



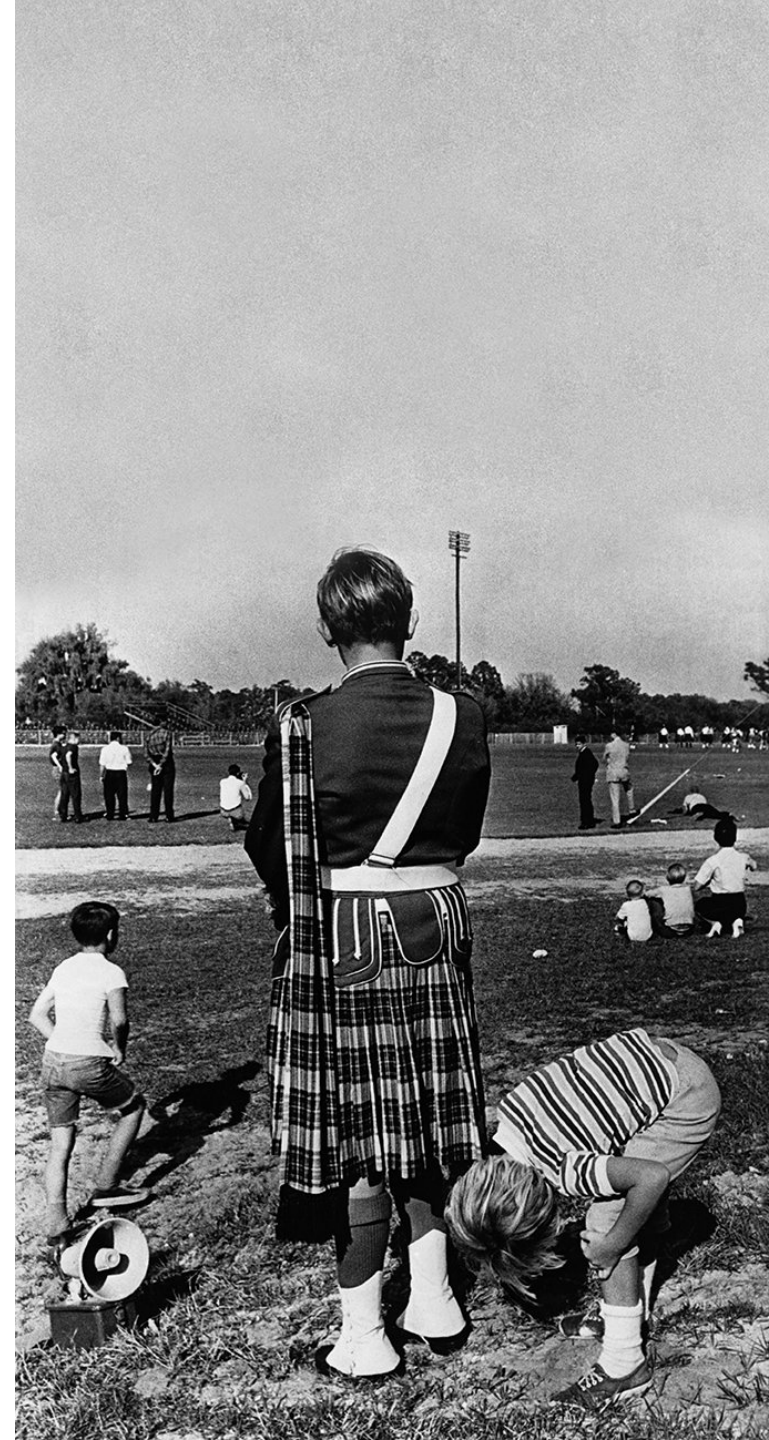
THE PENSIONS REVOLUTION SUMMER BUDGET & BEYOND

Fiona Tait, Pensions Specialist

For professional advisers only

THE PENSIONS REVOLUTION AGENDA

- The story so far
- Changes for April 2016
- Future options for tax relief
- Summary

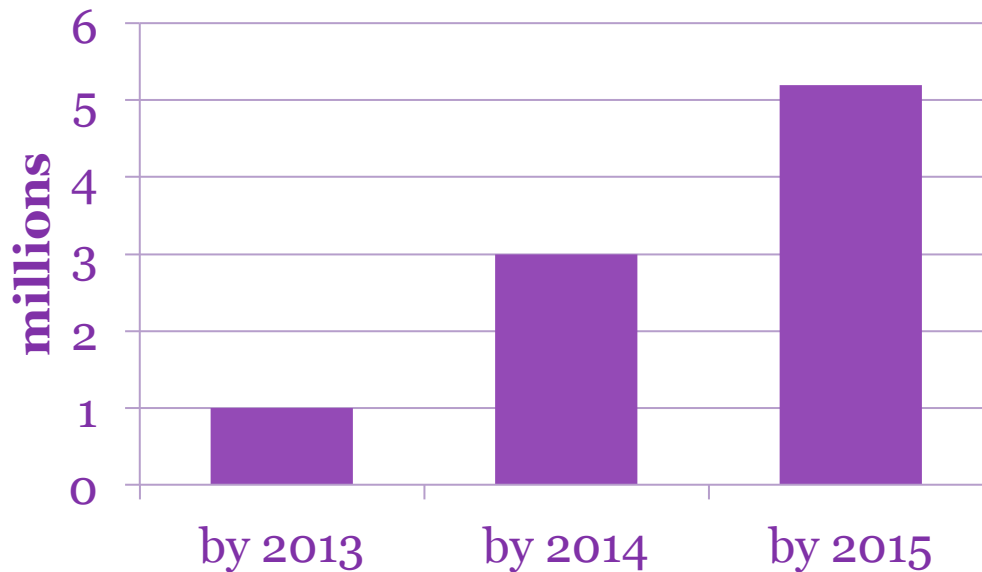




THE PENSIONS REVOLUTION **BACKGROUND**

AUTOMATIC ENROLMENT RESULTS SO FAR

- **35,000** employers completed their declaration of compliance between April 2014 and March 2015
- Total number of employees automatically enrolled:



