

# TISA Emergency Budget Implications

A view from distribution

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- Take a look at things from a distribution perspective
  - Sharing the views of three investment professionals: -
    - a financial planner,
    - an investment manager,
    - a pensions specialist
  - Explore the longer term implications of the budget for their businesses
  - Is the budget consistent with the aims of the RDR?
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# Pensions Orientated Planner

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- Budget and RDR – working for or against each other?
    - Use it or lose it allowance
    - Interaction with CGT taxation levels
    - Removal of age 75 cut off
  - As long as you are not yet 75
  - Reduction in tax on death
    - Possible to pass some benefits on
  - Need for professional help
    - Management of lifetime income
    - Order of access
    - 2 risks; investment & longevity
    - ISA then Pension?
  - In summary it underpins the need for long term relationships (planner and client) the very revolution that RDR is driving
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- Necessary response to the dire position of UK economy
  - Longer term should help to re-balance the economy
  - Facilitate export led growth but dependant on world economy
  - Difficulties in the execution and implementation
  - Bank levy tough (but not as tough as expected) – Fitch ‘no impact on bank ratings’
  - Key task to reassure ratings agencies – Fitch ‘materially strengthen confidence in UK public finances’
  - Positive for gilts but less clear for equities: -
    - Likely to put pressure on growth
    - Base rate stays lower – less chance of double-dip
    - VAT puts pressure on CPI short term
    - Private sector needs to fill the gap left by government spending
    - Business friendly tax measures and fiscal prudence positive
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- Very positive - change and complexity drives demand from new existing clients
  - Encouraged by: -
    - proposed simplification of the 2011/12 restrictions on HRT relief on pensions;
    - relaxation of the age 75 pension benefit rule;
    - indexation of ISA allowances;
    - preservation of tax shelters like EZS, VCT, BPRA and EIS;
    - CGT 'only' going up to 28%;
    - review of public sector pension scheme provision.
  - Less welcome: -
    - 'aggressive' HMRC negative comment about tax mitigation structures
    - 'general anti-avoidance' rule making legitimate tax planning virtually impossible.
    - Taxation increasing as allowances fail to keep pace with investment returns/earnings.
  - Tried and tested IHT - IHT may be an area for additional tax revenues.
  - Cuts cause decline in property values - undermines British obsession with property.
  - Good financial planners can help clients to develop strategic plans which are well diversified and properly reflect risks and rewards.
  - Opportunity to recruit high quality staff as the 'transactional firms' fall by the wayside.
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- Change creates opportunities
- Increased longevity will sustain continued pensions reform
- Tax complexity requires ongoing advice
- Uncertain investment markets need professional investment management
- Clients financial goals and plans will come under pressure
- Transactional advice doesn't work in the mass affluent/HNW markets
- Ongoing advice is essential for these markets

**The RDR supports changing market trends –  
These changes will happen irrespective of regulatory change**

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