

# LIFETIME ISA **VS** PENSION FACTSHEET

Should you save into a  
Lifetime ISA or a pension?

HARGREAVES  
LANSDOWN



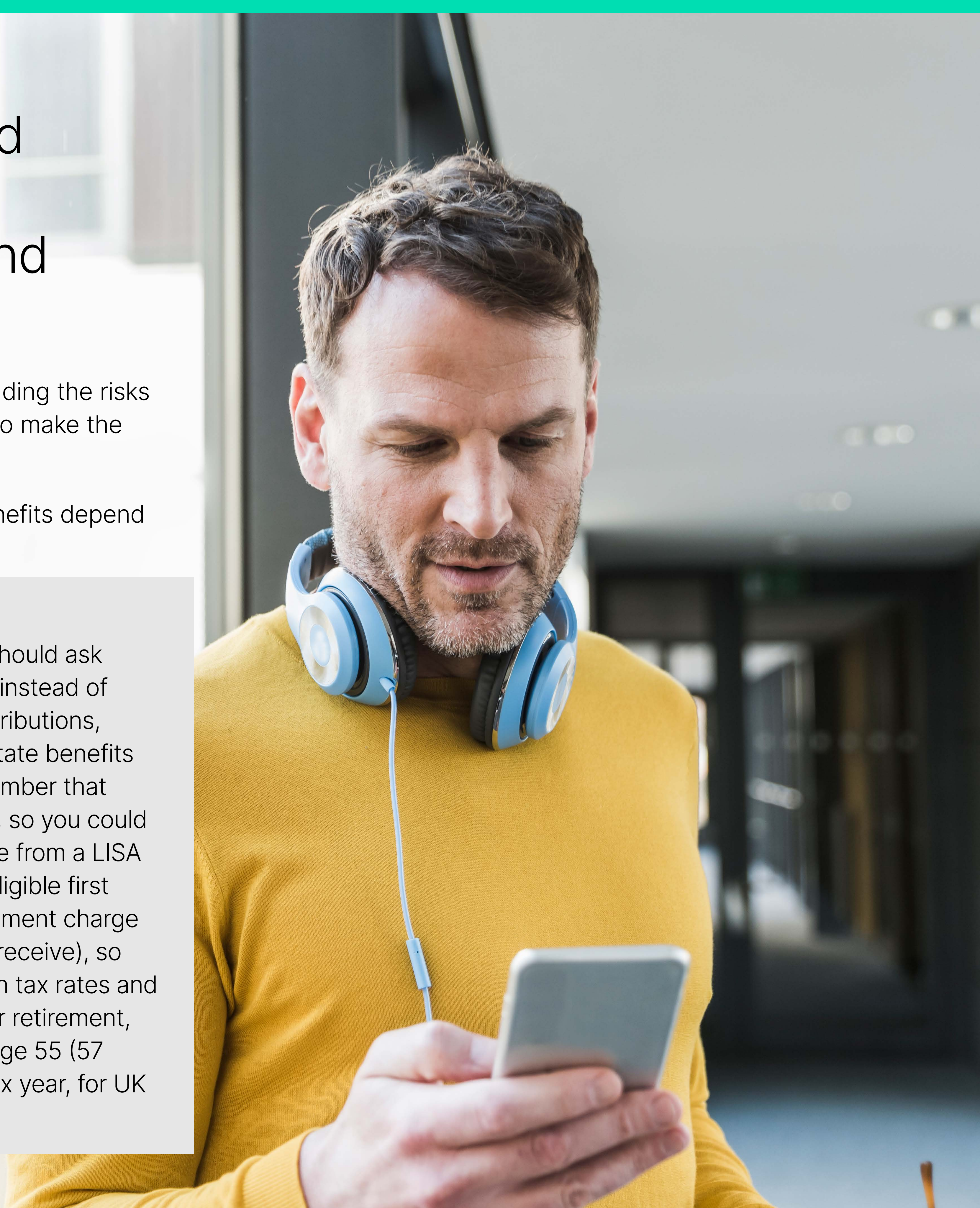
# Lifetime ISAs (LISAs) and pensions both offer tax efficient ways to save and invest for retirement.

