Centre for Inclusive Money at Nest

Blueprint

Towards an opt-out model for self-employed retirement savings

A blueprint for including self-employed people in automatic enrolment policy



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We are also grateful to the members of our self-employed working group, who shared their personal experiences of the challenges, barriers and enablers to retirement saving with us, as well as to participants in the policy and industry stakeholder workshop.

The paper brings together insights from eight years of research into ways to support self-employed people to save for retirement, and it would not have been possible without the support and expertise of the individuals and organisations we have worked closely with over that time. We are grateful to the following organisations, and to the individuals directly involved, who have supported this work:

The Association of British Insurers (ABI), Capium, the Department for Work and Pensions, Federation of Small Businesses, Financial Conduct Authority, HM Revenue & Customs, HM Treasury, IPSE, Lloyds Banking Group, Moneybox, Monzo, Nationwide, Nest, Onsi, Penfold, the Pensions Commission secretariat, Pensions UK, Prospect, Sage, Scottish Widows, the Society of Pension Professionals, Standard Life Centre for the Future of Retirement, Taylor Wessing, The Investing and Saving Alliance and the Trades Union Congress.

With thanks to

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Summary

Only 17% of self-employed people in the UK are saving into a pension, with this number dropping to just 4% of those whose only source of income is self-employment. The majority of self-employed people are not on track to reach a retirement income to achieve even a minimum standard of living. We agree with the Second Pensions Commission's recognition of under-saving among self-employed people as 'one of the most urgent challenges for the UK pensions system'.

This paper proposes a model to support more self-employed people to save for retirement by extending key features of workplace automatic enrolment to people in self-employment, with adaptations to the distinct nature of self-employed work.

We propose ten design features which evidence suggest are critical to achieving a meaningful increase in self-employed retirement saving at scale:

1. Automatic account opening with an option to opt out
2. Wide coverage
3. Protection for those on lower incomes
4. Default retirement-saving products that meet minimum quality and governance standards
5. Suitable default contribution rate
6. Contributions that adapt to income
7. Regular contributions that align with payment cycles
8. Automatic payment of contribution
9. Temporary preservation of liquidity
10. Preserving individual control

Automatic enrolment relies on employers to identify eligible workers, identify a suitable pension, open a pension for those eligible, and calculate and make contributions on their behalf each pay period. For self-employed people, there is no equivalent to the role of the employer.

Several organisations have therefore proposed using the self-assessment tax return as a near-universal route into retirement saving. Such an approach has a number of benefits but also key potential weaknesses, including the lack of ongoing behavioural support beyond enrolment. In particular, it relies on infrequent, large contributions without helping people set money aside towards them. Used in isolation, it would be only a partial solution, falling well short of the support available to employees through automatic enrolment, and risk low participation and saving rates.

We instead propose a model that builds on this approach and aligns with the critical design features above. As in the self-assessment model proposed elsewhere, HMRC would open a pension for self-employed taxpayers unless they opt out or a suitable existing pension is connected. The central digital architecture underpinning the pensions dashboard could support the identification of existing pensions. HMRC would present a minimum default pension contribution, calculated relative to earnings, alongside tax due. Individuals could make a single payment covering both, which HMRC would allocate automatically between tax and their pension. The potential introduction of more frequent and timely self-assessment payments presents an opportunity for pension contributions to be made in smaller, more regular amounts.

Additionally, business banking providers would be authorised to provide behavioural support to help individuals set aside money for retirement in a 'holding pot' as they earn. These savings could remain there until the individual makes their pension contribution through self-assessment, or be swept into a default pension within the banking environment and reconciled at self-assessment.

This systems-based model recognises the ecosystem which surrounds the self-employed individual. It combines the benefits of a self-assessment based model with the complementary benefits of a model linked to business banking as a touchpoint. Whilst neither touchpoint alone can deliver a full solution for self-employed people's needs and contexts, falling short of the key design features identified; a policy design bringing together the two touchpoints hits all the ten critical design features.

This blueprint outlines a practical and achievable approach to improving self-employed retirement savings. The proposed model would make saving for retirement the default rather than the exception for self-employed people, addressing a range of different barriers that currently prevent so many of them from doing so. For this policy to be implemented, legislative change would likely be required, including to create the space for business banking providers to play their role.

Setting up a comprehensive retirement savings system for self-employed people has long been considered too complex. While the model described here necessarily has more layers than workplace automatic enrolment, it remains fundamentally simple for individuals to understand and engage with, and builds on existing policy and infrastructure.

Our goal has been to move beyond high-level calls to 'extend automatic enrolment to the self-employed' by setting out what an implementable and effective solution could look like. The blueprint draws on eight years of research into self-employed retirement saving, including real-world trials; the wider behavioural science literature; workshops with a self-employed working group; and ongoing engagement with industry, consumer and policy experts.

Further work will be needed to develop and test the details of this model. But we believe this blueprint provides a tangible basis for that next stage, helping to move the debate from whether a solution is possible towards how it could work in practice. We welcome constructive engagement to refine it further.

Background

The retirement under-saving challenge among self-employed people

We agree with the Second Pensions Commission's recognition of under-saving among self-employed people as 'one of the most urgent challenges for the UK pensions system'.

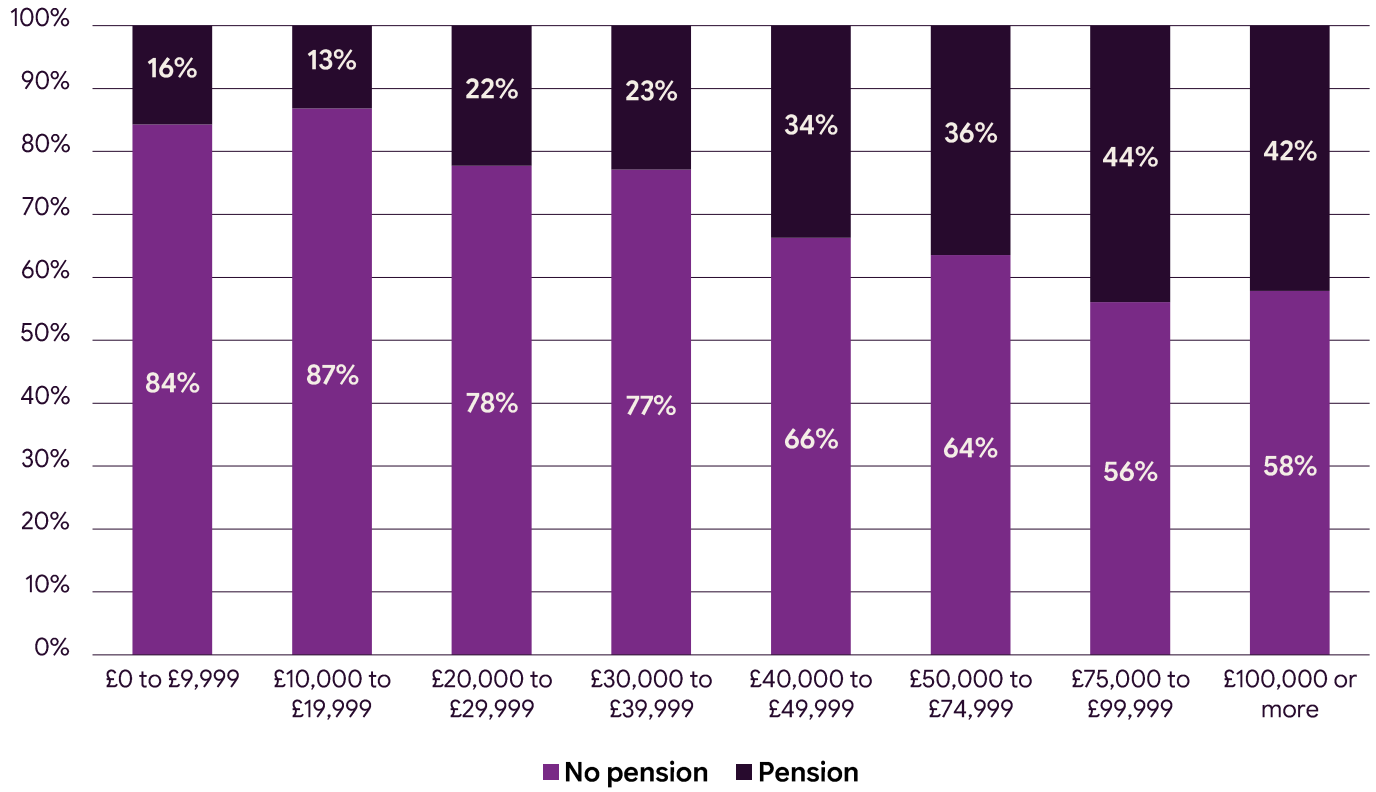
The numbers presented in the Commission's interim report are stark: only 17% of self-employed people are saving into a pension, with this number dropping to just 4% of those whose only source of income is self-employment.

> **The government actually would like us to be saving in our pensions. They can't make it more difficult just because we're self-employed, to make this a positive choice.**
>
> *Member of the self-employed working group*

Pension participation is especially low among those with low and moderate incomes from self-employment (see Figure 1). This is concerning because 68% of self-employed people have annual self-employment earnings below £30,000, meaning low participation rates affect a substantial majority of the self-employed population.[1] And even among self-employed people with higher incomes, pension participation never exceeds 45%, demonstrating that low pension participation is not confined to lower-income groups. While solo self-employed directors of limited companies are more likely to save into a pension than sole traders, neither group has high participation rates (29% vs 19%).

[1] Inclusive Money analysis of DWP, Households Below Average Income 2024-25.

