

# Saving with salary exchange

Help your clients save money and improve their employee benefits package by introducing salary exchange to their pension scheme.

## What is a salary exchange pension scheme?

Salary exchange, sometimes referred to as salary sacrifice, is an agreement between an employer and their employees, where the employee agrees to exchange part of their gross salary, bonus or even redundancy package for an employer pension contribution. It really is that simple.

It works in the same way as other salary related benefit schemes, for example company car, cycle to work and childcare voucher schemes.

## What are the advantages of salary exchange?

### A better benefits package

Members will get an improved benefits package, with either higher pension contributions or take home salary, depending on how the arrangement is set up.

### Savings for all

Both employers and employees will save by paying less National Insurance (NI) contributions.

### An opportunity to reinvest

Your clients can reinvest any savings in their business or pass some or all of them on to their employees.

## How much can my client save?

The example below shows how much an employer with 100 members in their workplace scheme could save each year in NI contributions, with a salary exchange arrangement.

Figures are based on an average salary of £30,000 per employee, each exchanging 5% of their salary for a pension contribution.



### 100 scheme members

Total yearly salary payment  
before exchange: £3,000,000

**£150,000 x 13.8%**

Total salary  
exchanged by  
employees (5%)

Employer NI rate  
(2023/24)

Employer yearly saving

**£20,700**

## How we can help

To support your client conversations, we'll provide a suite of materials to help you engage with employers and help them understand the long term benefits of salary exchange.

We also have our [salary exchange calculator](#), which you can use to demonstrate the benefits of the arrangement at employee level.

If you'd like calculations at group level, your usual Royal London contact will be able to help.

## Why Royal London?

Whether you're setting up a scheme for a brand new employer, or you're moving a client's existing scheme across, we offer great service with a level of support that suits both you and your clients.

From day one, you can expect to deal with real people, every step of the way.

To give your clients that extra bit of support, they'll get an implementation manager who'll make setting up or moving the scheme easy. Within just a few steps, the scheme will be up and running and they'll provide all the training your client needs on our online systems, to run their scheme themselves.

Their dedicated scheme owner will then take over, and they'll keep a watchful eye on the scheme to make sure it's running exactly as it should.

And of course, everything we do is supported by technology to make life easier for you and your clients.

For more information speak to your usual Royal London contact or visit [adviser.royallondon.com/salary-exchange](https://adviser.royallondon.com/salary-exchange)



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