5.2 million
employees
by March 2015



Source: TPR – Automatic enrolment Commentary and analysis 2015

AUTOMATIC ENROLMENT COMPLIANCE ACTION SO FAR



Compliance notice



1,295 issued up to 30th June 2015



**'Wake up call'
(£400 fixed fine)**



332 issued up to 30th June 2015



**Persistent offenders
(Escalating penalties)**

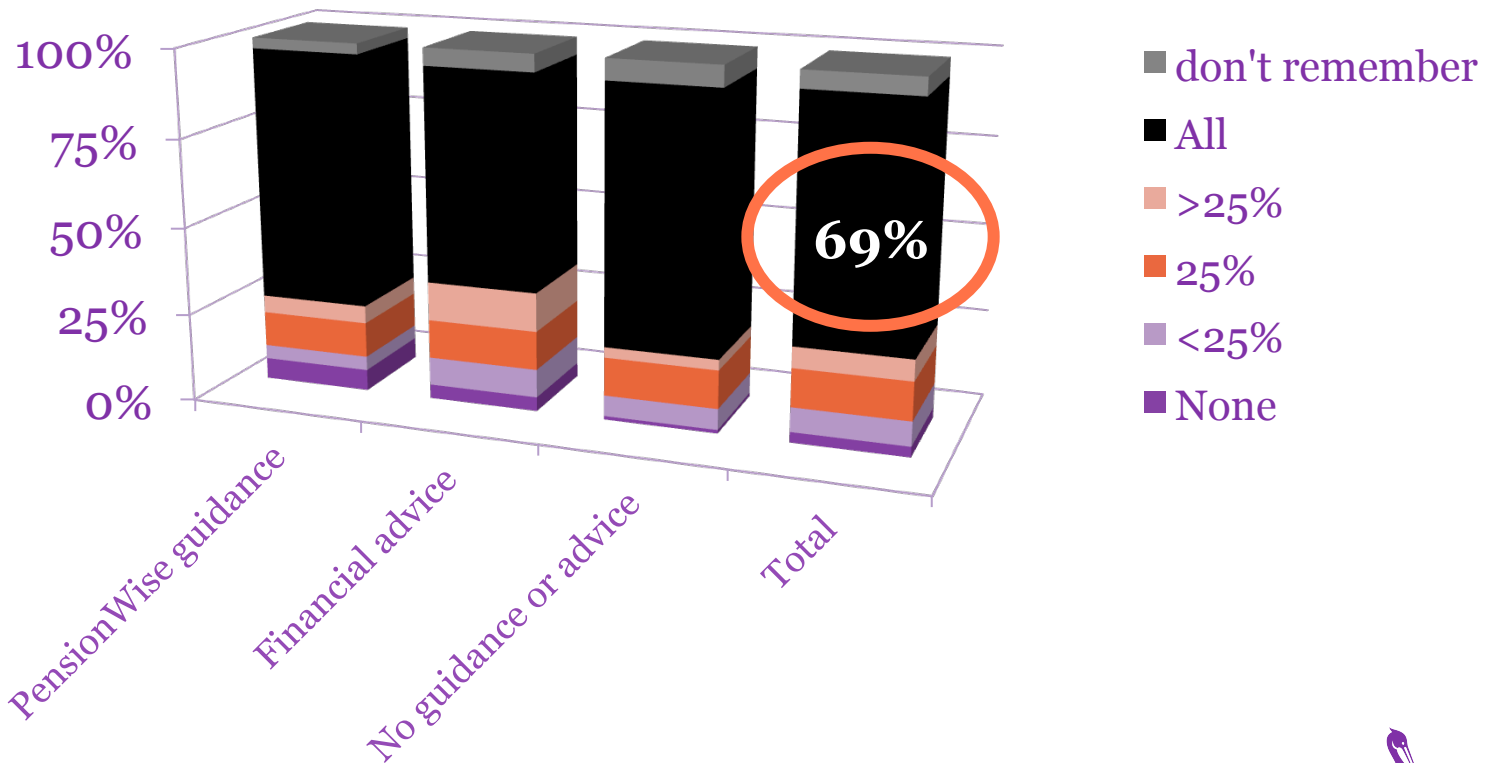


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Source: TPR – Automatic enrolment compliance and enforcement quarterly bulletin
1 April – 30 June 2015

PENSION FREEDOMS ROYAL LONDON RESEARCH

? Percentage of lump sum withdrawn



Q1 - Just so we know we are asking the right questions, can you tell me what percentage have you taken / decided to take as a lump sum?

Base: All respondents (800)

Research carried out by Harris Interactive Limited on behalf of Royal London between 18th May and 24th of July 2015

PENSION FREEDOMS ROYAL LONDON RESEARCH

? Plans for lump sum ...



Q2 - What do you plan to do with your lump sum?
Base: All taking lump sum (740)

Research carried out by Harris Interactive Limited on behalf of Royal London between 18th May and 24th of July 2015

NEXT STEPS THE NEW PENSIONS MINISTER

Post election

“My priorities are clear: to strengthen British pensions, improve later life incomes, and protect the pensioners of today and tomorrow.”