Figure 1: Proportion of self-employed people aged 22 to 66 participating in pension saving, by self-employment earnings (UK, 2024-25)



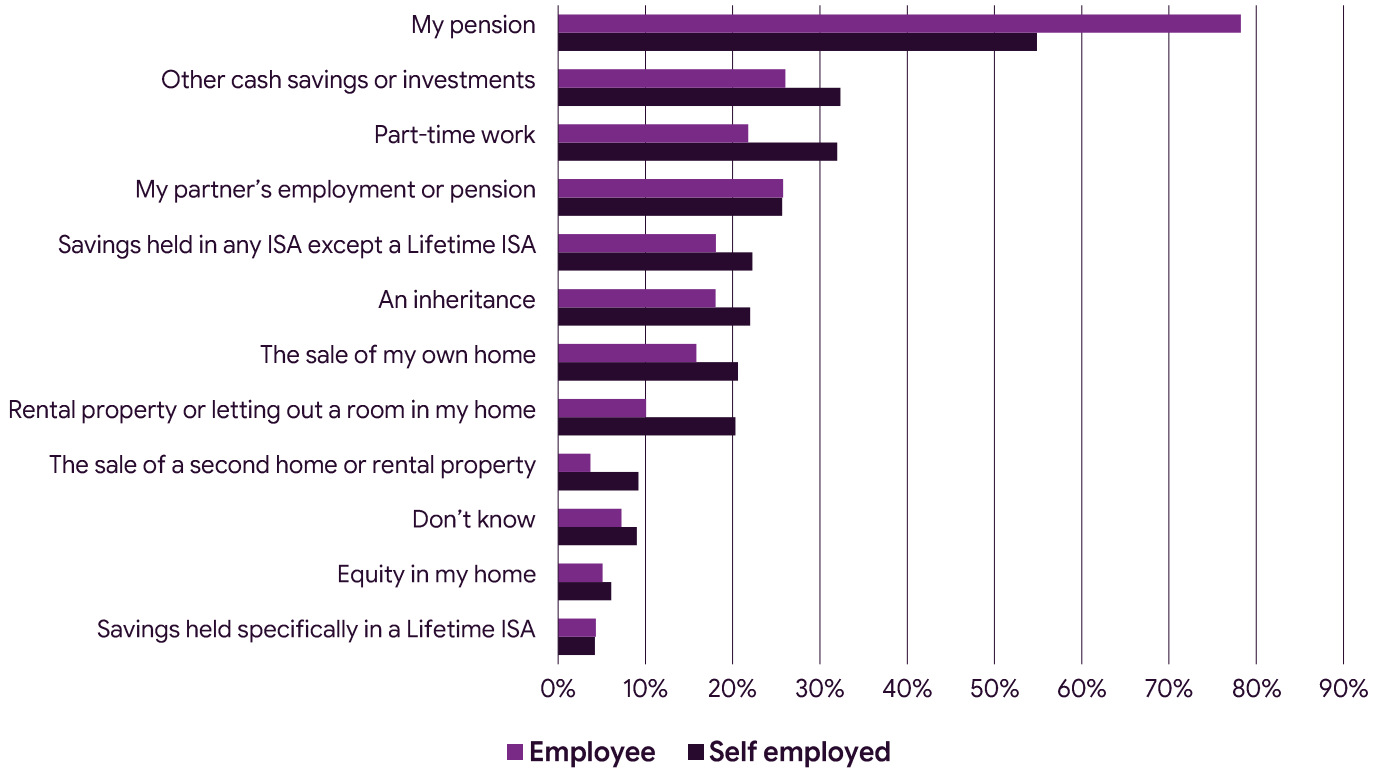
Notes: Pension saving includes any employer-sponsored pension that an individual is currently contributing to or any individual pension that the individual has contributed to within the last 12 months.

Source: Inclusive Money analysis of DWP, Households Below Average Income 2024-25 and of DWP, Family Resources Survey 2024-25.

Some commentators argue that low pension participation among self-employed people is not a significant policy concern because many build wealth through other means. Self-employed people are indeed more likely than employees to expect to rely on non-pension sources of retirement income, including other savings, housing wealth and part-time work in later life (Figure 2). However, the Institute for Fiscal Studies (IFS) estimates that a quarter of self-employed individuals have no more than £10,000 in total wealth. This is particularly pronounced at lower incomes, but even among those with annual income above £39,000, around 12% fall into this category. This data suggests that, for many, non-pension wealth will not be sufficient to ensure adequate income in retirement.[2] Most also still expect a pension to form at least part of their retirement income (Figure 2), highlighting a striking gap between retirement expectations and current pension saving behaviour.

[2] Institute for Fiscal Studies (2024). Private pensions for the self-employed: challenges and options for reform

Figure 2: Proportion of people aged 18 to 64 expecting to use different income sources to fund their retirement, by employment status (UK, 2024)



Notes: "Which, if any, of the following income sources do you expect to fund your / the rest of your retirement?"

Source: Inclusive Money analysis of FCA, Financial Lives Survey.

Many self-employed people approaching retirement today have built pension entitlements either through earlier periods of employment or during a time when pension participation among the self-employed was higher. However, younger generations and those working in sectors that rely predominantly on a self-employed workforce are less likely to have benefited from either route into pension saving.

This matters because, while the State Pension provides an important foundation, it is unlikely on its own to deliver an adequate retirement income for many people. The IFS estimates that three-quarters – or 3.15 million self-employed people, using the ONS numbers – may not reach Pensions UK's minimum retirement living standard.[3]

We therefore need a system that helps more self-employed people to build retirement savings.[4] This is partly a question of fairness. Employees benefit from a system of behavioural support through automatic enrolment. Self-employed people do not receive equivalent support. Self-employed people in our working group (see Appendix 3 for more detail on our approach) expressed that they felt left behind by a policy that does not include them.

[3] Institute for Fiscal Studies (2024). Private pensions for the self-employed: challenges and options for reform

[4] We will make the argument further down that a pension is the best savings vehicle for this.

> **Why isn't there something like this being done so much sooner?... There's a lot of people who are not paying... [into] pensions, isn't there? ... Something needs to be done.**
>
> *Member of the self-employed working group*

The fairness argument is particularly important because self-employment cannot always be viewed as a freely chosen alternative to employment. Some sectors offer few opportunities for equivalent employed work, while for others self-employment is the only viable option given their personal circumstances, including caring responsibilities, disabilities, health conditions or other factors that make traditional employment difficult to access or sustain. Self-employment might also become more prevalent as the rise of AI re-shapes labour markets[5] and employers seek to maintain flexibility and shift the risk of reduction in demand onto workers.[6]

Our research suggests under-saving among the self-employed is not primarily driven by a lack of motivation to save for retirement. In a survey conducted in September 2020, three-quarters of self-employed respondents said it was important to put aside money for retirement (very similar to the proportion of employed people who said this), while more than half said they would welcome support or guidance on how to do so.[7]

The challenge, therefore, is to design a system that provides self-employed people with support to build retirement savings, comparable to that received by traditionally employed workers, while recognising the realities of self-employment.

Box 1: Defining self-employed people

Throughout the paper, we take the definition of self-employment as given. The nature of self-employment is changing, and some people – especially gig workers – who are currently classed as self-employed might be able to benefit from workplace automatic enrolment with **changes to and tightening of labour market regulation**. This would likely be the most effective route to addressing low pension savings rates amongst this group and we note that the government is currently consulting on employment status reform.[8]

Beyond this, we argue that any support **should cover both sole traders and directors of limited companies** that do not fall under automatic enrolment. For the latter group, making pension contributions through their company, rather than out of individual income, might in many cases be more tax efficient. The opt-out model we propose would not prevent them from choosing this avenue – much as workplace automatic enrolment does not prevent employees from saving for retirement in other ways – but it would provide a backstop for those directors who do not currently have a mechanism in place for saving for retirement. That said, the behavioural support system we propose below would, to a certain extent, be more applicable to sole traders. We highlight where this is the case and where additional innovation might provide better support to directors of limited companies.

[5] Bachmann, R., Milasi, S. (2025). Is technology fueling self-employment – or forcing it?

[6] Joseph Rowntree Foundation (2026). Insecure shift: why millions of workers don't have protections they need

[7] Nest Insight (2020). The impact of Covid-19 on self-employed people's saving outlook - Summary of learnings from UK survey research conducted in September 2020

[8] Department for Business, Innovation, Science and Trade, Dearden, K. (2026). Make Work Pay: employment status reform and protections for the self-employed

What works in supporting self-employed retirement savings

The data shows that simply **offering ready-made pension products for self-employed people is not sufficient**. While a number of pension providers offer options for self-employed people and Nest has an obligation to accept any self-employed person – a requirement created at its origination – overall participation is low. Evidence from elsewhere shows a similar picture: in California, self-employed people can opt in to saving through Calsavers, the State of California's retirement savings account. As of August 2025, only around 3,100 self-employed individuals were enrolled.[9] In New Zealand, 44% of self-employed individuals contribute to KiwiSaver – this is significantly higher than in the UK, but still only half the participation rate of New Zealand's employed workforce.[10]

Additionally promoting **awareness and engagement is also unlikely to be sufficient**. Through a series of field trials conducted with financial technology platforms and Nest, we tested interventions designed to encourage self-employed people to start saving for the longer term. While these interventions generated relatively high levels of initial engagement, such as click-through rates, they did not translate into meaningful increases in saving behaviour. For example, among self-employed Nest members, only 1% made a contribution after receiving an email encouraging them to do so. Interest alone was insufficient to overcome the barriers involved in taking action.[11] There is a parallel with interventions to encourage employees to save into pensions before the introduction of automatic enrolment – while measures such as The Pensions Advisory Service (TPAS) workplace visits led to employees intending to take action, the majority did not actually follow through on such intentions.[12] This suggests that informational nudges alone won't be sufficient to help self-employed people turn intentions into actions. Similarly, the Informed Choice programme, which ran in the early 2000s, sought to increase employee pension saving through a combination of access to simpler products and a programme of workplace information and guidance interventions. But pilots of these interventions were largely deemed a failure and helped to pave the way for the introduction of automatic enrolment'.[13]

> **There's a lot of decisions. There's not just the decision to do it, then there's going out to the market and looking at all the options and... choosing the best one for you. It's not straightforward.**
>
> *Member of the self-employed working group*

Many of the barriers are the same as those that led to low uptake of pensions among employed people before the introduction of automatic enrolment: a complex choice environment, the need to actively identify and sign up to savings solutions, and inertia.

