

RETIREMENT PLANNING BULLETIN - EDITION 4 - OCTOBER 2009

Our monthly Retirement Planning bulletin reviews topical press articles and comments on the potential impact on the world of pensions.

TUC propose scrapping pensions tax relief for the rich

As reported in The Observer on 14th September the Trade Union Congress conference called for tax relief on pension savings to be scrapped for higher earners. The General Secretary Brendan Barber told the newspaper that Labour could regain political momentum by addressing the massive boon to better off people at a huge cost to the public purse, a cost that is equivalent to twice the cost of public sector pensions. The TUC believes two-thirds of the £37 billion annual spend on pension tax relief goes to higher rate taxpayers with £10 billion of it ending up in the hands of the top 1% of earners. He said "it is certainly one of the issues where I think the Government could demonstrate in a vivid and powerful way a real commitment to fairness and social justice."

Commentary: Despite the recent Budget changes introducing restrictions to higher rate pensions tax relief for those on income greater than £150,000 there are still regular calls from some quarters for the Government to press on and go further. With the public finances getting significantly worse and the Chancellor desperate to raise cash a further raid on pension tax breaks cannot be ruled out. And a raid on pension tax breaks has something else going for it too. It's one of the few tax rises that doesn't have a knock-on effect on demand in the wider economy. It is still possible for additional rules to be introduced in next month's Pre-Budget Statement – should the political will exist.

New 'quality mark' for pensions

The Financial Times on 26th September reported the launch of a new 'quality mark' from the National Association of Pension Funds (NAPF). The mark will offer employees some assurance that the defined contribution pension their employer offers is a good one. The two-tier benchmark will tell employees that at least 10% or 15% of their pay is going into their company pension, that there are good governance arrangements in place, that the management charges will not exceed 1% p.a. and that the scheme provides them with good and regular information. A number of big companies including Marks & Spencer, Kelloggs and the computer giant IBM became the first recipients of the quality mark.

Commentary: This new development from the NAPF headlines a new marketing emphasis in rebuilding workplace confidence in pensions. In addition, as the award will only be granted to defined contribution schemes it also signals a fundamental internal shift in the NAPF from supporting defined benefit schemes to promoting defined contribution arrangements instead.

A Top Performing Pensions Product

The October edition of Money Management magazine contained an independent pension survey with St. James's Place pension fund performance scoring well in the 10 year and 15 year Balanced Managed results.

Commentary: The magazine is currently available from all good newsagents, and is worth a read!

Tories set to raise State pension age from 2016

The Independent on 7th October reported from the Conservative Conference in Manchester about the various policy announcements that will impact pensions:

- Men under 59 and women under 55 will have to work until age 66 to receive the State pension
- There will be a review on the age of women scheduled to see a rise in their pension age from 60 to 63 by 2016
- The link between pensions and earnings will be restored

Commentary: According to the Conservatives the increase to the State pension age is likely to save £13 billion a year and if successfully implemented will lead to more people having the need to invest in personal retirement vehicles in order to allow them to retire at an age of their choice rather than an age dictated by Government. Figures supplied by Standard Life show a 45 year old man saving £200pm could see his pension rise by almost 10% by delaying his retirement age by one year.

Gender gap widening in pension savings

The Times on October 13th reported that a survey carried out by Scottish Widows found that while the percentage of the total population saving adequate amounts into pensions has risen in the past year it also found that women are lagging behind men when it comes to retirement saving. This year 59% of men were making adequate provision for old age compared to 47% of women. This 12% gender gap is up from 9% last year.

Commentary: During the economic downturn overall pensions savings have increased, but this is mainly among men and the gender gap has actually increased. In a climate when people need to be saving more than ever for their futures, it is particularly concerning that the survey cites women over 50 years of age are actually saving less than previous years.

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