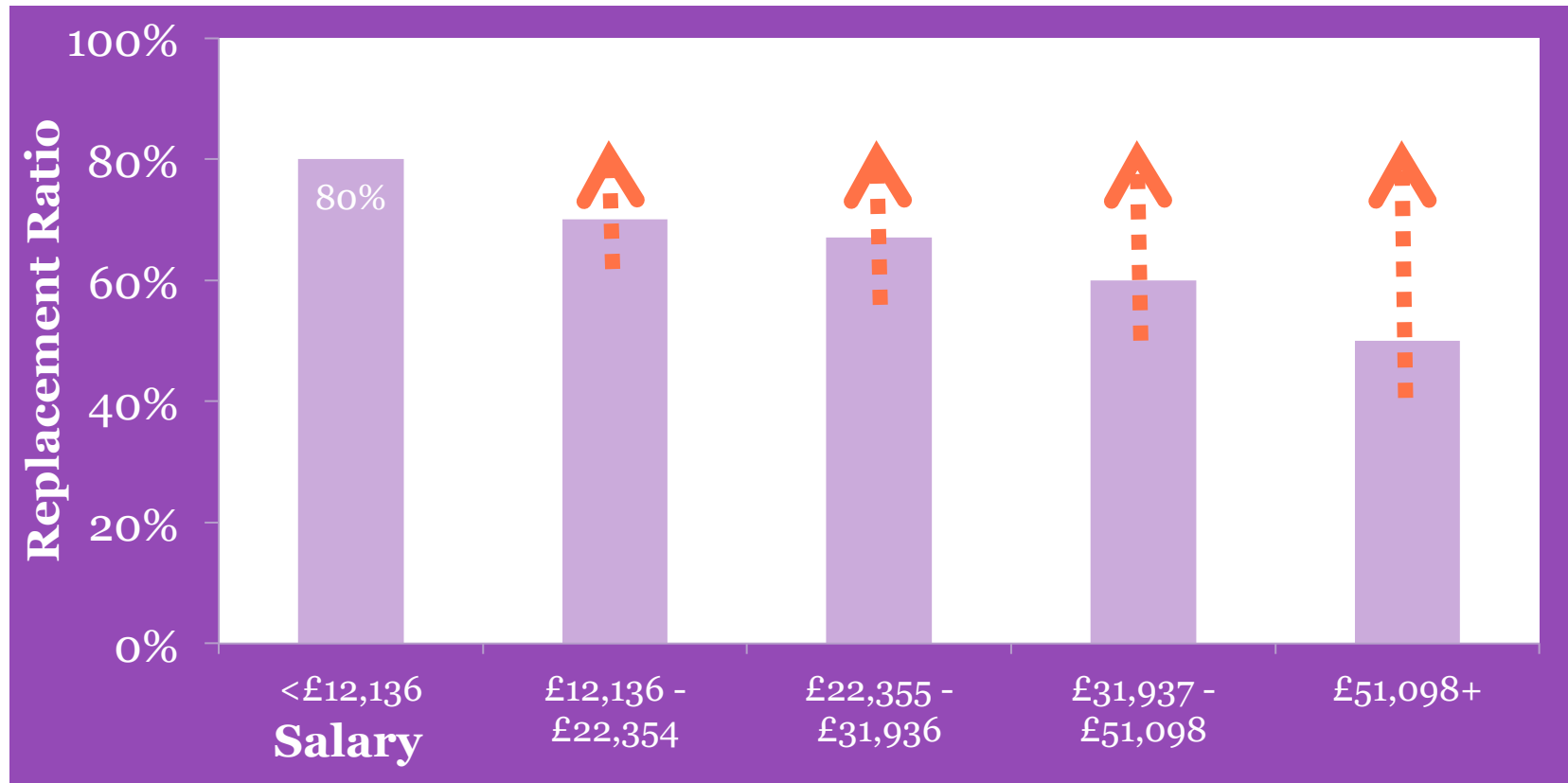


- ✓ take forward work to bring in the **new State Pension**
- ✓ help millions more to be enrolled into **good quality workplace pension schemes**
- ✓ safeguard new **freedom and choice** as to how people access their saving

Source: As reported in Money Marketing “Pensions Minister Ros Altmann lays out priorities” 14 May 2015

NEXT STEPS IMPROVING SAVING LEVELS

Replacement rates:



Source: PPI Automatic Enrolment Report 1:
What level of pension contribution is needed to obtain an adequate retirement income?



THE PENSIONS REVOLUTION **APRIL CHANGES**



Personal allowance

- Increasing to **£11,000** from 6 April 2016 and £11,200 from April 2017
- Higher rate tax threshold increasing to **£43,000** from 6 April 2016 and £43,600 from April 2017



Annual allowance

- Taxable income above **£150,000** will reduce by £1 for each £2 of income above £150,000



Lifetime allowance

- Reducing to **£1 million**

SUMMER BUDGET ANNUAL ALLOWANCE

Restricted for income in excess of £150,000:

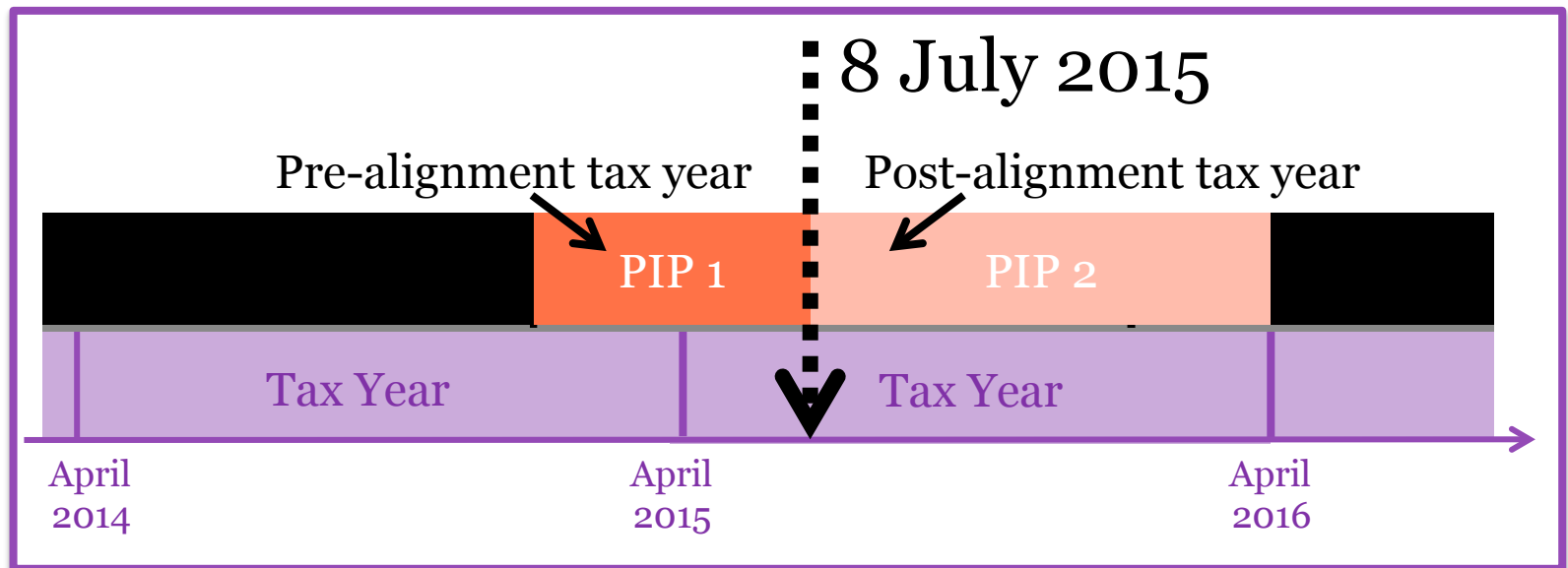
Income	Annual Allowance	Effective tax rate
<£150,000	£40,000	45%
↓	<i>AA is reduced by £1 for every 50p of income</i>	
>£210,000	£10,000	67.5%

- ✓ *Raises revenue, only affects “the rich”*
- ✗ *Adds complexity, reduces incentive to save*

SUMMER BUDGET PENSION INPUT PERIODS (PIPS)