The evidence from the success of automatic enrolment as well as our own research suggests that **defaulting self-employed people into pension saving is a highly promising route to overcome these barriers to increasing participation**. In an online trial, we tested the impact of an opt-out approach in a business banking or accountancy software environment. Compared to an opt-in design, participation increased from around 25% to over 90%. The effect was even stronger when the proposition combined retirement saving with an accessible

[9] California State Treasurer's Office (2026). May 2026 Participation Snapshot Report

[10] Te Ara Ahunga Ora (2025). Improving the retirement savings of the self-employed

[11] Nest Insight (2022). Exploring practical ways to support self-employed people save for retirement

[12] Department for Work and Pensions (2010). Evaluation of The Pensions Advisory Service (TPAS) workplace visits

[13] The Pensions Commission (2005). A New Pension Settlement for the Twenty-First Century. The Second Report of the Pensions Commission.

savings component.[14] An opt-out approach also tested well in design research with Lloyds Banking Group customers, which explored what an opt-out customer journey could look like in a real-world banking platform setting.[15]

Our research also highlights characteristics of self-employment that any solution would need to accommodate:

- **Variable and uncertain income:** Around half (51%) of self-employed people say their income varies substantially month to month compared with only 15% of employed people.[16] Even for those with relatively predictable earnings, actual income remains uncertain until work has been completed and paid for. Retirement saving models that rely on fixed contribution amounts may be insufficiently flexible and could discourage participation when earnings fluctuate. Solutions should therefore be capable of adapting to variable earnings patterns.
- **Need for liquidity:** Irregular incomes can increase the importance of having accessible savings to help smooth volatility. In our research, 57% of respondents preferred a hybrid product combining short-term and long-term savings, compared to 23% who said they would prefer to save only into a pension.[17] This finding is consistent with our trial evidence, which found particularly strong participation when retirement saving was combined with an accessible savings component. Members of our self-employed working group highlighted especially the temporary need for liquidity, until there is certainty over the income for a specific period.
- **Affordability constraints:** While low pension participation among higher-income self-employed people suggests that affordability is not the only barrier, affordability remains a critical consideration for those on low and moderate incomes. For those individuals, the trade-offs between present and future consumption can be most acute and there is a fine balance between supporting them to save when they are able to and avoiding a negative impact on their consumption and living standards today.

Taken together, **the evidence points towards an opt-out approach with a design that takes into consideration these three factors as the most promising starting point for solution development**. The question then becomes what a suitable enrolment touchpoint or touchpoints could be and what the system designed around it should look like.

Potential touchpoints for an opt-out model

Different organisations have proposed HM Revenue and Customs (HMRC), and more specifically the **self-assessment system, as a suitable enrolment touchpoint** for enrolling self-employed people into retirement savings – with proposals differing on the enrolment mechanism and savings vehicle.

For example, the IFS has proposed the introduction of either an active choice, with the individual taking an active decision to sign up and setting the contribution level themselves, or automatic enrolment with a default contribution rate linked to self-assessment.[18] The individual could choose the pension plan or a Lifetime Individual Savings Account (LISA), or if they don't make a choice, a default provider would be used. Similarly, the

[14] Nest Insight (2025). Simplifying retirement savings for self-employed people - Results of new research and testing of long-term savings solutions

[15] Nest Insight (2025). Designing self-employed autosave – Exploring an opt-out approach to retirement saving for self-employed people on a banking platform

[16] Inclusive Money analysis of FCA, Financial Lives Survey.

[17] Nest Insight (2022). Exploring practical ways to support self-employed people save for retirement

[18] Institute for Fiscal Studies (2024). Private pensions for the self-employed: challenges and options for reform

Fabian Society has suggested compulsory pensions accounts, automatically opened by HMRC, with an opt-out for contribution payments.[19, 20]

The Society of Pension Professionals (SPP) has proposed considering both enrolment via HMRC and making **contributions 'at source' via banking or accountancy software, products or platforms**.[21] Much like the IFS, they consider enrolment as an active choice or on an opt-out basis, noting that systemic change is probably more likely with an opt-out approach.

In the next sections, we outline the evidence-based parameters and features of a successful opt-out retirement savings model for the self-employed and use these to assess the frequently proposed HMRC-based model. We then set out a systems-based model that builds on self-assessment, incorporating proposed reforms to the self-assessment system and pensions dashboard architecture and behavioural support from the business banking sector.

[19] Harrop, A./ The Fabians Society (2022). Good Pensions for All – the Left's Agenda for Private Pensions

[20] The Social Market Foundation equally considers both opt-out and active choice approaches, but argues in favour of an active choice approach as it carries a lower risk of pushing people into private pensions savings when this is not right for them. We believe that the lack of pension saving is overall a larger risk, and the risk of individuals saving when this is not right for them can be mitigated with the appropriate design.

[21] Society of Pension Professionals (2026). The Missing Millions: Rethinking pensions policy for the self-employed

Parameters for solution design

Starting from the premise that an opt-out approach is the most viable option to significantly increase retirement savings among the self-employed, beyond this we believe that any solution should adhere to three **overarching parameters**:

- **The solution should be as close as possible to the policy in place for employed people**. It should deviate only where this is not feasible because of features unique to self-employment, or where research clearly shows different needs among self-employed people. This reflects both the overall success of automatic enrolment, the fact that many of the barriers experienced are the same and self-employed people's desire to receive the same support to save for retirement as they would get through employment. Additionally, it would make saving for retirement easier for those who transition between employment and self-employment, or who are self-employed and employed concurrently. Finally, it opens a path for future reforms to be implemented for both employed and self-employed people, avoiding self-employed people being 'left behind' again.
- **The solution should be feasible to implement in the near future**, subject to the introduction of necessary regulatory and legislative changes. Building on already existing savings products, touchpoints and wider public- and private-sector infrastructure and regulatory frameworks would enable implementation within the coming years, limit the resources needed to set up a savings solution and maximise commercial viability for private sector actors. There has already been a long gap between the implementation of automatic enrolment for employed people and any similar intervention for self-employed people. The gap in retirement saving between employed and self-employed people will continue to widen the longer we wait to put in place support for self-employed people.
- **The solution should support as many of the self-employed population as possible to prepare financially for later life.** While the self-employed population is characterised by significant heterogeneity, the vast majority wants to receive support to save for retirement. At the same time, those that cannot afford to or do not want to save at this point or who are preparing for retirement in a different way should find it sufficiently easy to opt out.

Ten critical design features

Building on the parameters above and existing evidence, we outline ten critical design features of an effective retirement savings solution for self-employed people. Most of these features deliberately mirror the components of the workplace automatic enrolment system. Where necessary, we then propose modifications and additions to meet the particular needs of self-employed people.

Table 1: Critical design features of an ideal retirement savings solution for self-employed people

Design feature	Description
1. Automatic account opening with an option to opt out	A model making account opening the default when a certain trigger event takes place removes the need to actively sign up to a pension. This helps to overcome well-established behavioural barriers such as procrastination and status quo bias. Under workplace automatic enrolment, the trigger event is starting a new job or reaching age 22. The option to opt out preserves agency. The same approach should be used for self-employed individuals, with an appropriately defined trigger event.
2. Wide coverage	Mandating employers to enrol eligible employees into a pension has substantially increased workplace pension participation over time. To achieve a similar impact among self-employed people, coverage should be as close to universal as possible. It should, in principle, include sole traders and directors of limited companies (see Box 1 for more on directors), regardless of whether they also receive income from employment or other sources.
3. Protection for those on lower incomes	While automatic enrolment achieves broad coverage across sectors and types of employment, protections have been put in place for those on lower incomes. Applying similar principles to a self-employed retirement savings solution would help balance financial security today with financial security in later life. The exact thresholds or safeguards would need to depend on other aspects of the design, such as how much liquidity is retained (see Feature 9).

4. Default retirement-saving products that meet certain quality and governance standards	Under automatic enrolment, employers select a qualifying pension scheme on behalf of employees. These schemes are subject to regulation and ongoing oversight by The Pensions Regulator or the Financial Conduct Authority and must meet specific quality and governance standards concerning disclosure, costs, charges and value for money. Self-employed people who wish to save into a pension currently face a large and often complex range of options. They must identify which products accept self-employed contributions and are appropriate for their needs. A high-quality framework of 'qualifying self-employed pension schemes' similar to 'qualifying workplace pension schemes' would reduce this complexity and provide reassurance that savings would be managed in the self-employed individual's interest and are subject to appropriate oversight and safeguards.
5. Suitable default contribution rate	Under automatic enrolment, the minimum contribution rates are set by law. While there is a live debate around how these should evolve to balance adequacy and affordability, the fact that the vast majority of savers stick to them demonstrates the importance of choosing a default carefully. Self-employed savers should receive the same behavioural support through a default contribution rate that balances adequacy and affordability.
6. Contributions that adapt to income	Under automatic enrolment, contributions are generally calculated as a percentage of earnings over a pay period (usually weekly, four-weekly or monthly). Self-employed people currently face a limited choice between automating contributions through fixed amount direct debits that do not relate to income and/or having to make manual transfers that can flex to income. To be sustainable, contribution amounts should flex with income and ideally be calculated as a percentage of income after costs over a suitably chosen period.
7. Regular contributions that align with payment cycles	Employee pension contributions are made every time the individual is paid and thereby occur regularly throughout the year. The resulting smaller, consistent amounts can feel more manageable for budgeting purposes. The fact that the contribution is transferred into a pension before earnings are paid into the bank account supports mental accounting, prevents triggering of loss aversion and protects against present bias and the temptation to spend the money. Investments are thus made regularly, averaging out volatility of unit costs and maximising possible returns on investment. To the extent possible, this feature should be replicated for self-employed people, with money being set aside regularly and ideally when income is received, before it 'hits' their current account balance.

