GUIDE

Pensions for Stay-at-Home Parents

This document contains important information and you should read it carefully and keep it safe for future reference.

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Introduction

Being a stay-at-home parent can be a rewarding yet financially challenging role, especially when it comes to planning for the future.

While you may not be earning a traditional salary, it's crucial to think about how you'll fund your retirement. The good news is that there are several strategies available for stay-at-home parents to build their pension pot, ensuring financial security in later life.

Why pensions matter for stay-at-home parents

Even if you're not earning a salary, you are still entitled to build a pension for retirement. Without active contributions, you risk having little to no retirement savings, which could lead to financial struggles in your later years.

Building a pension while caring for your family at home is crucial to maintaining your financial independence.

Some might think 'well I will get the state pension to live off so it's fine' but that isn't the case. To receive the full new state pension, individuals with no national insurance record before 6th April 2016 need at least 35 qualifying years of National Insurance contributions or credits.

If you're a stay-at-home parent, you can still accumulate qualifying years if you are claiming child benefit for a child under the age of 12. Claiming child benefit automatically provides you with National Insurance credits, which count towards your State Pension. This is a vital way to continue building up your pension entitlement, even if you're not working.

If an individual doesn't have 35 qualifying years, they may still be eligible for a portion of the new state pension if they have at least 10 qualifying years. The amount that they receive will be proportional to the number of qualifying years they have accrued. More information on eligibility for the state pension can be found on the GOV website.

If you receive the full new state pension, this equates to £11,973 per year for the 2025/26 tax year which is a way below the retirement living standards estimation of needing £14,400 for a single person to have a 'minimum' standard of living during retirement let alone the £43,100 prediction for a single person to have a 'comfortable' standard of living.

This highlights the importance of having other income sources for your retirement, such as a private pension.

Building a pension pot as a stay-at-home parent

Just because you aren't employed doesn't mean that you can't pay into a pension. Just like workplace pensions, personal pensions benefit from tax relief, making them an efficient way to save.

As a stay-at-home parent, you can contribute to a personal pension even without employment income, benefiting from government tax relief.

For the 2025/26 tax year, you can contribute up to £3,600 per year into a pension if you don't have any employment income. This means that you pay up to £2,880 and the government adds up to £720 in tax relief.

When you contribute to a pension, you benefit from basic-rate tax relief (20%) added to your contributions, even if you don't pay tax. This means that for every £80 you contribute, the government adds £20, giving you a total contribution of £100. As a stay-at-home parent without an income, the basic tax relief is the key benefit.

If you work part-time or return to work during the child-rearing years, check whether your employer offers a workplace pension scheme.

Under auto-enrolment rules, employees earning more than £10,000 per year are automatically enrolled into a workplace pension, with both employer and employee contributions. You can check eligibility criteria on the Pensions Regulator website.

Maximising pension contributions from a partner

Maximising pension contributions from a partner can be an effective way to enhance household retirement savings, particularly if one partner has lower income or is not earning. In the UK, a non-earning or low-earning partner can benefit from tax relief on personal pension contributions up to £3,600 gross per tax year (including tax relief of £720 provided by HMRC, meaning only £2,880 needs to be contributed). This strategy is especially beneficial if one partner's pension allowance is underutilised, as it ensures both partners build up retirement savings.

Long-term pension planning

When contributing to a personal pension, it's essential to think about your investment strategy. A well-chosen investment portfolio can significantly grow your pension pot over time.

When contributing to a personal pension, your funds are typically invested in a range of assets, such as stocks and shares which are higher risk but with potential for greater returns over the long term, or bonds which are lower risk, providing more stable but typically lower returns.

As a stay-at-home parent, your investment horizon may be long (20–40 years until retirement), However, it is essential to review your investments regularly and adjust based on your changing financial situation or risk tolerance.

Balancing short-term family finances and long-term pension savings

Building a pension while managing household finances on a single income can be challenging, but small, regular contributions can add up over time.

You should aim to contribute every month, but only what you can afford. Even modest contributions of £25 or £50 per month can benefit from tax relief and compound growth over time. Regularly review your budget to see if there's room to increase contributions as your circumstances change, for example, as the children start school or you return to work, even on a part time basis.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028).

Your capital is at risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested.

Final thoughts: building a pension as a stay-at-home parent

As a stay-at-home parent, building a pension can seem challenging, but it's entirely possible with the right approach.

Whether through National Insurance credits, contributions to a personal pension or help from a partner, you can steadily build your retirement savings. The earlier you start, the more time your investments have to grow, providing you with greater financial security in retirement.

If you're unsure about the best pension options for your situation, consider speaking to a financial adviser. They can help you to understand your options, make the most of tax reliefs and tailor your pension plan to your family's needs.

The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future.

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