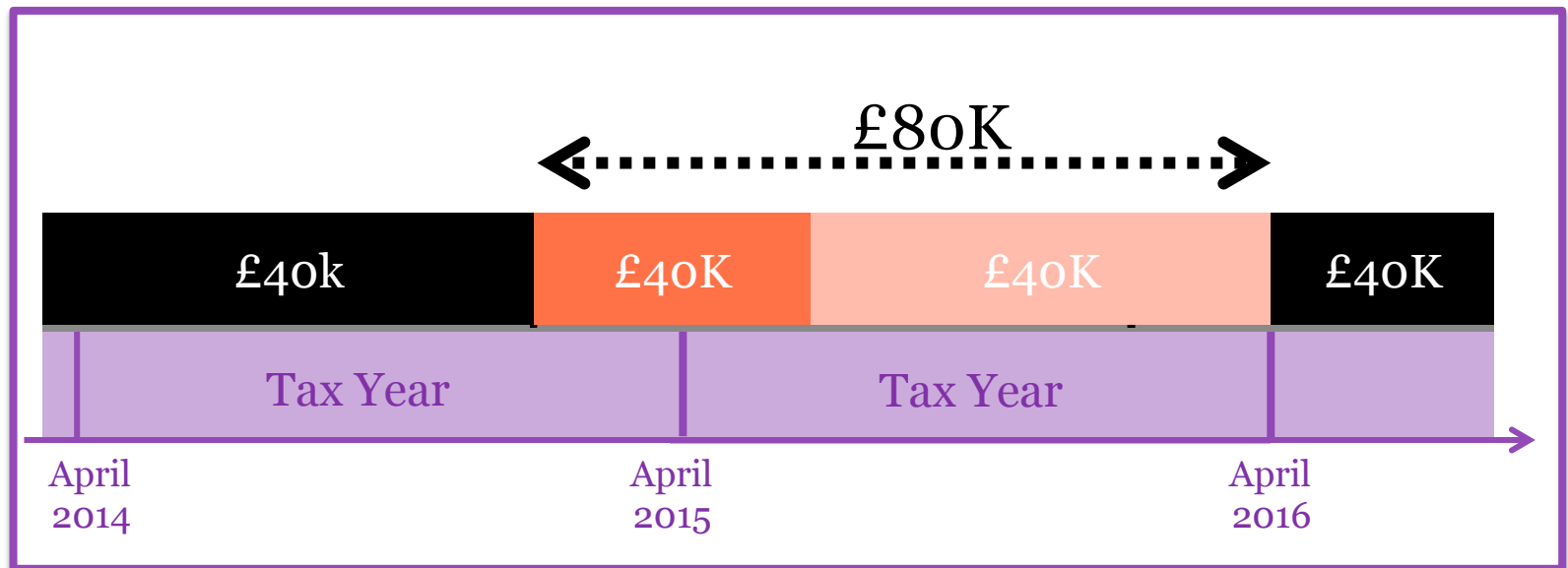
Pension input periods (PIPs) are being aligned with the tax year:



SUMMER BUDGET PENSION INPUT PERIODS (PIPS)



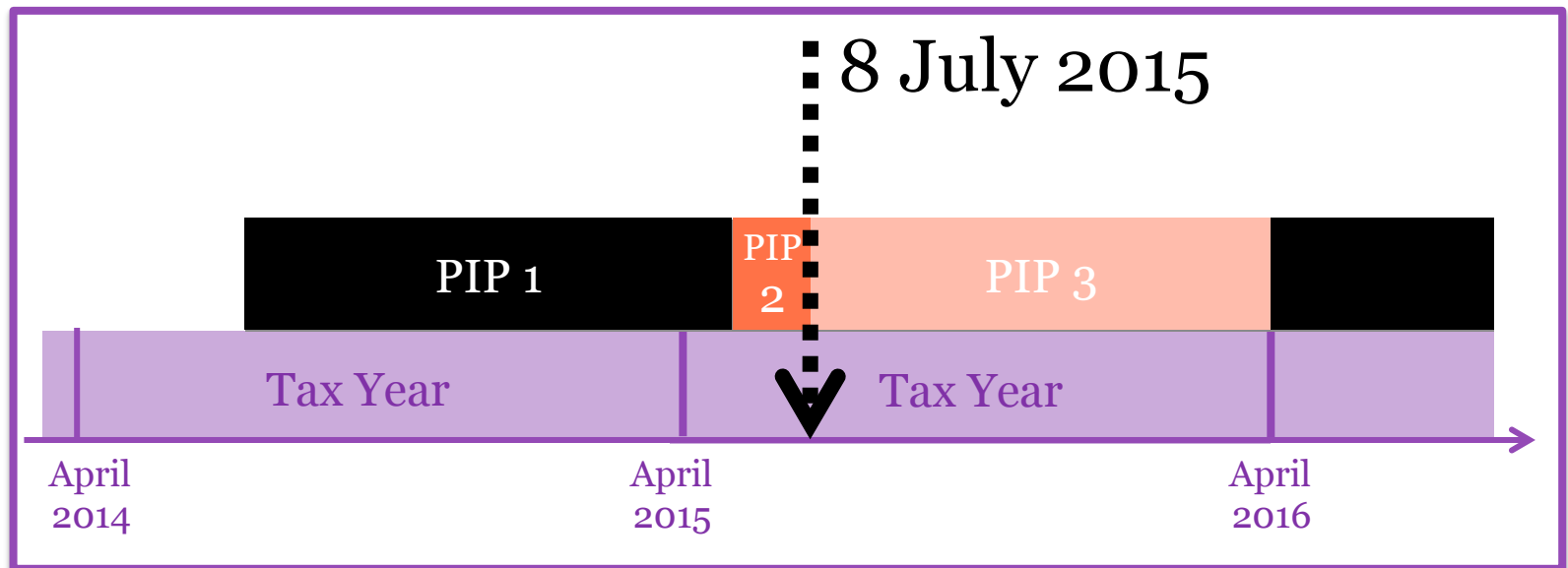
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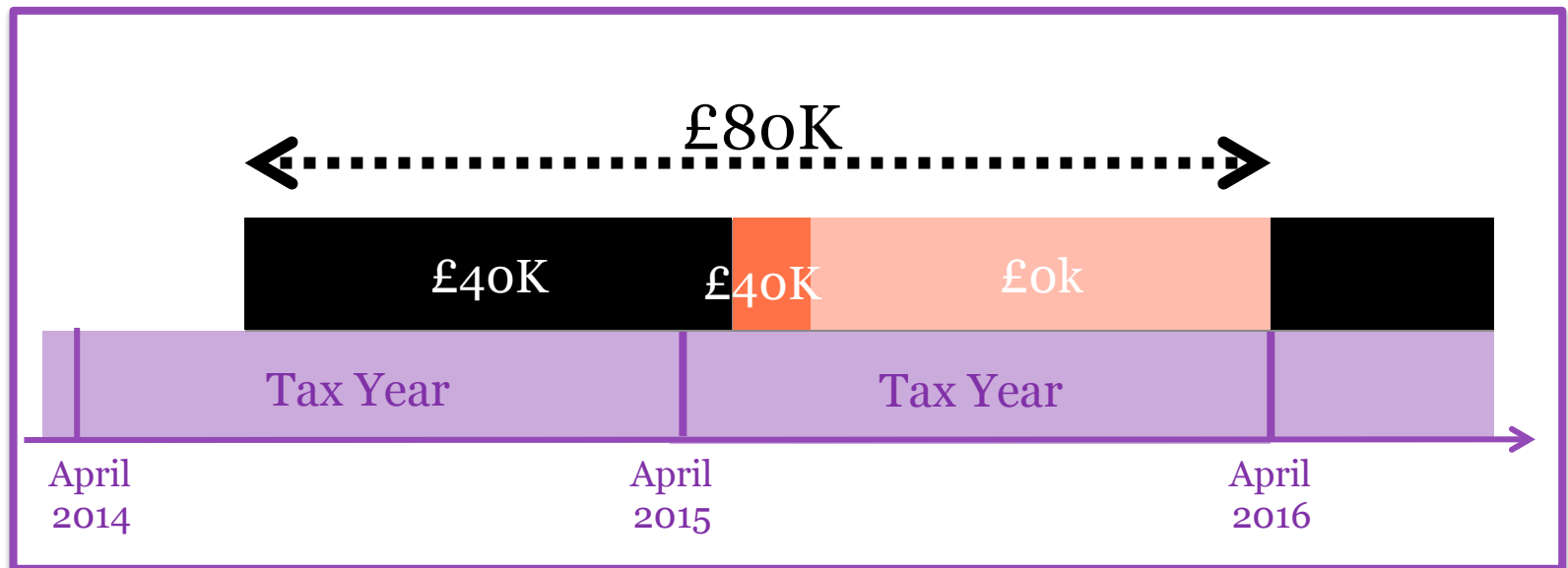
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SUMMER BUDGET PENSION INPUT PERIODS (PIPS)