When deciding how to save and invest, understanding the risks and benefits of each account type will allow you to make the most suitable decision for you.

Remember, product and tax rules change and benefits depend on your circumstances.

## **IMPORTANT INFORMATION**

This isn't personal advice. If you're unsure you should ask for [advice](#). If you save into a Lifetime ISA (LISA) instead of a pension, you could miss out on employer contributions, and your entitlement to certain means-tested state benefits could be affected. If you choose to invest, remember that investments can go down as well as up in value, so you could get back less than you put in. Withdrawals made from a LISA before you turn 60, for anything other than an eligible first home purchase, will usually mean a 25% government charge on the total withdrawal (not just the bonus you receive), so you could get back less than you put in. Scottish tax rates and bands are different. Pensions are meant for your retirement, so you normally can't access your money until age 55 (57 from 2028). All information is for the 2024/25 tax year, for UK residents only.





# LIFETIME ISA

- ✓ An investment account where your money has the chance to grow free from UK income and capital gains tax.
- ✓ Open an account between the ages of 18-39, and make contributions until age 50.
- ✓ Get a 25% bonus of up to £1,000 on a maximum contribution of £4,000 each tax year
- ✓ You're free to take money out at any age if you need to, but if you're under 60, there will normally be a 25% penalty for withdrawals that aren't used towards an eligible first home purchase.

VS

# PERSONAL PENSION

- ✓ An investment account where your money has the chance to grow free from UK income and capital gains tax.
- ✓ Open an account from age 18. There is no upper age limit. A parent or guardian can also open a junior account for a child under 18. You can make tax-relievable contributions until age 75.
- ✓ Get up to 45% in tax relief on pension contributions. Pay in up to £60,000 each tax year ([certain limits apply](#)).
- ✓ Take money out from age 55 (rising to 57 in 2028). 25% is usually tax free, the rest is taxed as income.

# SO WHICH SHOULD YOU SAVE INTO FIRST?

## **A workplace pension takes the top spot**

As a general rule, if your employer offers a workplace pension, that should be your first port of call for retirement savings.

Your employer is legally required to contribute an amount equal to at least 3% of any qualifying earnings (providing you're eligible), and lots of employers will match anything that you pay into your pension up to a certain limit. This limit will vary between employers, so it's worth getting in touch with them to find out what their maximum contribution is. You also get [tax relief](#) on your pension contributions.

Another time a pension normally comes first is if your employer offers salary sacrifice and would agree to pay any National Insurance contribution rebate into your workplace pension.

If your employer is already contributing the maximum, or they won't pay in more, then the most tax-efficient account (a LISA or a pension) to pay extra retirement savings into will depend on your personal circumstances – factors like your salary and tax situation.



# EARN UP TO £50,270?

## Here's why you should consider a LISA

For a basic-rate taxpayer, once you've maximised the pension contributions from your employer, it could be more tax efficient to pay £4,000 of your retirement savings into a LISA. That's assuming your employer doesn't offer salary sacrifice.

You get a 25% bonus from the government on money you pay into a LISA, up to the £4,000 annual limit – that's £1,000 in free money each tax year. When you come to make withdrawals after age 60, they'll be completely tax free because you'd have already paid income tax on your earnings before you paid the money into your LISA (e.g. through PAYE). When you take money from a pension, usually only up to 25% is tax free, and the rest (75%) is taxable income.

Let's say you pay £4,000 into a LISA for 10 years. You'd have a pot worth £50,000 which you could withdraw entirely tax free from age 60. If you pay the same amount into a pension you'd also end up with a pot worth £50,000. That's because basic-rate tax is currently 20%, and you'd get basic-rate tax relief on contributions, subject to limits. But when you came to take the money out again, you'd only get up to £12,500 tax free, with the rest taxed as income.