8. Automatic payment of contribution	The workplace automatic enrolment system is characterised by end-to-end automation of the flow of money – from calculating the right amount to transferring the pension contribution – without the individual having to repeatedly make choices or take actions once they are enrolled. Replicating this fully for self-employed people would be difficult to achieve and might not be desirable. However, as many steps as possible and appropriate should be automated to reduce cognitive load and make saving easier, while preserving choice where needed.
9. Temporary preservation of liquidity	While both employed and self-employed people might face unexpected expenses or income loss, self-employed individuals are more likely to be managing fluctuating and uncertain incomes and additional uncertainty over costs such as taxes. They have a higher need for liquidity until there is more clarity around income and taxes for a given period, and this need in turn creates a further psychological barrier to committing to pension saving for self-employed people. This presents a design challenge not currently addressed by workplace automatic enrolment. To meet it, the process of setting money aside should be separated from the step of locking money away in a long-term savings vehicle. This would support regular saving and mental accounting while preserving short-term flexibility.
10. Preserving individual control	Under automatic enrolment, employees can choose to opt out, opt back in, increase their contributions and, in most cases, change how their pension savings are invested. Similarly, self-employed people should retain control over these parameters. Our research shows that many value being able to make their own decisions. However, this is not just for the sake of having choice – flexibility, especially on contribution rates, is also important because self-employed incomes are often unpredictable and volatile. Individuals should therefore be able to adjust their contributions to reflect their circumstances. This – in addition to contributions that automatically adapt to income (see Feature 6) – includes reducing or pausing contributions when needed, options that are not always available to employees.

Assessment of an HMRC-based model

In this section, we assess an opt-out retirement saving model delivered via the self-assessment tax return, as proposed by a number of stakeholders (see Section 0) against the ten critical design features.

In its simplest form, this model might work as follows:

1. **Account opening:** When logging in to complete a self-assessment form for the first time after introduction of the model (or when first registering for self-assessment), HMRC informs the individual that it will, unless the individual opts out:
   - Open a pension account for them (unless they connect their own existing pension)[22]
   - Calculate a pension contribution based on reported profit;
   - Collect the contribution amount as part of any settlement of money owed, if their income is over a certain threshold;
   - Make the pension contribution on the individual's behalf into the default pension or nominated pension the individual connects.
2. **Calculation of contribution amount:**
   a. The individual completes their self-assessment return after the end of the tax year (by 31 October or 31 January, depending on whether a paper or digital return is used), or submits quarterly updates as part of Making Tax Digital (MTD);[23]
   b. The pension contribution is presented alongside any tax owed on the annual self-assessment tax return or quarterly within the MTD software.
3. **Contribution payment:**
   a. The individual pays the pension contribution together with the tax owed as usual. If the individual has to make payment on accounts (POA)[24], payments will be made twice per year based upon estimated profits.[25, 26] If the individual has set up a Budget Payment Plan (BPP), the advance payments might count towards both taxes owed and the pension contribution.
   b. HMRC automatically moves the contribution received into the default pension or a pension nominated by the individual.[27]

Appendix 1 contains more detail on eligibility, setting a contribution level and a proposal on the savings vehicle.

This model has a number of advantages. As an existing touchpoint in the financial lives of most self-employed people, the HMRC self-assessment form offers an ideal moment to automatically open a pension account for a significant number of self-employed taxpayers. HMRC also holds data – such as National Insurance numbers – that will facilitate automatic account opening without input from the taxpayer. Additionally, our research suggests that, as a government entity, HMRC represents an authority that many self-employed people will trust to offer a suitable and regulated pension product, which is likely to support low levels of opt-out.

[22] Allowing individuals to connect an existing pension will mitigate the 'small pots' problem.

[23] HMRC (2026). Making Tax Digital for Income Tax

[24] Individuals with a tax liability greater than £1,000 in the previous year have to make POA. This would arguably capture the majority of individuals with a meaningful income from self-employment, see: HMRC (2026). Understand your Self Assessment tax bill: Payments on account

[25] Generally, pension savings cannot be accessed by creditors. Consideration would need to be given to how HMRC would treat money paid by an individual as a pension contribution if a tax debt was owed.

[26] For the purpose of this paper, we do not consider the case where an individual pays self-assessment Income Tax via PAYE. We believe, however, that the proposed model could be extended to this case and thereby also cover individuals with employed next to self-employed income.

[27] If this is not possible the individual may manually transfer their contribution into a pension of their choice.

However, careful consideration will need to be given to how to design the system and its interface to ensure it meets the needs of self-employed people and is perceived as supportive and not, for example, as another tax they are obliged to pay.

In addition to this, when assessing this model against the ten critical design features outlined in Section 4, several key gaps can be identified:

- **Contributions do not adapt with income:** For those subject to POA, which is arguably a majority of those deriving significant income from self-employment, payments are calculated based on the income they earned during the previous tax year, which may differ significantly from their earnings in the current tax year. Although the balancing payment would ultimately ensure that pension contributions are aligned with income, this would happen with a significant lag. A model based on a contribution every six or twelve months also fails to deal with shorter-term income volatility which may make building savings to meet an annual liability more difficult without more real-time behavioural support.
- **Contributions are infrequent and do not align with payment cycles:** Making a large payment at the same time as paying a tax return could result in 'bill shock' and cause cash flow issues or, simply be unaffordable if saving has not taken place throughout the year. Being presented with one large sum rather than being supported to make smaller payments more frequently also risks making retirement saving *look* more unaffordable, resulting in higher opt-out rates at the point the contribution is due.

  In comparison to an employee's monthly pension contribution, there would also be a **significant lag** between the pension contribution having been earned and it being **invested in a pension**. Contributions would therefore not be invested in the most prudent way: large, infrequent contributions increase the risk of investments being made at a point in time where units are relatively more expensive and individuals would also miss out on investment returns for several months. This could make the solution unattractive to those who are more actively engaged and raise **fairness and consumer protection concerns** for those less engaged.
- **No automatic payment of contribution:** Under the current setup for settling tax debt individuals make a manual transfer or set up a one-off direct debit which would, by extension, also apply to pension contribution payments.[28] This might make it more likely that individuals adjust the amount displayed by HMRC – which is desirable if deviating from it ensures contributions fit their needs, but might also lead to under-saving if the sum is perceived as too high – or could just make opt-out or incomplete journeys more likely.

  Compounding the problem of a lack of regular contributions would be the **lack of automation of a process for setting aside money** to save towards an annual contribution payment in advance so that the money is available at the point of self-assessment.

For these reasons, we believe that an HMRC-only model, used in isolation, risks low participation and savings rates and would be unlikely to increase pension saving among self-employed people at the scale needed to deliver the kind of step change expected from a policy intervention in this area. A modified model that supports regular, income-adaptive contributions, while temporarily preserving liquidity, is likely to be more effective and would better mirror the level of support available to employees through automatic enrolment.

[28] The option to set up a weekly or monthly direct debit under a Budget Payment Plan is available but not widely used.

Table 2: Assessment of an HMRC-only model against the design features of an ideal retirement savings model for self-employed people

Design feature	Description	Assessment
1. Automatic account opening with an option to opt out	HMRC, as an existing touchpoint for self-employed people's financial lives, would be well-placed to automatically open a pension account for self-employed taxpayers, subject to appropriate legislation being in place.	Incorporated
2. Wide coverage	Everyone with self-employed gross annual income of £1,000[29] or more per tax year would be included, regardless of whether operating as a sole trader or a director of a limited company. For the latter, sign-up would be via their personal Income Tax return.	Incorporated
3. Protection for those on lower incomes	As HMRC has sight of all sources of income, a minimum Earnings Trigger and a Lower Earnings Limit could be applied across all sources, using the National Insurance number as a single identifier.	Incorporated
4. Default retirement-saving product that meets certain quality and governance standards	HMRC could propose a default product in line with chosen qualifying criteria, either via a single default provider or an eligible group of default providers. As a 'government-backed' product, many self-employed individuals would likely be reassured of its legitimacy.	Incorporated
5. Suitable default contribution rate	HMRC would set the default contribution rate, in line with the desired policy design. In practice, although the strength of this default will likely be weakened by the lack of automation of contributions on a timely and regular basis (see Features 6, 7 and 8 below), this will provide some necessary flexibility to self-employed people to ensure affordability of contribution payments.	Incorporated

[29] £3,000 from 6 April 2027.

6. Contributions that adapt to income	Calculations of the annual contribution amount would be based on realised profit for the year and in that sense are adaptive to income. However, if applied annually or six-monthly, this adaptation will miss shorter-term volatility which might make in-year provision for a year-end total harder to manage without more real-time behavioural support. Moreover, for individuals making POA, pension contributions would not be aligned with their current-year income. The calculation of a POA is based on the previous year's tax bill and so payments made during the year may not reflect actual income for that year.[30] Contributions would be made with a delay of up to 21 months after the income is earned (or generated). They might therefore be made at a time when income is significantly lower than during the tax year the contribution was calculated for, leading to additional pressures on cash flow.	Partially incorporated
7. Regular contributions that align with payment cycles	For most people, contributions would be made only once or twice a year, at the same time as taxes are due and, as noted above, they would not align with payment cycles. This would also result in delayed and infrequent transfers to pensions which raises an ethical and fairness concern particularly when compared to the regular and frequent flow of contributions for employees. The option to make pension contributions monthly or weekly through a Budget Payment Plan could be made available, however this facility is not currently widely used by taxpayers.[31]	Not incorporated
8. Automatic payment of contribution	The individual could decide to make the transfer to HMRC by direct debit, as is available for settling ITSA payments. Although the setup of the direct debit would not be automatic, future payments would be made automatically. However, as mentioned in the assessment against Feature 6, the payments would not be aligned with income and there would be no automation of the process for setting aside money to support infrequent contributions. Furthermore, the payments would be for fixed amounts, which our evidence shows does not work well for self-employed people given income volatility.	Partially incorporated

[30] We acknowledge that taxpayers can currently amend their POAs but this introduces an element of friction and would still not be fully income-adaptive.

[31] HM Revenue & Customs (2021). Timely payment – Call for evidence.