Pension input periods (PIPs) are being aligned with the tax year:



Plus carry forward of unused relief....

SUMMER BUDGET CARRY FORWARD

Example:

Tax year	Contribution	
2015/16	£40,000	

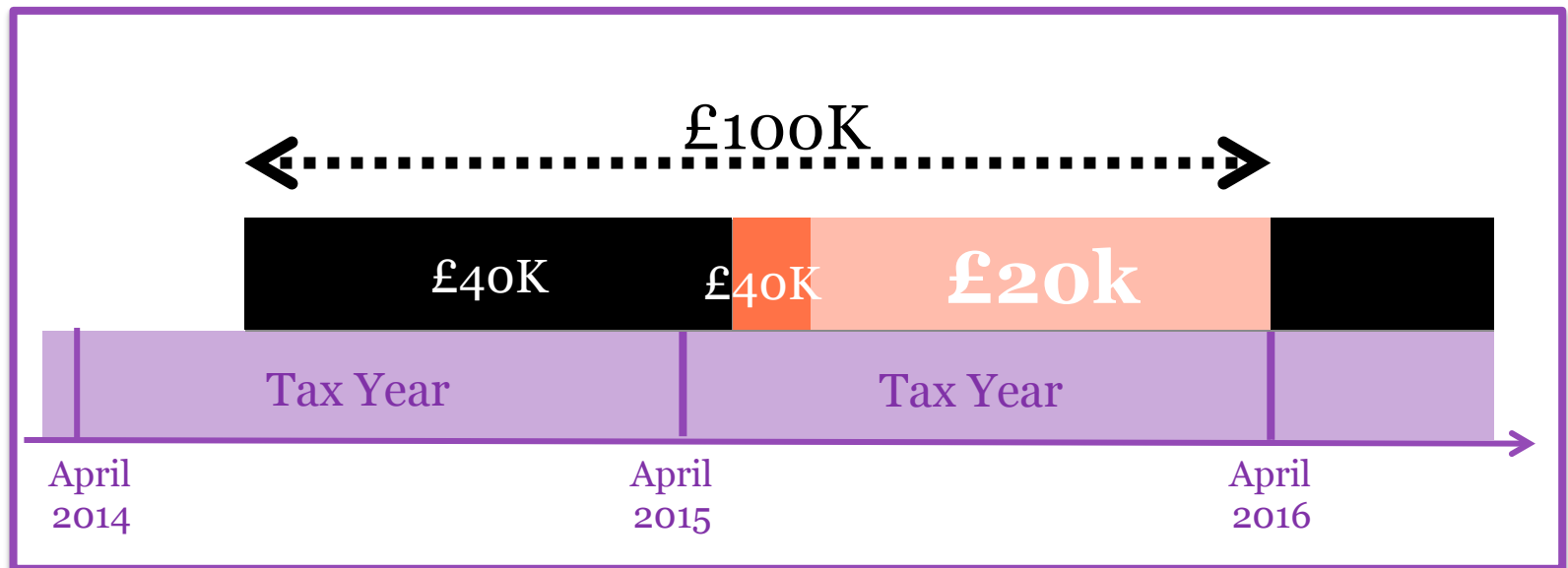
Tax year	Contribution	Carry forward
2012/13	£40,000	£ 10,000
2013/14	£20,000	£ 30,000
2014/15	£20,000	£ 20,000
Carry forward total		£ 60,000
Contribution total		£100,000

Based on HMRC income tax rates & allowances 2015/16

SUMMER BUDGET PENSION INPUT PERIODS (PIPS)