This is just an example. It doesn't account for any investment growth, loss, or charges. Remember, unlike the security offered by cash, investments can fall as well as rise in value, so you could get back less than you invest. The value of cash can be eroded by the impact of inflation over time.

## HOW MUCH LISA BONUS COULD YOU GET?

Simply add how much you'd like to pay in each month and our calculator will show you the impact the government bonus has on your LISA.

**LISA CALCULATOR**



“

You get a 25% bonus from the government on money you pay into a LISA up to the £4,000 annual limit – that's £1,000 in free money each tax year.





# EARN MORE THAN £50,270?

## Here's why you should consider a pension (or both)

If you're a higher-rate taxpayer, you'll usually be better off paying extra retirement savings into a pension, because the extra tax relief you can get on pension contributions will offset the tax you pay on withdrawals later. That's assuming you'll be a basic rate taxpayer in retirement.

The LISA 25% bonus is effectively the same as a basic-rate taxpayer's pension tax relief. But as a higher earner, you can claim back more in tax relief via your tax return – making pension contributions more tax-efficient than LISA contributions.

Let's say you pay tax at 40%, you'd normally be entitled to tax relief of up to 40% on your personal pension contributions. If you paid £4,000 (net) into a pension, you'd get up to £2,000 in tax relief. But if you paid the same amount into a LISA, you'd only get £1,000 in government bonus.

## WHEN TO CONSIDER A PENSION AND A LISA

If you're a higher earner, you might be better off with a mix-and-match approach. You could pay into your pension to get all the higher-rate relief you can. Then once you've made the most of this and/or maxed out your [pension allowances](#), you could consider putting the next £4,000 into a LISA.

## HOW MUCH TAX RELIEF COULD YOU GET?

Our [calculator](#) will show you how much tax relief you could get on your pension contributions. Simply confirm how much you earn and how much you'd like to add to your pension.

TRY OUR TAX  
RELIEF CALCULATOR



Up to  
**45%**  
pension tax relief



# ABOUT US

We're Hargreaves Lansdown – a secure, FTSE-listed company helping UK savers and investors for over 40 years. We offer cash saving products as well as investment ISAs and pensions and are trusted by over 1.8 million clients.



## Why HL?

Whether you're considering investing in a LISA, pension or both, HL can offer a home for your retirement savings and investments.

- ✓ **We're award winning**  
We've won over 190 awards including Best Buy for LISA and Pension 2024 from the Boring Money Best Buys Awards.
- ✓ **Help choosing investments**  
Our experts offer free share insight and fund research, or you can ask us for personal advice if you need it.

- ✓ **Trusted by more than one million clients**  
We're a secure FTSE-listed company, regulated by the FCA.
- ✓ **Manage your account with ease**  
Check on your account on the go, online or with the HL app.

## LEARN MORE ABOUT ACCOUNTS WITH HL

[LEARN ABOUT PENSIONS](#)