9. Temporary preservation of liquidity	For those not making POA, payment would be made after reconciliation for the period in question. For those making POA, contributions would be made in advance of full reconciliation. However, neither of these systems support the preservation of liquidity whilst setting money aside during the year.	Not incorporated
10. Preservation of choice	The model retains the option for self-employed people to opt-out, to choose a different fund offered by the default provider and to link to an existing pension.[32] Allowing individuals to increase or decrease the contribution rate used in HMRC's calculation might be more complex to implement. Individuals could however choose to pay a smaller amount of the total amount displayed in their tax return.	Partially incorporated

[32] To connect their own existing pension, an individual would have to manually identify which is most suitable. This might provide a barrier to connecting existing pensions and contribute to the proliferation of small pots.

A systems-based model to support self-employed retirement savings

In this section, we propose a systems-based model for improving rates of retirement saving amongst self-employed people. It builds on the self-assessment-based model to more fully meet the needs of self-employed people. Specifically, we propose:

1. Building on planned developments in the self-assessment and pensions systems
2. Harnessing the support of the private sector
3. Supporting self-employed individuals to make appropriate choices for their situation.

This systems-based model comprehensively meets all ten critical design features, as can be seen in Table 3 at the end of this section.

> **I think there's a lot of strength if the government are involved in it and have effectively put their name to it, but then it could be multiple different... [organisations] who actually provide it,... like existing pension providers.**
>
> *Member of the self-employed working group*

Introduction of more frequent, income-adaptive and timely Income Tax self-assessment (ITSA) payments

In the current self-assessment system, individuals make tax payments once or twice a year, and with a considerable lag – issues that would also apply to pension contributions collected via self-assessment.

Following HMRC's consultation on reforms to the ITSA payment schedule[33], we understand that from April 2029, the one or two large payments on account each January and July will be replaced by smaller, more regular payments during the year the taxable activity takes place[34], which could significantly mitigate this problem.

Increasing the frequency of Income Tax payments from (bi-) annual to quarterly or monthly and improving their timeliness would provide a basis for collecting higher-frequency, smaller pension contributions which are more closely aligned with the income-generating activity.

In line with Feature 7 of regular contributions, quarterly pension contributions throughout the tax year would be preferable to annual or six-monthly pension contributions. However, we believe that taking a further step and facilitating monthly contributions that align more closely with income (and other personal outgoings) would further increase the likelihood of more self-employed people saving into a pension.

We acknowledge that taxpayers can currently use a Budget Payment Plan (BPP) to make weekly or monthly payments towards their future tax bill. However, take-up is low and as such BPPs are unlikely to provide a scalable approach to support timely pension contributions.

The consultation also highlighted the need for safeguards for those with volatile incomes, which should extend to the calculation and payment of pension contributions. The monthly tax payment, and any linked pension

[33] HM Revenue & Customs (2026). Timely Payments in Income Tax Self-Assessment (ITSA) - GOV.UK

[34] HM Revenue & Customs (2026). Timely Payments in Income Tax Self-Assessment Factsheet

contribution calculated as a percentage of income, would be based on an estimated liability derived from previous tax returns. As a result, it may not reflect the individual's actual income in any given month.

We note that under the new proposals, self-employed individuals would be able to adjust their income forecast, and make quarterly updates of contributions based on realised profits for sole traders using MTD.

Identification of existing pensions via the Pensions Dashboard infrastructure and small pots architecture

One potential concern is that the introduction of a pension-saving model for the self-employed would further contribute to the proliferation of small pots through the opening of a default pension, including, but not only, in the case where individuals receive income from both employment and self-employment.

The central digital architecture for pensions dashboards and the small pots architecture might provide an opportunity for existing pensions to be identified by HMRC using an individual's National Insurance number.[35] Rather than the individual having to proactively identify and link an existing pension – which might lead to acceptance of the default even where a suitable alternative exists – HMRC could present the individual with a list of pensions that have been identified as belonging to them and then suggest the most appropriate one based on a set of criteria defined by government (these could be, for example, the same as the ones chosen for small-pot consolidation and also draw on the government's value for money framework).[36]

If no existing pension is deemed appropriate, or if the individual doesn't have a pension, HMRC could then allocate a default pension to the individual. The individual could also still make an active choice to contribute to a different pension, or they could opt out completely.

Behavioural support from business banking providers

Where contributions are collected infrequently, participation rates and the avoidance of 'bill-shock' would likely be significantly improved if self-employed people were able to save regularly towards each payment. At the same time, the uneven nature of self-employed income means they often need to retain some liquidity whilst saving.

While the proposed ITSA payment reforms could help address the challenge of large annual contributions, they do not directly support regularly setting aside money to increase the affordability of contribution payments. Business banking providers – be it banks or platforms with integrated bank accounts, such as some accountancy software solutions – are touchpoints that many self-employed people already use to manage their finances. Their providers could offer tools that enable people to set aside money for retirement, very frequently and based on actual income received.[37] This role would be even more crucial if the ITSA reforms that have been consulted on do not come to fruition and tax payments remain infrequent.

Specifically, business banking providers can provide tools to help (1) set aside money from incoming payments; (2) preserve liquidity temporarily; (3) transfer money to a pension.

Setting aside money towards pension contributions

For employees, their pension contribution is deducted before their income reaches their bank account, avoiding the risk of loss aversion triggered by having to 'give up' money in one's account. Business banking providers can replicate this by supporting self-employed people to partition and ringfence money as it comes in before it hits the current account balance.

[35] We note that appropriate regulation and a technical framework would be required to make this data available to HMRC.

[36] Department for Work & Pensions (2026). Small Pots: a pathway for consolidation

[37] Note that we don't believe that business banking would be well placed to deliver an end-to-end retirement saving solution on their own either, much as a self-assessment only model would not incorporate all the critical design criteria (see Annex 3).

Many fintech platforms and challenger banks already provide features such as automatic transfers and ringfencing of money for certain purposes, such as for future tax bills, with the option to customise settings. Building on this setup, business banking solutions could allow self-employed customers to set aside a **percentage of each incoming payment** and automatically allocate it to pension contributions.

We anticipate that business banking providers will set a default contribution rate based on that set by HMRC as their default. Business banking providers generally see revenue, not profit and as the revenue-to-cost ratio differs across individuals, some will end up saving above the target rate, and some below. However, reconciling this difference via the final payment for the end of the tax year – if desired by the individual – will likely be an easier task for the individual than making one lump-sum payment with no support for setting-aside money during the year.

Using a holding pot to preserve liquidity

As many self-employed people need to retain liquidity while setting money aside for retirement, the money could initially go into a **holding pot**, where funds are held before being transferred to a pension. This could either be a virtual separation within the current account or a separate savings account. During this period, individuals would retain access to the money in the pot to meet unexpected business costs or smooth income. Labelling the holding pot as 'retirement' or similar may support mental accounting, encouraging individuals to view the money as earmarked for a specific purpose and reducing unnecessary withdrawals.[38]

> **With the tech we've got... a bank account could be set up to take X amount from each invoice or incoming amount and put it into effectively an escrow fund. [It] holds it until the end of the month. At the end of the month, you make a decision as to how much of that goes into your pension. You've got it set at a minimum amount – so say your target amount is 10% of your invoices, but you know that sometimes it has to be as low as 3%. So you set it at 10%, it takes 10% out and that money sits... [in] the escrow and then at the end of the month you can assess as to whether, that month, you can afford your 10% to go out, whether you need to drop it down to... [3%] for that month, in which case that fund drops back into your account and only the 3% goes into your pension.**
>
> *Member of self-employed working group*

Our self-employed working group expressed great enthusiasm for this set-up. They saw it as an effective way to preserve liquidity until clarity on funds available for a pension contribution was achieved, whilst also supporting regular setting aside of money for retirement.

While offering temporary liquidity might mean that that some of this money is withdrawn before it is locked away in a pension, evidence from our research into workplace savings suggests that access to emergency savings does not decrease pension savings, but rather supports retirement saving over time. Temporary liquidity might provide many self-employed individuals with the reassurance needed to not opt out of retirement savings altogether.

[38] Soman, D. and Cheema, A. (2010). Earmarking and partitioning: Increasing saving by low-income households

Transferring contributions to a pension

The self-employed individual could then either use the money set aside to make their pension contributions via HMRC at the end of the relevant period or pay into a pension elsewhere. Subject to appropriate regulation being put in place, individuals could set up a direct debit or allow their business banking provider to make an automatic transfer to HMRC, or such consent could be collected centrally via HMRC.

Alternatively, business banking providers could offer a pension, either directly or through a partnership with a pension provider. Subject to regulatory change, money could then be transferred automatically into the pension, or customers could be prompted to do so after a set period or once the holding pot reaches a specified level. These pensions should also meet the quality and governance standards set for the default pension offered by HMRC. Individuals who make pension contributions via their business banking provider would need to opt out of saving via HMRC.

Further work would be required to establish a suitable default frequency and mechanism for rolling over money from the holding pot into a potential pension where this is offered by the business banking provider.

Viability of the approach

Our research shows that, while self-employed people see a role for the private sector to support retirement savings, there is concern that private sector actors might not have the individual's best interest in mind. Government endorsement and sign-posting – not of individual providers, but of the role of a (regulated) private sector proposition – would be important for building trust among self-employed people, given that some of the self-employed individuals that we interviewed remained sceptical around the role of the private sector, and for helping business banking providers to confidently define a role for themselves in the retirement savings system. As above, having a framework for 'qualifying self-employed pension schemes' would also help address these concerns.

We recognise that business banking providers would only offer such products if doing so is commercially viable. It is likely that, even in the long term, not all business banking providers would want to offer a retirement savings proposition to their customers. Banks that don't currently offer a pension might also opt to offer just a holding pot, rather than a holding pot plus pension, given that pensions are highly regulated and adding it to their suite of products would be a significant undertaking for most banking providers. However, we see considerable product innovation in support of self-employed people and small business owners already. For example, some providers have recently begun to offer free e-invoicing and free MTD solutions. We believe that, with the right conditions in place, business banking providers might see this as an additional opportunity for offering a values-driven proposition.