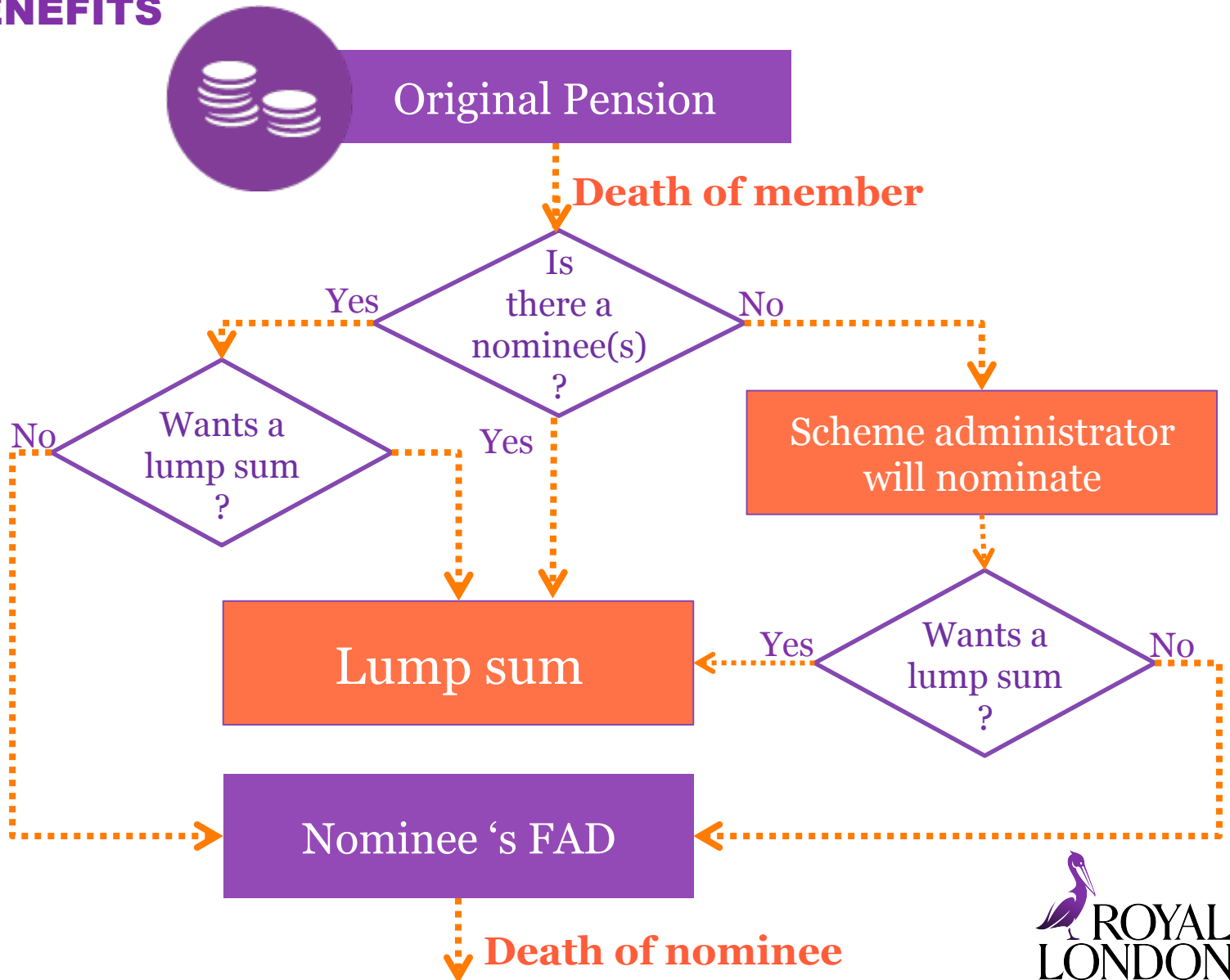


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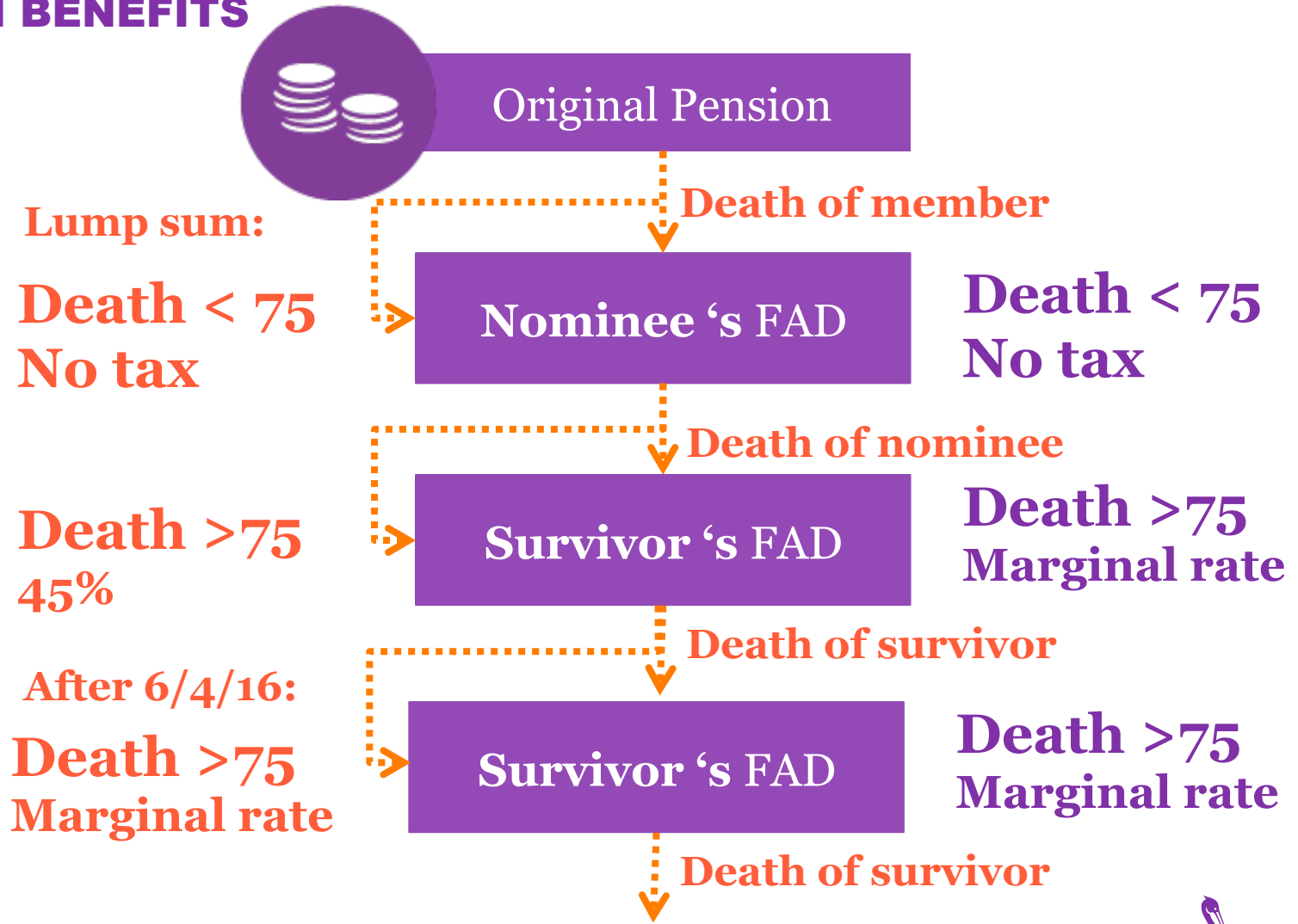


Plus carry forward of unused relief....

