

Opting out

The Government's auto-enrolment initiative means that most people will be automatically enrolled in the company's pension scheme within three months of joining the business. However, all scheme members (whether auto-enrolled or not) have the right to withdraw (or 'opt out') at any time.

To opt out of auto-enrolment, simply advise the Payroll department.

What will happen if I opt out?

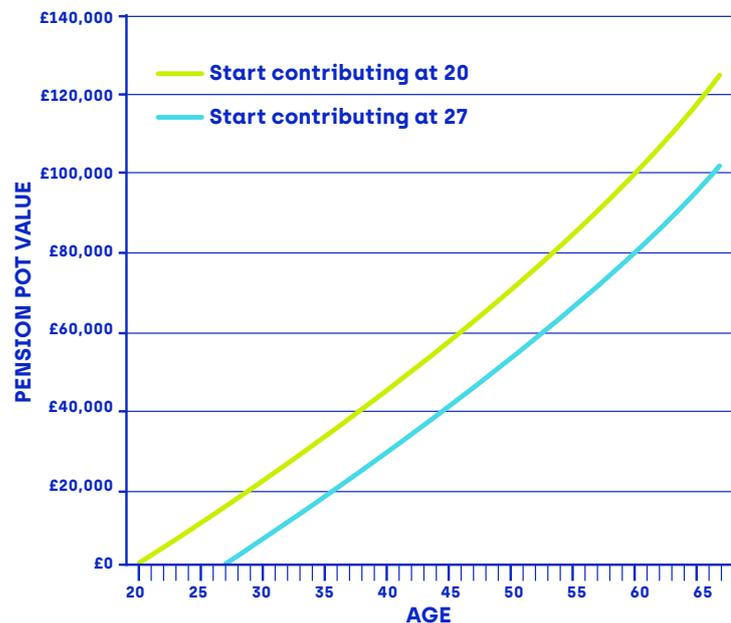
All contributions from you and the company will stop. The pot you have accumulated so far will continue to be invested and the value will rise or fall depending on the performance of these investments. By law, after three years the company must re-enrol you back into the Plan, but you have the right to opt out again.

Things to consider

With high living expenses, young people in particular may feel that contributing even the minimum amount to a pension fund is unaffordable and may therefore want to join at a later date. However, these early years of pension contributions are an important time in starting to build up benefits. In addition, you will lose out on the employer's contribution to your retirement pot (for Affinity Water, this is £2 for every £1 you contribute) as well as tax relief on contributions. Take a look at the illustration below.

In this graph, it is assumed that a 20-year-old's starting salary is £20,000; that salaries and investments grow by 2.5% and 4.0% respectively; and that the minimum member contribution rate of 3% is being paid. As a result:

- the person who delayed paying contributions until 27 ends up with more than £23,000 less at age 67, despite saving only around £4,200 in contributions between 20 and 27
- the person who started contributing at 20 will pay around £29,000 from their pay packet into the scheme over their working life but could end up with a pot worth almost £124,000 at 67
- someone who opts out at 20 and doesn't opt back in would lose out on £95,000 of potentially available money from missed company contributions and potential investment growth.



These figures are stated in real terms (in other words, the pot values and contribution amounts are stated as what they would be worth today in terms of purchasing power). The actual monetary value will be higher.

Please note that 4% investment growth is not guaranteed, but it does reflect average historical returns.

Where can I find more information?

All information about the Plan and your Personal Account can be found at
www.affinitywaterpensions.co.uk