TISA leading on investments and savings

TISAtalks…Budget 2014 — 19th March 2014

FREEDOM!

Some really interesting developments for the financial services world were revealed in today's budget as the chancellor announces an unexpected pensions bombshell.

The Government has announced a radical overhaul of pension rules which will mean that from April 2015 anyone over the age of 55 will be able to take their entire pension pot as cash. What opportunity this opens up for pensioners & savers!

Under reforms announced by Chancellor George Osborne today, the overall trivial commutation limit will be increased from £18,000 to £30,000 later this month.

The triviality limit on personal pension pots worth £2,000 will also rise to £10,000, with individuals allowed to take up to three separate pots as cash.

In addition, the flexible drawdown minimum income requirement will also reduce from £20,000 to £12,000, while the maximum income a person in income drawdown can take will rise from 120 per cent of GAD to 150 per cent.

The total amount that can be cashed in from a pension over a lifetime has been increased to £30,000.

In addition to all that, the Chancellor has taken notice of the industries reforms for annuities. This could be a potentially monumental blow to annuity providers, as from April next year anyone who is aged 55 or over will be able to take their entire pension fund as cash – although only the first 25% will be tax-free.

This is an unprecedented change giving huge flexibility to how pensions are taken. TISA's Retirement Policy Council can now look at how we make sure consumers get help in working out the best way to take a tax efficient and sustainable income. This means no one would have to buy an annuity anymore and that those who did would have access to impartial face-to-face advice.

This provides a fantastic opportunity for the Financial Adviser community. This has to be fantastic news for pension savers also. Income drawdown has served the market well for nearly 20 years, but the time has come for a change. Pension savers will be able to get tax relief on pension contributions and invest it tax free until they need it. This announcement breaks the link between how much a pension saver can take from their own pension pot and the current dysfunctional annuities market, which seems an eminently sensible move.

Peter Smith, Head of Distribution Engagement

NEW ISA RULES OFFER FLEXIBILITY

When George Osborne said at the beginning of his speech that this was a Budget for Savers, he was not wrong!

The changes coming in will transform the ISA rules, making it so much simpler and more flexible for consumers. They will not only be able to save more but they will have much greater choice as to where it is saved. Additionally, it enables everyone to move their savings into the most appropriate place when the stock market and interest rates move up or down.

All very good news in encouraging saving. And it does mean there is an even greater need for the industry to ensure we have a quicker, more efficient transfer process……

Carol Knight, Operations Director