SUMMER BUDGET DEATH BENEFITS



SUMMER BUDGET DEATH BENEFITS





THE PENSIONS REVOLUTION **NEXT STEPS**

Strengthening saving

- Consultation on pensions tax relief and incentives to save



Barriers to freedom

- Information gathering on whether providers are blocking access



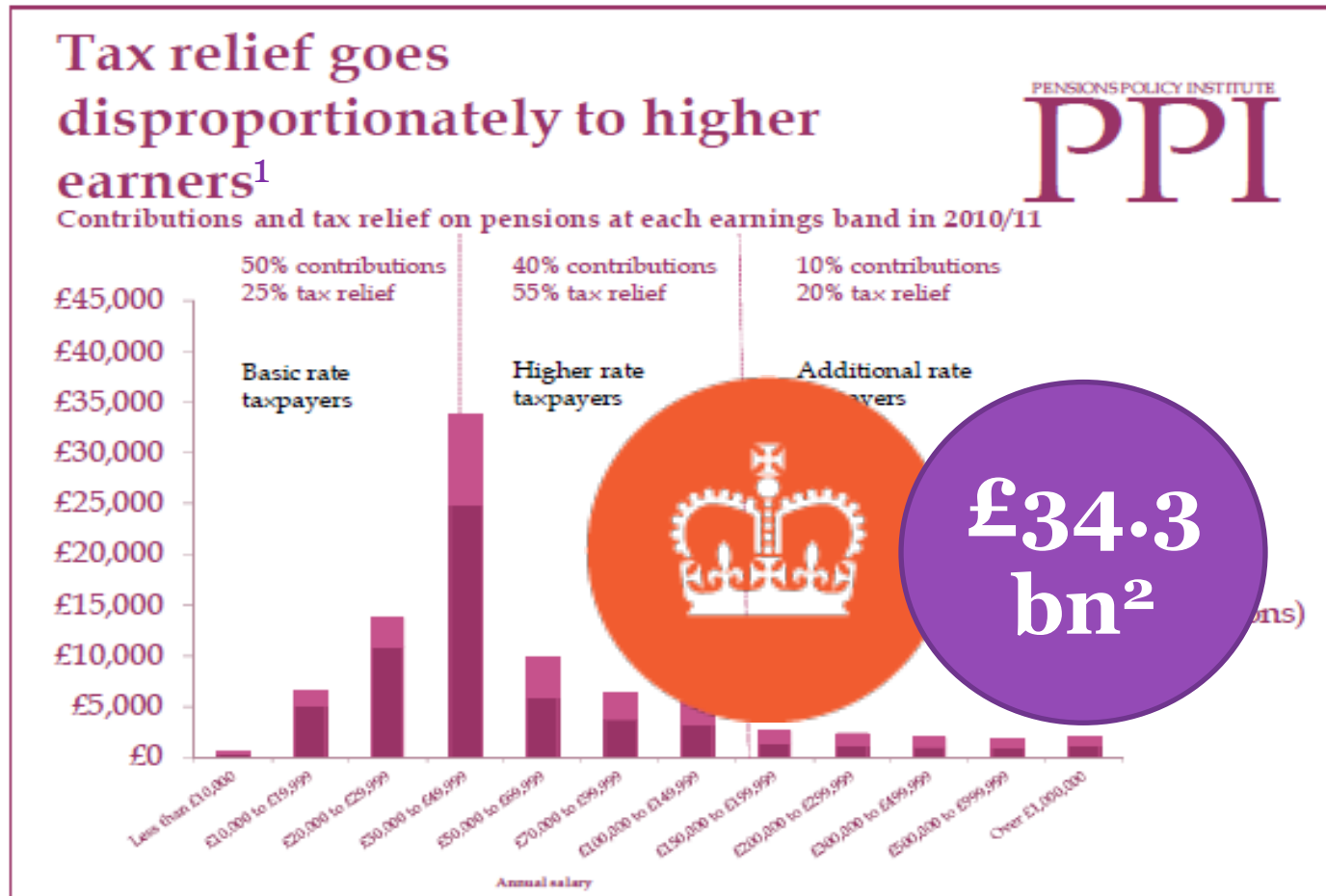
Access to advice

- Make financial advice work better for consumers



CONSULTATION

STRENGTHENING SAVING OR SAVING TAX RELIEF?



Source: 1. PPI Tax relief for pension saving in the UK July 2013
 2. HMRC Cost of Tax Relief: PEN6 2001-02 to 2013-14

