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GRAYSIDE
FINANCIAL SERVICES

FACTSHEET

Retirement matters

Pension changes you need to know

Chancellor George Osborne delivered his Spending Review and Autumn Statement on Wednesday 25 November 2015. For the first time in this Parliament, he did not announce any further radical changes to the private pensions system, giving the Treasury more time to digest the Green Paper consultation from the summer Budget.

However, the Chancellor did set out his proposals for the new flat-rate State Pension, Pension credit, basic State Pension increase, a tapered reduction to the amount of the annual allowance for high earners and setting up a second-hand annuities market.

He announced a rate of £155.65 for the new flat-rate State Pension, and for someone working full-time today it's approximately 60% of the Living Wage.

From tax year 2016/17, a tapered reduction to the amount of the annual allowance of £40,000 is to be introduced for individuals with adjusted income of over £150,000. Adjusted income includes the value of any employer pension contributions in order to prevent avoidance via the use of salary sacrifice arrangements.

The annual allowance of £40,000 will be reduced by £1 for every £2 that adjusted income exceeds £150,000, down to a minimum annual allowance of £10,000. Therefore, anyone with adjusted income of £210,000 or more will only receive the £10,000 minimum.

YOUR PENSION CONTRIBUTION LIMITS FOR THE CURRENT TAX YEAR 2015/16

- You can contribute as much as you earn in a year, up to £40,000 a year (up to £80,000 for some people)
- You can also use HM Revenue & Customs' 'carry forward' rules to use the past three years' pension contribution limits, if you haven't already
- Once you start drawing from your pension, your annual limit reduces to £10,000 (this is only if accessed 'flexibly'; this doesn't apply to benefits drawn from defined benefit schemes or if only tax-free cash is taken from a drawdown pot)
- The lifetime pension limit is reducing from £1.25m to £1m from 6 April this year

The lifetime allowance applies to the total funds that can be built up within your pension arrangements, and there will be a tax charge on the funds that exceed this limit. (This will apply whether benefits are drawn or not, i.e. earlier of benefits being drawn, age 75 or death.)

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.

WANT TO DISCUSS THE PLANNING OPTIONS AVAILABLE TO YOU?

If you have adjusted income over £150,000, your annual pension allowance will gradually be reduced. Those with adjusted income of £210,000 or more will have the minimum annual allowance of £10,000. To discuss the planning options available to you, please contact us.