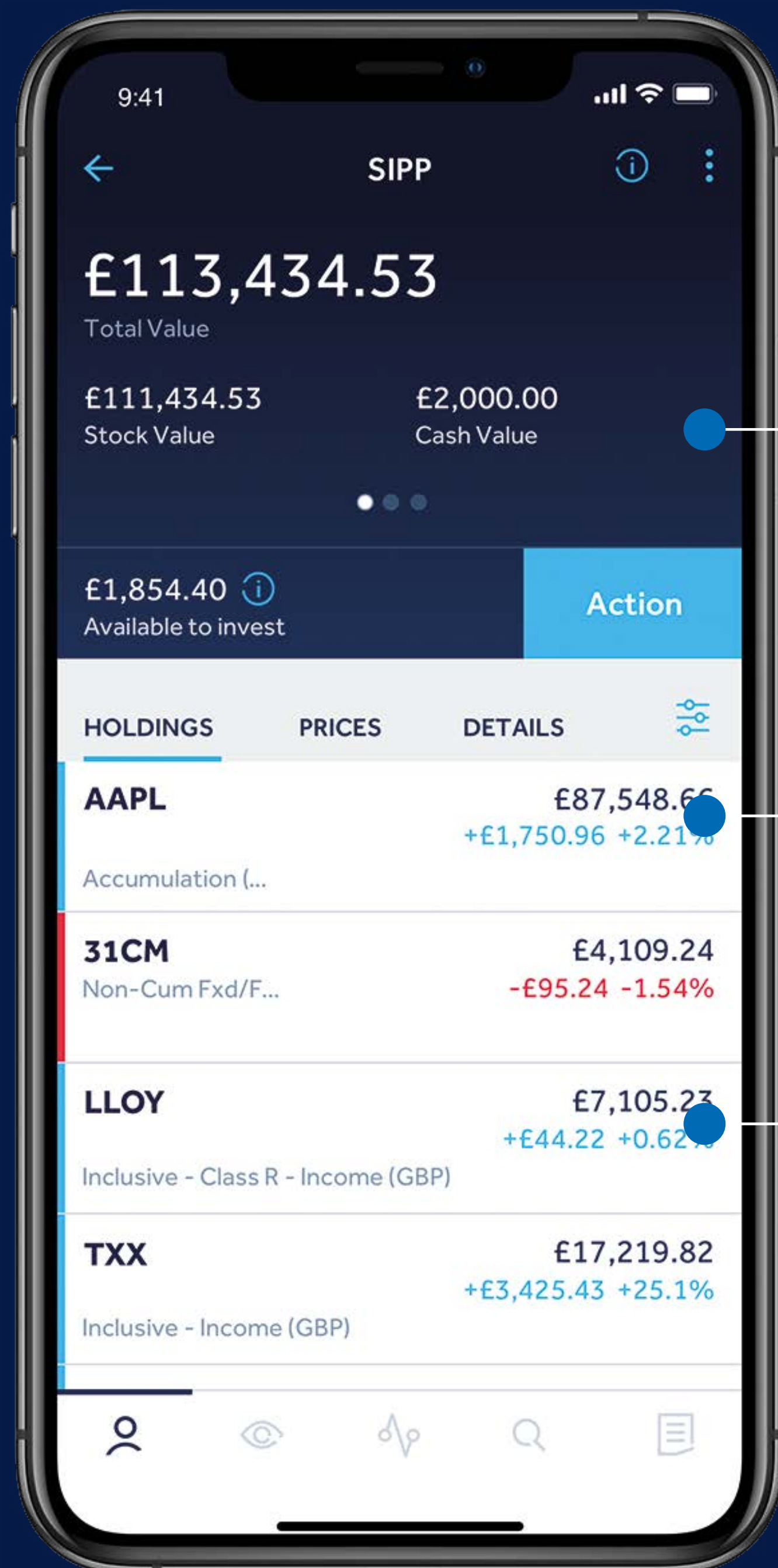


[DISCOVER THE LIFETIME ISA](#)





# THE HL APP



Simple trading

Free live share prices  
for HL clients

Track your  
favourite investments  
using watchlists

Your investments anytime, anywhere

- ✓ Fast, secure account access  
Log in to your account using fingerprint login or Face ID.
- ✓ Your portfolio at a glance  
It's easier than ever to see how all your investments are doing.
- ✓ Place deals on the go  
Buy and sell investments, even on the move.

\*Face ID is a trademark of Apple Inc.



Hargreaves Lansdown  
One College Square South  
Anchor Road Bristol BS1 5HL

0117 980 9926  
[sipp@hl.co.uk](mailto:sipp@hl.co.uk)  
[www.hl.co.uk](http://www.hl.co.uk)

Issued by Hargreaves Lansdown Asset Management.  
Authorised and regulated by the Financial Conduct Authority.

HL

0424