Innovation by business banking providers would also dovetail well with existing pensions products provided by qualifying workplace pension schemes. Their products are likely to be highly suitable for self-employed people given the existing workplace pension scheme safeguards and a connection with a business banking provider will help overcome the barriers to serving self-employed people, namely distribution and contribution frequency (see also Appendix 1).

An important initial step would therefore be for Government to create the conditions for the private sector to innovate in this area. This might include:

- Clarifying what is and isn't possible under current regulation, including whether business banking providers can open a pension for their customers.
- Regulatory change to allow business banking providers to default customers into retirement saving via holding pots and/or making automatic transfers to customers' pensions, subject to, for example, consent when opening a business bank account.

› Regulatory change to enable business banking providers to put a qualifying pension scheme in place for self-employed customers.

The business banking proposition outlined above would principally be applicable to sole traders rather than directors of limited companies who would have a clearer separation between business and personal finances. However, with some modifications, it could be extended to also support directors to set aside money, irrespective of whether pension contributions are ultimately made through the company or by the individual themselves.

Many sole traders use personal rather than business accounts for self-employment income[39] and, unlike limited company directors, are not required to keep business and personal finances separate.[40, 41] This means the reach of a business banking provider savings proposition will not be fully comprehensive.[42] However, we view it as an important complementary addition to an HMRC-based model that would likely significantly improve on the participation and savings rates that could be achieved by an HMRC-only model.

Supporting engagement

While automation and well-designed defaults should do much of the heavy lifting in supporting retirement saving, information provision and decision-making support remain important. Individuals need sufficient information to make informed decisions about whether and how to remain opted-in and whether and how to tailor default system settings to their needs. We outline in more detail how self-employed people can be supported to make informed decisions in Appendix 2.

Assessment of the systems-based retirement savings model

Table 3 assesses the systems-based model against the ten critical design features, showing how the proposed extensions address some of the key gaps of an HMRC-based model. It also demonstrates how both government and the private sector play central roles in supporting self-employed people to save for retirement.

[39] Although this might change as MTD encourages greater use of digital financial management tools, and they become more integrated with business banking services.

[40] Nest Insight (2022). Exploring practical ways to support self-employed people to save for retirement

[41] Money.co.uk (2026). Can you use a personal account for business?

[42] For an assessment of a model based just around business banking as a touchpoint, see Appendix 4.

Table 3: An assessment of a systems-based model against our design features

Design feature	Provider	Description	Assessment
1. Automatic account opening with an option to opt out	HMRC	HMRC, as an existing touchpoint for self-employed people's financial lives, would be well-placed to automatically open a pension account for self-employed taxpayers, subject to appropriate legislation being in place.	Incorporated
2. Wide coverage	HMRC	Everyone with self-employed gross annual income of £1,000 or more per tax year would be captured by HMRC, regardless of whether operating as a sole trader or a director of a limited company. Business banking providers could offer a savings proposition to all customers.	Incorporated
3. Protection for those on lower incomes	HMRC	As HMRC has sight of all sources of income, a minimum earnings trigger and a lower earnings limit could be applied across all sources, using the National Insurance number as a single identifier.	Incorporated
4. Default retirement-saving product that meets certain quality and governance standards	HMRC and business banking provider	HMRC could propose a default provider, product and fund in line with chosen policy design. The pensions dashboard central digital architecture could be used to identify an individual's existing pension, with a default pension to be recommended in line with a set of criteria. A default pension put in place by business banking providers would have to meet the same quality and governance standards. As a 'government-backed' product, many self-employed individuals would likely be reassured of its legitimacy.	Incorporated
5. Suitable default contribution rate	HMRC and business banking provider	Straightforward implementation of default rate in line with desired policy design. Automation of contribution payments by a business banking provider would strengthen the default, making it more likely that contributions are made at around the default rate.	Incorporated

6. Contributions that adapt to income	HMRC and business banking provider	HMRC calculations would reflect actual income. Savings propositions offered by business banking providers could help set aside money as a percentage of incoming payments. Where profits are estimated, actual contributions might deviate slightly from the target rate, but the individual could be given control to adjust the amount before it goes into their pension.	Incorporated
7. Regular contributions that align with payment cycles	Business banking provider	Business banking providers could support with setting aside money for contributions as payments come in. ITSA payment reforms and potential business banking pension offers could allow for regular (including monthly) contributions.	Incorporated
8. Automatic payment of contribution	HMRC and business banking provider	Subject to relevant regulation being put in place, business banking providers could automate the process of setting aside money and potentially transfer money into pensions, including to HMRC. If the latter is not possible, the individual would have to make the transfer to HMRC manually. This would also be the case for individuals using HMRC's default pension without a business banking savings proposition.	Partially incorporated
9. Temporary preservation of liquidity	Business banking provider	The savings proposition offered by banking providers could allow temporary preservation of liquidity.	Incorporated
10. Preservation of choice	HMRC and business banking provider	HMRC could retain the option for self-employed people to opt out. Allowing individuals to increase or decrease the contribution rate might be more complex. Business banking providers, by offering innovative savings propositions, would be able to offer choices with regards to how to save towards contributions.	Incorporated

Conclusion

For too long, self-employed individuals in the UK have received significantly less support to save for retirement than employees. It is now fourteen years since automatic enrolment began to be implemented for employed people. In that time there has been no equivalent policy intervention for self-employed people. As a result, three-quarters of them are projected to not achieve Pensions UK's minimum retirement living standard. This is a widely recognised problem and both the Government and the Second Pensions Commission have focused on it as a priority for the current round of reforms.

The evidence shows that light-touch nudges to take up existing pension products are unlikely to deliver the step change that is needed. This is partly because self-employed people want to save but face a range of barriers, including a system that requires them to make highly complex decisions, products that do not always meet their needs and no behavioural support to save.

Instead, the existing evidence points strongly in the direction of an opt-out approach, which is what we use as the starting point for the proposed model. The proposal is furthermore guided by the objectives of alignment with the strengths of workplace automatic enrolment wherever possible, practicality of implementation, and broad relevance across the self-employed population.

Under our proposal, HMRC would open a pension for self-employed taxpayers unless they opt out or a suitable existing pension is connected. HMRC would present a minimum default pension contribution, calculated relative to earnings, alongside tax due. Individuals could make a single payment covering both, which HMRC would allocate automatically between tax and their pension. The potential introduction of more frequent and timely self-assessment payments presents an opportunity for pension contributions to be made in smaller, more regular amounts.

Business banking providers would be authorised to help individuals set aside money for retirement in a 'holding pot' as they earn. These savings could then be used for a pension contribution through self-assessment, to an existing pension or a default pension offered by the business banking provider.

The model has at its centre the needs and preferences of self-employed people which we have identified through eight years of our own research and work done by others. Setting up a comprehensive retirement savings system for self-employed people has long been considered too complex. While the model described necessarily has more layers than workplace automatic enrolment, it is still fundamentally simple for the end user to understand and to engage with; and builds on existing policy and infrastructure.

The outline remains necessarily high-level and some design and policy questions remain. Answering them will require further research with self-employed people as well as more detailed input from technical and legal experts.

We hope that the proposed model provides a credible and practical solution to close a pensions gap affecting 4.5 million people in the UK.

Appendix 1: Additional policy questions

Irrespective of the sign-up touchpoint(s) and wider savings ecosystem, any model would need to have given careful consideration to eligibility, provide an appropriate savings vehicle, and set an appropriate contribution rate as a default.

Who saves – eligibility

To achieve wide coverage, decisions about eligibility should start from a principle of inclusivity, which should then be complemented with safeguards for those on low incomes.

Members of our self-employed working group felt strongly that people on low incomes should have the same opportunity and support to save for retirement as those on higher incomes. However, this must be balanced against the need to protect the current financial security of people with lower incomes. To maintain alignment between retirement saving for employed and self-employed people, any earnings threshold should be the same in both systems. Keeping the earnings trigger, currently £10,000 per year, consistent across employment types would support simplicity, fairness and understanding. However, Inclusive Money have also proposed elsewhere that incorporating a targeted liquid savings element as part of the workplace automatic enrolment system could de-risk extending enrolment to lower earners and enable the system to become more universal. The holding pot element of our proposed model could achieve a similar de-risking.[43]

Individuals with income below any threshold would not be automatically enrolled but would be supported to opt in if they wished to contribute, as with automatic enrolment for employed workers. Opt-in routes should be prominent, simple and flexible, both via self-assessment and the private sector. For example, they could still be shown what contributions at the default rate would be in their self-assessment tax return, but this wouldn't automatically show up as part of the amount payable. Business banking providers might also want to offer the option to set aside money to all customers, with any automatic transfers into pensions accounting for the thresholds. This would allow people with lower or highly fluctuating incomes to save when they are able, while avoiding the risk of the opt-out system being too strong for those who may not be able to consistently afford them. However, priority should be given to supporting anyone earning below the Small Profits Threshold (£7,105 in 2026/27) to pay Class 2 National Insurance to maximise their State Pension entitlement before making contributions to a personal pension.[44]

We propose that eligibility should be based on an individual's total income. This is particularly important given that many self-employed people have multiple sources of earnings or combine self-employed with employed income.

As discussed above, coverage should extend to both sole traders and directors of limited companies who are not already covered by automatic enrolment requirements. Excluding either group would leave significant parts of the self-employed population outside the system, undermining the objective of broad coverage.

[43] Nest Insight (2026). Balancing today and tomorrow: A blueprint for unlocking a more adequate, fair and sustainable auto enrolment system

[44] Paying one year of voluntary Class 2 NICs contributions to get a qualifying year for the State Pension costs £189.80 (in 2026/27). By contrast, making the contribution as Class 3 contributions at a later stage to fill a gap in qualifying years costs £956.80 (2026/27 level). Paying Class 2 NICs towards State Pension qualifying years is also a good option compared with putting that money into a pension instead – assuming a 40-year-old makes a £189.80 contribution to a private pension today, this would provide only £15/ year if used to buy an annuity at age 66 (using Money Helper's pensions calculator), whereas each State Pension qualifying year will offer £358 for each year that the State Pension is received (at 2026/27 level).

