

A MOMENT IN TIME

The recent Budget has produced a wave of euphoria in the world of pensions with the introduction of total flexibility for consumers and their retirement choices. In this euphoria however there should be a word of caution for advisers and providers.

We are now in an interim period before the new proposals come into effect. In this period, providers and advisers alike should take extra precautions to ensure customers are aware of all their options in the post-Budget pensions landscape. The FCA has released *'Pension Reforms: Guidance for Firms in the Interim Period'*. This document gives detailed guidance and is aimed at all who deal with consumers at retirement.

The regulator here is clearly providing clarification that advisers may wish to proactively contact customers who applied for an annuity or income drawdown just before the Budget and remind them of their 'right' to change their mind. This guidance also applies to annuity providers especially those who quickly extended cancellation periods for annuity purchases until 17 April.

The FCA paper follows on from provisional efforts by annuity providers to contact customers and give them more time to consider the changes, which give consumers the ability to drawdown as much of their pension fund as they like at their marginal tax rate. The guidance indicates that providers should contact those consumers who have recently applied for an annuity with a fund of £30,000 or less.

Consumers can already take advantage of the new flexibility without waiting for April 2015 if:

- They have given instructions to receive their benefits but their pension scheme has not paid their tax-free lump sum or set up their annuity.
- The pension scheme has paid out the tax-free lump sum and the individual has bought the annuity but cancelled the annuity contract within the cooling off period and entered into drawdown with the pension scheme.
- Their pension scheme has paid the tax-free lump sum and the annuity contract is set up but their total pension rights from all schemes are £30,000 or less and they meet all the requirements to immediately take the annuity as a taxed lump sum.

TISA members would be well advised to check the position with any of their consumers who may fall into this interim category.

<http://www.fca.org.uk/static/documents/finalised-guidance/fg14-03.pdf>

Peter Smith, Head of Distribution Engagement