

# What does Theresa May's Government have in store for retirement investors?

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## Risk warnings

- The value of your investments can go down as well as up and you may get back less than you originally invested.
- We don't offer advice, so it's important you understand the risks, if you're unsure please consult a suitably qualified financial adviser.
- Tax treatment depends on your individual circumstances and rules may change.
- Past performance is not a guide to future performance and some investments need to be held for the long term.

# Contents

1. Introduction – the pension policy landscape
2. Brexit – gamechanger?
3. Pension tax relief
4. The Lifetime ISA
5. Secondary annuities
6. The new Pension Advice Allowance
7. Auto-enrolment and the state pension
8. Conclusions

# 1. The pension policy landscape

- Deficits weigh on public purse and private sector too
- Shift in pension risk from employers to individuals
- The pension freedoms clearest example of move towards increased freedom, choice and risk
- Policymakers focused on nudging people, through tax system and coercion, to saving for their own retirement
- Assuming Labour remains out of power, trajectory unlikely to change



## 2. Brexit – a gamechanger?

- Brexit threatens to shift public policy landscape – pensions could be in the firing line
- New administration (Prime Minister May and Chancellor Hammond), new priorities?
- The Big Three: Economy, Process of Brexit, Election
- Recession? – some early economic indicators looked bad
- Bank of England intervention (rate cut to 0.25%, fresh batch of QE) could prop up growth (although more pain for defined benefit schemes)
- Autumn Statement



### 3. Pension tax relief

- Existing system, taxed at marginal rate (plus 25% tax-free)
- The Pension ISA (EET vs TEE)
- Single, flat rate (25%? 30%?)
- Reform SHELVED (not killed) ahead of EU referendum
- Appetite remains within the Treasury to overhaul pension tax system...
- Potentially in the firing line IF economy hits the skids post-Brexit vote
- Lifetime/annual allowance cuts (again)? Reduce the tax-free lump sum?
- BUT all risk alienating core Conservative voters



## 4. The Lifetime ISA

- Due to launch in April 2017
- Target market = young, first-time buyers
- Under 40, up to £4k a year, 25% Government bonus
- Continue contributing (and receiving match) until 50
- Tax-free withdrawals from age 60, OR for deposit on first home
- Heavy penalty for other early withdrawals
- Potential to expand in future



## 5. Secondary annuities

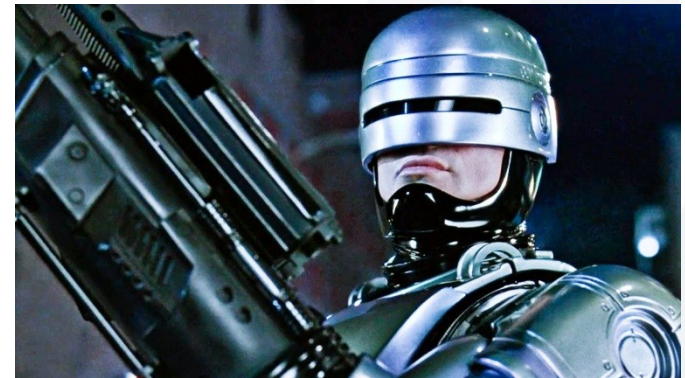
- Plans set out to allow savers to cash-in existing annuity policies
- Take as lump sum, taxed as income
- Put into drawdown, taxed on withdrawal
- Original launch date April 2016; pushed back to April 2017
- Buyers? Sellers? Brokers? Advice?
- U-turn will be viewed as broken promise to older voters (and will leave a hole in Treasury spending plans)





## 6. The new Pension Advice Allowance

- Available from April 2017
- Take up to £500 from your pension tax-free to pay for retirement advice
- In addition to 25% tax-free lump sum
- Potential for multiple uses
- However, unlikely to pay for full retirement advice session (HMT estimates £150 an hour, up to 9 hours)
- Robo-advice?



## 7. Auto-enrolment and the state pension

- **State pension triple-lock**
  - State pension rises by highest of earnings, prices or 2.5%
  - Manifesto commitment to retain until 2020
  - Scrapping it could save £billions, but...
  - Risk angering demographic most likely to vote?
- **Automatic enrolment**
  - Success so far (opt-outs less than 10%), but...
  - Biggest challenge to come between now and 2018
  - Impact of Brexit on small firms?  
Another delay?



## 8. Conclusions

- Brexit has shifted the public policy landscape
- No punishment Budget, but savings may be needed (Autumn Statement)
- Pensions could be in the firing line if Chancellor Hammond needs cash – USE YOUR TAX ALLOWANCES
- Pension ISA debate still live
- State pension triple-lock under threat, but politically difficult
- Lifetime ISA set to launch in April but exit penalty diminishes attractiveness
- Secondary annuities – doubts over sustainability of market and value for money
- New Pension Advice allowance available from April 2017

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