How much is saved – contribution level

The default contribution level would need to balance affordability in the present with adequacy in retirement. Determining the specific rate that best achieves this balance remains an important and unresolved question for both self-employed and employed people. We therefore focus on the principles that should guide contribution design, rather than proposing a particular rate.

First, contributions should be calculated as a percentage of income rather than as a fixed monetary amount. This is consistent with the workplace automatic enrolment system and allows contributions to rise and fall alongside income. It would represent a positive departure from current approaches available to most self-employed pension savers, whereby automated contributions are typically only possible through fixed pound amount direct debits.

Second, contributions should flex with realised income while protecting a basic level of income in each contribution period. Under workplace automatic enrolment, contributions are calculated on earnings above the lower earnings limit in the relevant pay period. This means that contribution amounts automatically adjust to changes in earnings and help protect take-home income when earnings are lower. A similar principle could apply to self-employed people. Depending on where and how contributions are collected, the default contribution rate may operate as a target rather than being achieved exactly in every period, but the underlying principle should remain the same. Given the proposed holding-pot model, it would also be possible to set aside a percentage of all income as the default, but to make automatic pension contributions only for those with income above the threshold.

Stakeholders also agreed that there is little case for applying an upper earnings limit to default contribution calculations, given that there is no employer contribution. For the same reason, individuals should be allowed to opt down.

Third, reflecting our parameters for solution design, the default contribution rate should, as far as possible, place self-employed and employed people on an equal footing. The central question is whether parity should be defined in terms of contribution rates or retirement outcomes. That is, should only employee contributions or the combined value of employee and employer contributions be chosen as the target rate. If the objective is to help both groups achieve similar retirement outcomes, the stronger case appears to be for the latter. Self-employed and employed people are likely to require similar levels of retirement income,[45] and employer pension contributions are widely understood to form part of the overall cost of employment. To the extent that these costs are ultimately reflected in wages, self-employed people could be considered to fund the equivalent contributions through the prices they charge for their work.[46]

Employers are able to feasibly reflect the costs of pension contributions in wages because increases are staged over time. To mimic this for self-employed people and make the transition feasible, the default contribution rate for self-employed people could be lower to start with and then gradually increased over time.

However, where default contribution rates are set at levels intended to support retirement adequacy, strong protections against unaffordable contributions become particularly important, including clearly communicating the option to opt down and a lag between money being set aside and being transferred into a pension. This would provide people the opportunity to adjust contributions if their circumstances change and help to balance long-term saving with short-term financial resilience.

[45] While some self-employed people will generate retirement income through other means, such as property or selling the business (Cribb, J., Emmerson, C., O'Brien, L. Sturrock, D. (2024). Private pensions for the self-employed: challenges and options for reform), the system should be set up around the needs of those who don't and therefore require the most support.

[46] Members of our self-employed working group discussed the idea of a pension contribution being explicitly shown on invoices to customers, similar to VAT. While the idea was ultimately rejected, it demonstrates that at least some self-employed people might factor pension contributions explicitly into decisions around how much to charge. Similarly, the Living Wage Foundation requires Living Pension accredited employers to pay the Living Wage plus the equivalent of the Living Pension employer contribution to any contractors they hire (see Living Wage Foundation (2025). Living Pension Guidance & FAQ).

Finally, while the default contribution rate should be designed to support adequate retirement saving for a broad range of people, care should be taken to minimise the risk of it being interpreted as a recommendation appropriate for every individual circumstance. Experience with workplace automatic enrolment suggests that some people may interpret default contribution rates as an indication of the amount they should save, even where higher or lower rates would be more appropriate for their individual situation. Communication and decision-making support would therefore be important.

Where does the money go – savings vehicle

We propose that a private, defined contribution pension is the product that is most likely to meet the retirement needs of self-employed people.

> **My own opinion is it would be better... the more locked way it is because I know what I'm like. If I've got access to money and I... wanted, needed to buy something, I would be tempted to access it. So I think the more locks there are on it, the more likely it's going to be used for its proper purpose.**
>
> *Member of the self-employed working group*

The default savings vehicle should support long-term financial security by providing an appropriate balance between accessibility and preserving savings for later life, delivering adequate investment returns, and ensuring high standards of governance and consumer protection. It should also be feasible to implement the model at scale within a reasonable timeframe.

Different stakeholders have suggested looking beyond pensions, arguing that these might not deliver the best outcomes especially for individuals on low and moderate incomes. We therefore considered three broad approaches: pensions, adapting an existing savings product such as a Lifetime ISA (LISA), and developing a new dedicated self-employed savings vehicle.

Some stakeholders argued that a product similar to a Lifetime ISA could provide greater flexibility, including the ability to use savings for a first home purchase, and could produce better outcomes for some lower-income individuals because of its tax treatment. A new savings product could be tailored specifically to the needs of the self-employed population.

However, we believe that pensions are, on balance, the most suitable default vehicle when considering both saver outcomes and feasibility of implementation. Members of our self-employed working group were supportive of the idea of locking money away in exchange for better returns and to protect them from making short-sighted spending decisions. While other products could offer greater flexibility, pensions are specifically designed for long-term retirement saving and already benefit from established infrastructure, regulation and consumer protections. One of the overarching principles behind our proposal is to make use of existing systems where possible, and to keep the system for self-employed people as close as possible to that in place for employed people. Developing a new savings product would be costly, take time, and depend at least partly on market innovation and appropriate incentives for potential providers whereas pension arrangements already exist and can be adapted relatively quickly.

While self-employed people often have a greater need for liquidity because their incomes can be volatile and unpredictable, we suggest this should be addressed through the contribution process rather than through designing a new product. As noted under Section 6.3, contributions could initially be directed to a holding pot shortly after income-generating activity takes place, supporting mental accounting and helping individuals set money aside. Funds would remain accessible during this period and could be withdrawn if income later proved lower than expected, before being transferred into a pension.

Any default pension arrangement, whether offered through HMRC or by the private sector, should meet standards comparable to those expected of workplace pension schemes used for automatic enrolment, such as capped charges and strong governance.[47] This should include appropriate default investment strategies, robust governance, effective risk management, low charges and appropriate regulatory oversight. Aligning standards in this way would also make it easier for individuals to consolidate or link existing pension arrangements, support movement between employment and self-employment, and place both groups on a more equal footing. This quality assurance and alignment could be facilitated by the creation of a regulated category of a 'qualifying self-employment pension scheme' with required criteria to qualify, to sit alongside or build on 'qualifying workplace pension schemes'. Alternatively, all qualifying workplace pension schemes could be considered to automatically meet the criteria to become default schemes for self-employed retirement savings, provided they accept self-employed individuals and do not place conditions such as minimum contributions, fixed monthly contributions or higher fees on them.

For the default pension offered by HMRC, an important question would be how this pension is selected. HMRC could appoint one default pension provider through a regularly run competitive selection process among providers that meet certain criteria. Alternatively, it could appoint a carousel of schemes that are considered 'qualifying self-employment pension schemes', from which a default is chosen at random for a self-employed individual. In principle, either model could work to ensure all self-employed people can access a suitable pension product if they don't already have one or make an active choice.

To mitigate the 'small pots problem', it would be desirable if individuals could continue to pay into existing workplace pensions. Currently, not all providers allow this and we recognise that there are certain challenges associated with it. These include the consideration of whether the employer-specific charge continues to be applicable to the individual who has left their employment, whether it is economical for providers to continue accepting contributions and whether it would affect their status as a workplace pension scheme. It would therefore be necessary to decide whether workplace pension providers should be mandated to accept contributions from existing members after they become self-employed, and for the government to provide the associated regulatory guidance or changes to regulation; or whether to accept that an option to link an existing workplace pension would not be available in all cases (or only with significantly higher fees).

Finally, self-employed people should benefit from future retirement-saving innovations, infrastructure and protections on the same basis as employees. This might include sidecar savings arrangements, guided retirement, value for money disclosures and small pots consolidation.

[47] Society of Pension Professionals (2026). The Missing Millions: Rethinking Pension Policy for the Self-Employed

Appendix 2: Supporting engagement

While automation and well-designed defaults should do much of the heavy lifting in supporting retirement saving, information provision and decision-making support remain important. Individuals need sufficient information to make informed decisions about whether and how to remain opted-in and whether and how to tailor default system settings to their needs. Evidence from workplace pensions shows that low engagement and a lack of tailoring, for example, contribution rates can contribute to negative financial outcomes, while discussions with our self-employed working group and trial data suggest that a lack of information is itself a significant barrier to planning for retirement. Effective communication and support will also be particularly important for self-employed people, as some aspects of the saving journey are unlikely to be fully automated.

> **I've had a great education, I've been to university, I don't think I'm dumb, but I don't know enough about finances. And it's something I avoided [for] a long time because I was like, well, I don't really know.**
>
> **I don't want to put my name to something and then be in trouble because I don't really know what that all means.**
>
> **I kind of need it in layman's terms to understand properly. I need someone to tell me exactly what that will look like when I'm 65 years old.**
>
> **Reading the terminology and things around pensions... sometimes I don't understand it a lot. So I think a lot of people will just avoid in that way as well. They just think, well, I don't really understand this.**
>
> *Member of the self-employed working group*

Information provision

- **Choice:** For self-employed people to be able to make an informed decision, they need to fully understand the system's features and the choices they have around opting out, changing contribution rates and choosing an alternative provider or investments.
- **Financial incentives:** While tax relief is not a sufficient incentive to overcome the barriers to saving for retirement for self-employed people in the current environment, building awareness about the positive impact of tax relief might reduce opt-out rates in a default saving system. Our research showed that not all self-employed people are aware of the tax relief applicable to personal pensions.[48] MTD software could be modified to show the effect of a pension contribution on a tax bill. It could also be beneficial to explain that, while self-employed people do not benefit from an employer contribution, their National Insurance contributions are generally lower.

