

- A 16
- B 18
- **C 22**
- D 30

**c) The minimum total going in under automatic enrolment is 8% of pay. How is it split? (Your share includes tax relief.)**

- A 8% you, 0% employer
- **B 5% you, 3% employer**
- C 3% you, 5% employer
- D 4% you, 4% government

**d) How many qualifying years of National Insurance give the full new State Pension?**

- A 10
- B 25
- **C 35**
- D 50

## 2 Read Bea's payslip

5 points

Bea, 22, has just started as a junior designer on £24,000 a year. Use her payslip to answer the questions.



**Penny says:** Tax relief is a top-up from the government. If Bea opted out she would keep her £80, but lose the £20 and her employer's £60.

| Pixel & Pine Design Ltd · Payslip | Paid 29 May 2026 |
|---|---|
| **Payments and deductions** | **This month** |
| Basic pay (gross) | £2,000.00 |
| Income tax (PAYE) | –£190.50 |
| National Insurance | –£76.20 |
| Workplace pension (your contribution) | –£80.00 |
| **Net pay** | **£1,653.30** |
| Pension this month: you pay £80.00 · tax relief adds £20.00 · your employer adds £60.00 | |

**a) How much goes into Bea's pension pot this month in total?** 2 marks

**£160 (£80 + £20 + £60).**

**b) What percentage of her £2,000 gross pay is that total?** 2 marks

**8% (£160 ÷ £2,000 = 0.08).**

**c) If nothing changed, how much would go into the pot in a year?** 1 mark

**£1,920 (£160 × 12).**

## 3 Start early: Asha and Ben

Challenge · 9 points

Asha and Ben each pay **£1,200 a year** into a pension that grows by **5% a year**. (This is an example rate: real growth goes up and down and is never guaranteed.) Asha starts at 22 and Ben at 42. Both stop at 67.

| | Asha (starts at 22) | Ben (starts at 42) |
|---|---|---|
| Years of paying in | 45 | **25** |

| | | |
|---|---|---|
| Total paid in (£1,200 a year) | £54,000 | £30,000 |
| Pot at 67, with growth | about £191,600 | about £57,300 |
| Growth (pot – total paid in) | £137,600 | £27,300 |

**a) Asha paid in £24,000 more than Ben. How much bigger is her pot?** 2 marks

£134,300 (£191,600 – £57,300).

**b) Explain why Asha's pot is so much bigger. Use the words compound growth.** 2 marks

Her early payments had 20 more years to grow. With compound growth, each year's growth earns growth of its own, so time matters more than the amount paid in.

## 4 Pension word search

9 points

Find the words. They can go in any direction, even backwards.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| T | N | E | M | L | O | R | N | E | R |
| R | E | T | I | R | E | A | O | R | M |
| P | F | E | I | L | E | R | E | N | M |
| I | B | T | F | H | G | Y | S | S | D |
| P | E | N | S | I | O | N | P | A | P |
| M | E | C | A | L | P | K | R | O | W |
| C | O | M | P | O | U | N | D | W | K |
| T | U | M | R | S | T | A | T | E | D |
| N | E | M | R | V | G | S | L | P | R |
| L | A | N | O | S | R | E | P | L | Y |

- ☐ PENSION
- ☐ STATE
- ☐ WORKPLACE
- ☐ PERSONAL
- ☐ EMPLOYER
- ☐ ENROLMENT
- ☐ RELIEF
- ☐ RETIRE
- ☐ COMPOUND

## 5 State Pension sums

4 points

The full new State Pension is **£241.30 a week** (2026 to 2027). You need 35 qualifying years to get all of it.

**a) How much is the full State Pension over a 52-week year?**

Working

£241.30 × 52 = £12,547.60

**Answer:** £12,547.60

**b) Ravi has 28 qualifying years, so he gets 28/35 of the full amount. How much a week is that?**

Working

28 ÷ 35 = 0.8

0.8 × £241.30 = £193.04

**Answer:** £193.04

## 6 What would you do?

5 points

Read the story, then answer the questions.



Bea's friend Zac, 22, starts at the same company on the same pay. He has rent to pay and wants to save for a car. He says: **"I'm opting out of the pension. I'd rather have the £80 a month now. I'll sort out a pension when I'm 40."**

**a) Besides his own £80, what else would stop going into Zac's pot each month? How much is that in a year?** 2 marks

> The £20 tax relief and the £60 from his employer: £80 a month, or £960 a year.

**b) What would you do in Zac's position, and why?** 3 marks

> No single right answer. Strong answers weigh needing money now against losing the employer's money, the tax relief and many years of compound growth (Asha and Ben). Some may suggest staying in and saving for the car more slowly.

## 7 Before you go

| One thing I learned today | One question I still have | How sure do I feel? |
|---|---|---|
| | | Not yet · Getting there · Got it |



**Take it home**

Ask an adult in your family: when did you start paying into a pension, and what would you tell your younger self? You could also look up the State Pension age for someone your age on GOV.UK.

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Figures for the 2026 to 2027 tax year. Growth rates are examples, not promises.