



Should you invest your 3.5% teacher pay rise in September?

So the government has announced a 3.5% pay rise for all teachers in September 2026, followed by another 3% in September 2027. To read more about the rise see my previous blog post. However, this post is about whether this is the opportunity to start investing if you don't already, and whether that 3.5% and 3% would add up to much.

Obviously, inflation and the rising cost of living will probably be where this modest increase will be needed for some, but if you are already making ends meet then investing this increase could result in some good returns.

So, according to the STRB (School Teachers' Review Body) the average school teacher salary will rise to over £52,800 in September 2026. This means the 3.5% increase this year is worth about £1800 per year for the average teacher. And next years' 3% increase would be a further £1600.

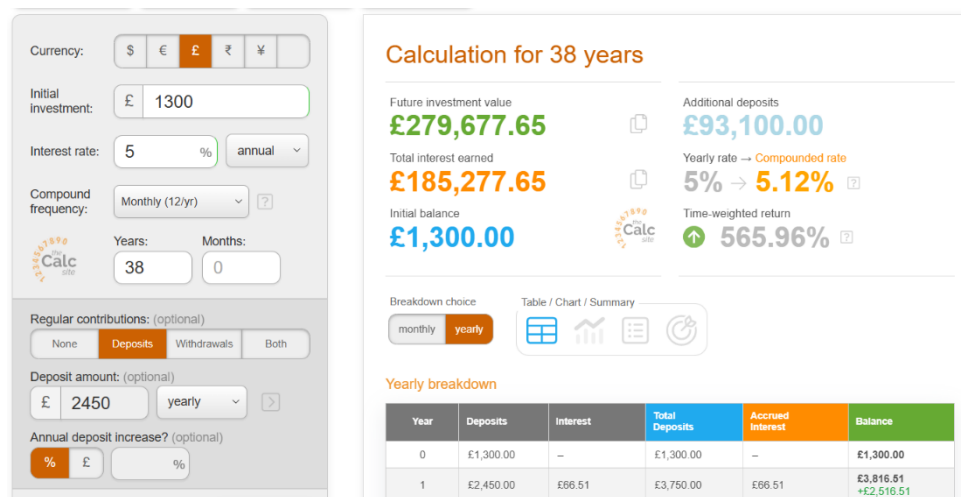
So what is this was invested?

Firstly there is tax to consider, unless you plan to invest this in a separate pension and receive tax relief. Considering tax bands, and presuming you are already a member of the TPS then this increase would be liable for income tax at 20% and national insurance at 8%, and potentially other costs like student loan repayments.

Let's assume that we are going to invest this entire increase into a Stocks and Shares ISA. After tax and national insurance this would mean £1300 free to invest from September 2026 and £2450 in total from September 2027. So what could we end up with in some different scenarios?

Let's also assume a 30 year old teacher, saving for an extra lump sum at retirement, whose normal pension age is currently 68

Using a compound interest calculator and assuming a 5% per year growth rate, which is fairly conservative, this results in a huge sum of nearly £280,000 at retirement age, simply by foregoing this pay rise, acting like it didn't happen, and investing instead.



At 7% return this would equal a massive £465,000. Obviously this is an extreme example as the teacher is only 30 and so has 38 of time for compound growth to do its magic. In that first example the teacher would have contributed £93,000 and benefited from £185,000 in growth.

What about if you were older or younger, and with different rates of growth? Have a look at the table below. Remember this is simply from investing all of the extra salary from the pay rises announced for 2026 and 2027. This assumes investing the full pay rise of £2450 from September 2027 for someone on the average teacher wage according to the STRB, and these returns don't take inflation into account, however, many stock markets average at 7-10% returns for decades, with inflation far below this.

Investing for:	5%	7%	10%
5 years	£16,713.48	£17,627.02	£19,129.47
10 years	£35,018.65	£39,142.34	£46,572.36
20 years	£88,659.52	£112,881.52	£166,013.43
30 years	£177,006.54	£261,072.30	£489,345.36

What these figures show is both the power of compounding and time in the market. This is just a very modest £200 a month being invested, but with consistent returns this builds into a sizeable sum over time.

So, if your finances are healthy, and you won't miss the extra from September 2026 and 2027, then investing it, even for a few years, could result in useful savings for a house deposit, car, children, or retirement. Remember this is all tax free in a Stocks and Shares ISA and can be withdrawn at any time. Although you should invest with a minimum time scale of 5 years, preferably more, to avoid having to sell during any downturn in the market. Have a read of the investing guides on the Teacher Finance website if you want to learn more about investing.

If you want to play with some different scenarios then you can work out your individual salary increases here:

<https://teacherpaycalculator.com/>

And put the numbers into a compound interest calculator such as this:

<https://www.thecalculatorsite.com/finance/calculators/compoundinterestcalculator.php>

Finally, this is not financial advice, just some thoughts about potential options, do your own research, I take no responsibility for any losses, but it makes sense to me....