Decision-making support

Self-employed working group members as well as individuals we have interviewed as part of our research have told us that one of the barriers to retirement saving is not knowing how much to save and what their overall saving goal should be. In an opt-out model, and similar to workplace automatic enrolment, individuals might not

[48] Nest Insight (2025). Designing self-employed autosave

adjust settings such as contribution rates to reflect their situation; or might opt out altogether if they perceive the default settings to be inappropriate for them but are unsure how to adjust them.

While information and decision-making resources do exist – such as pension calculators, annual pension providers' forecasts and Pensions UK's Retirement Living Standards benchmarks – they are often not well-known or may not meet the needs of self-employed people. For example, pension calculators often assume a regular annual, monthly and/or weekly income, which does not reflect the reality of self-employed people; and forecasts are not always readily or frequently available.

The introduction of targeted support will provide an opportunity for the private sector to tailor decision-making support to different groups of self-employed people. In the system outlined above, this would be the business banking providers offering savings support solutions, who might provide guidance alongside default savings rates. There would also be opportunities to connect self-employed people to existing tools and services like the pensions dashboard and Pension Wise as relevant as part of the default savings journey to support engagement, planning and decision-making.

Appendix 3: Our approach

The paper brings together insights from:

1. **Eight years of research** into ways to support self-employed people to save for retirement, including:
   1.1. Interviews and focus group discussions to explore barriers and enablers to retirement saving among self-employed people and testing awareness and encouragement messaging;
   1.2. Surveys of self-employed people (n = 2800) to better understand approaches to financial planning and money management;
   1.3. Design research with self-employed people to test a number of retirement savings journeys, conducted in partnership with Lloyds Banking Group;
   1.4. Field trials with Nest, IPSE, Moneybox, Penfold and, most recently, Monzo to understand what works in supporting retirement savings;
   1.5. An online simulated trial testing an opt-out approach (n=1,526);
   1.6. Roundtables and one to one engagement with industry and policy stakeholders.
2. **Two working groups**, established this year - one consisting of self-employed people and one of representatives from banks, pension providers, industry bodies, government and trade unions (see table of members below), which discussed the advantages and disadvantages of various options for introducing an opt-out approach to retirement saving for self-employed people.

Self-employed working group

Self-employed members were recruited with an effort to ensure as much diversity as possible, but with all falling under the UK median income threshold, as this is the group most vulnerable to poor outcomes in retirement. The group was kept to a size of six people to allow for in-depth discussion and collaborative development of the ideas.

After individual initial briefing calls to introduce ourselves and the themes we would be discussing, we held two workshops; the first in person, the second online. Each was attended by five members, and follow-up calls were held with those who couldn't make the group workshops.

At the first workshop we sought views on:

- How self-employed people prepare for retirement;
- The barriers to saving for retirement for self-employed people;
- What would make it easier for self-employed people to save for retirement;
- What banks, the government and accountancy software providers could do to make it easier for self-employed people to save for retirement;
- The relative advantages and disadvantages of potential touchpoints (HMRC, bank, accountancy software).

We then started outlining a possible model based on our previous research and input gathered during the workshop. At the second workshop we sought the members' views on specific aspects of a savings model, in particular:

- Features of the ideal savings vehicle;
- The trade-off between money being inaccessible but savings being boosted by government tax relief and better rates of return;
- Having a holding pot as part of or alongside a pension;
- Features of the ideal contribution model (including whether it should be 5% or 8%, whether or not there should be an income threshold of £10,000 and a lower earnings limit of £6,420) and who these features would and wouldn't work for;

- A dual touchpoint approach combining HMRC with a bank.

Policy and industry working group

We began by conducting a series of 18 semi-structured interviews with representatives from banks, accountancy software providers, industry bodies, trade unions and government representatives. The aim of these was to understand their perspectives on:

- The needs of self-employed people with regards to saving for retirement;
- To what extent supporting self-employed retirement savings is a priority for their organisation;
- The relative commercial, legal and political viability of solutions delivered by three main touchpoints: government, banks, accountancy software providers.

We then brought these stakeholders together for a workshop which started with a short presentation of our research to date and the input from the self-employed working group, followed by break-out sessions and plenaries with the objective of seeking input on the viability, advantages and disadvantages of different:

- Opt-out enrolment touchpoints (banking, making tax digital software, self-assessment tax returns);
- Design considerations for a potential retirement savings solution.

Representatives from the following organisations were interviewed and/or represented at the workshop:

- Association of British Insurers
- Capium
- Department for Work and Pensions
- Federation of Small Businesses
- Financial Conduct Authority
- HM Revenue & Customs
- HM Treasury
- IPSE
- Monzo
- Nationwide
- Nest
- Onsi
- Pensions Commission secretariat
- Pensions UK
- Prospect
- Sage
- Scottish Widows
- Society of Pension Professionals
- Standard Life Centre for the Future of Retirement
- Taylor Wessing
- The Investing and Saving Alliance
- Trades Union Congress

Appendix 4: Assessment of a business banking-only solution

The table below assesses the potential of an end-to-end retirement savings solution delivered wholly by a business banking provider against the critical design features as outlined in Section 4. This would see business banking providers automatically opening a pension for self-employed people when a current account is opened, and setting aside and ultimately transferring contributions into the pension, subject to relevant regulatory change.

Business banking providers include banks, financial management platforms and accountancy software providers that offer business bank accounts.

The main – and significant - drawback of a business banking only solution is the **limited coverage** compared to one where self-assessment is used as the main sign-up touchpoint. We also observed mixed opinions from research participants on the idea of the business banking proposition being offered on an opt-out basis. Some liked the idea that they would be enrolled into something they would otherwise need a lot of motivation to set up themselves, whilst others expressed reservations about their bank playing this role. This hesitancy might decrease coverage further.

Table A.1: Assessment of a business banking-only solution against the design features

Design features	Description	Assessment
1. Automatic account opening with an option to opt out	Subject to appropriate regulation, providers could automatically open a pension (and potentially a holding pot) when a customer opens a current account, or at another suitable point after implementation. However, some self-employed individuals may be hesitant about an opt-out solution offered by a private-sector provider. Government backing would therefore be needed to build trust and legitimise this expanded role for banks.	Partially incorporated
2. Wide coverage	Not all people who are self-employed use a business banking account for their self-employed transactions.[49] Although this might increase with the wider introduction of MTD and the integration of accountancy software with business bank accounts, it will not provide wide enough coverage and might especially exclude those least likely to take a proactive approach to managing their finances. Unless there is a mandate on business banking providers to do so, it is also unlikely that all providers would offer a retirement savings proposition.	Not incorporated

[49] In our 2019 research, only 42% of self-employed participants said they had a separate current account specifically for work/ business.

3. Protection for those on lower incomes	It is conceivable that business banking providers could be mandated to apply a trigger threshold and lower earnings limit to their customers' pension contributions. However, business banking providers might not be able to derive profits from revenue and would therefore not be well-placed to administer this.	Partially incorporated
4. Default retirement-saving product that meets certain quality and governance standards	Business banking providers could be required to choose the default product from a list of qualified self-employed pensions or to ensure that their own product meets the requirements.	Incorporated
5. Suitable default contribution rate	Many banks already have the technology to set contribution defaults. Consideration would need to be given as to whether the government should mandate what the default figure is or whether this would be decided by the provider.	Incorporated
6. Contributions that adapt to income	Contributions could be set as a percentage of revenue/incoming payments. Some business banking providers might also be able to calculate/estimate profits especially where integration with MTD software exists; if this is not the case, individuals would have to adjust contribution rates to their needs.	Partially incorporated
7. Regular contributions that align with payment cycles	Money could be set aside from each incoming payment, and either kept in a holding pot or moved straight into a pension (see Criteria 9).	Incorporated
8. Automatic payment of contribution	Payments could be automated subject to appropriate regulation and consent.	Incorporated
9. Temporary preservation of liquidity	Money could be moved initially into a holding pot that is either part of the current account or a separate savings account.	Incorporated

10. Preservation of choice	While introducing more flexibility into the product would increase its complexity, we assume providers would be driven to do so both by consumer duty regulation as well as the desire to offer a viable product by meeting the needs of their customers. Choice could be preserved in the ability to opt out and change the contribution amount easily. It is unlikely that one business banking provider would offer more than one default pension, although the customer would have the option to move their money. It could also be a requirement or an option that business banking providers allow customers to connect a pension offered by a different provider to their account e.g. through open banking.	Incorporated

The Centre for Inclusive Money at Nest (previously known as Nest Insight) is a public benefit research and innovation centre with the mission to find what really works in supporting low- and moderate-income households to be financially secure, both today and into retirement, and to drive transformational change in the system.

While Inclusive Money was set up by and is part of Nest Corporation, it operates under a distinct public benefit remit. Inclusive Money's work is made possible with support from funders including Nest and a range of trusts, foundations and public funders. The positions expressed here are those of Inclusive Money, reflecting the evidence generated and analysed through our research and innovation. They should not be taken as the views or positions of Nest Corporation or any of our other funders or collaborators. For details on our funding partners, please see our partnerships page.

We collaborate with a variety of different delivery partners to conduct research and test solutions in the real world. We start solution agnostic – by understanding needs and lived realities and then exploring how the system of touchpoints, services and products that support household money management could be more inclusively and effectively designed. We are open to working with any organisation that can help us further our mission and build evidence of what works, subject to prioritisation against the resources we have and the potential public benefit impact. Collaboration with a partner does not imply our endorsement of their products or services.

We engage with a broad range of organisations and experts in developing and delivering our work and in shaping our conclusions and next steps. However, Inclusive Money retains full and unconditional editorial and intellectual independence over all its outputs, findings, recommendations and public positions. We do not undertake commissioned research or advocacy.

We are grateful to all our partners for their collaboration and support, without which our work would not be possible.

For more information, visit: inclusivemoney.org.uk

Centre for Inclusive Money at Nest

As a public benefit research and innovation centre focussed on finding what really works in supporting low- and moderate- income households to be financially secure, Inclusive Money is always keen to talk to like-minded organisations. If you are interested in exploring how we could work together, please get in touch:

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To find out more, visit our website:

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