CONSULTATION
TAX RELIEF OPTIONS

Money out



Limit benefits - LTA

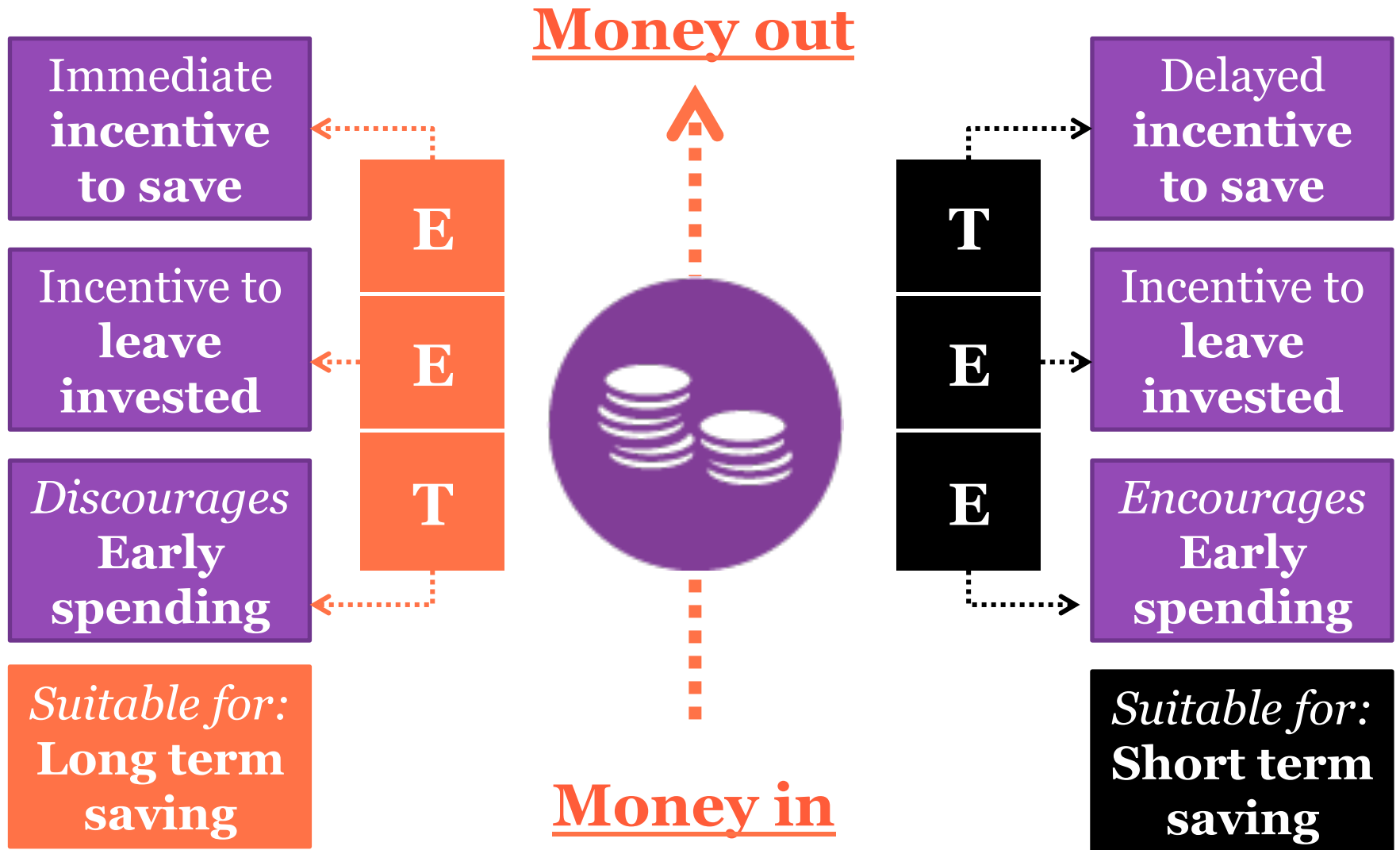


Completely change
structure

Limit savings - AA

Money in

CONSULTATION TAX RELIEF OPTIONS



CONSULTATION TAX RELIEF OPTIONS

Money out



Money in

Limit benefits - LTA

- Reduce/revise LTA
- Reduce or cap PCLS
 - Limit to £36K
 - Reduce to 20%

Limit savings - AA

Money out



Money in

Matched
contributions

Limit benefits - LTA

- Reduce Annual Allowance
- Remove HR relief
- Flat rate of tax relief
- Remove e/r NIC relief

Limit savings - AA

CONSULTATION BARRIERS TO FREEDOM

Exit charges

83% of RL policies do not have exit penalties

Policy options

RL offers lump sum withdrawal on all current products, and FAD via Income Release



Access to advice

RL recommend all customers take advice but do not insist

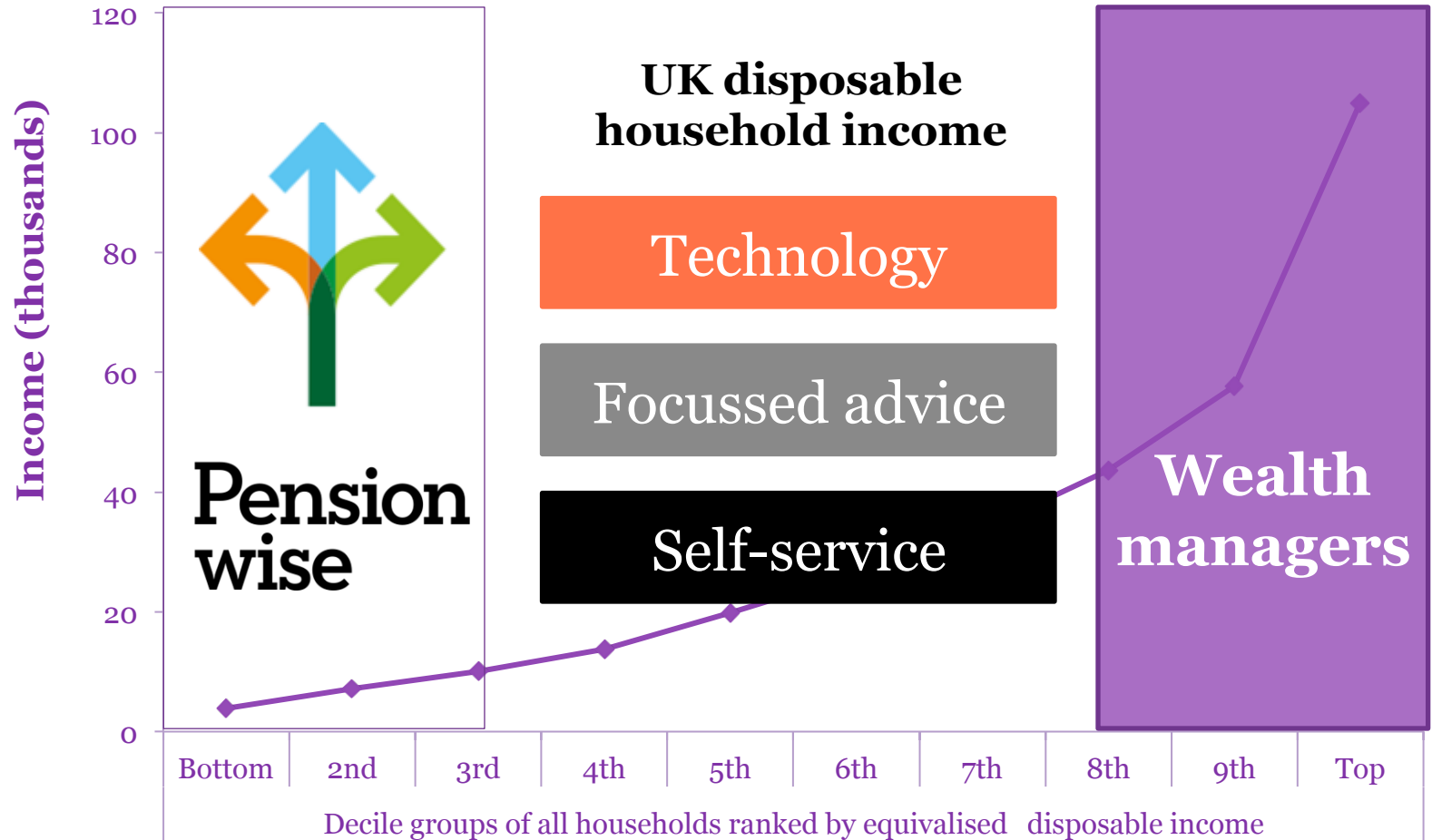
Except where the requirement is statutory

“Safeguarded rights”

Fund value >£30K

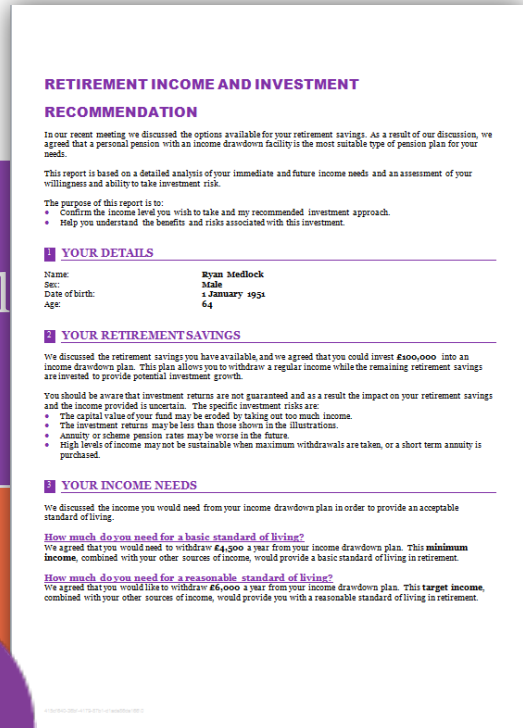
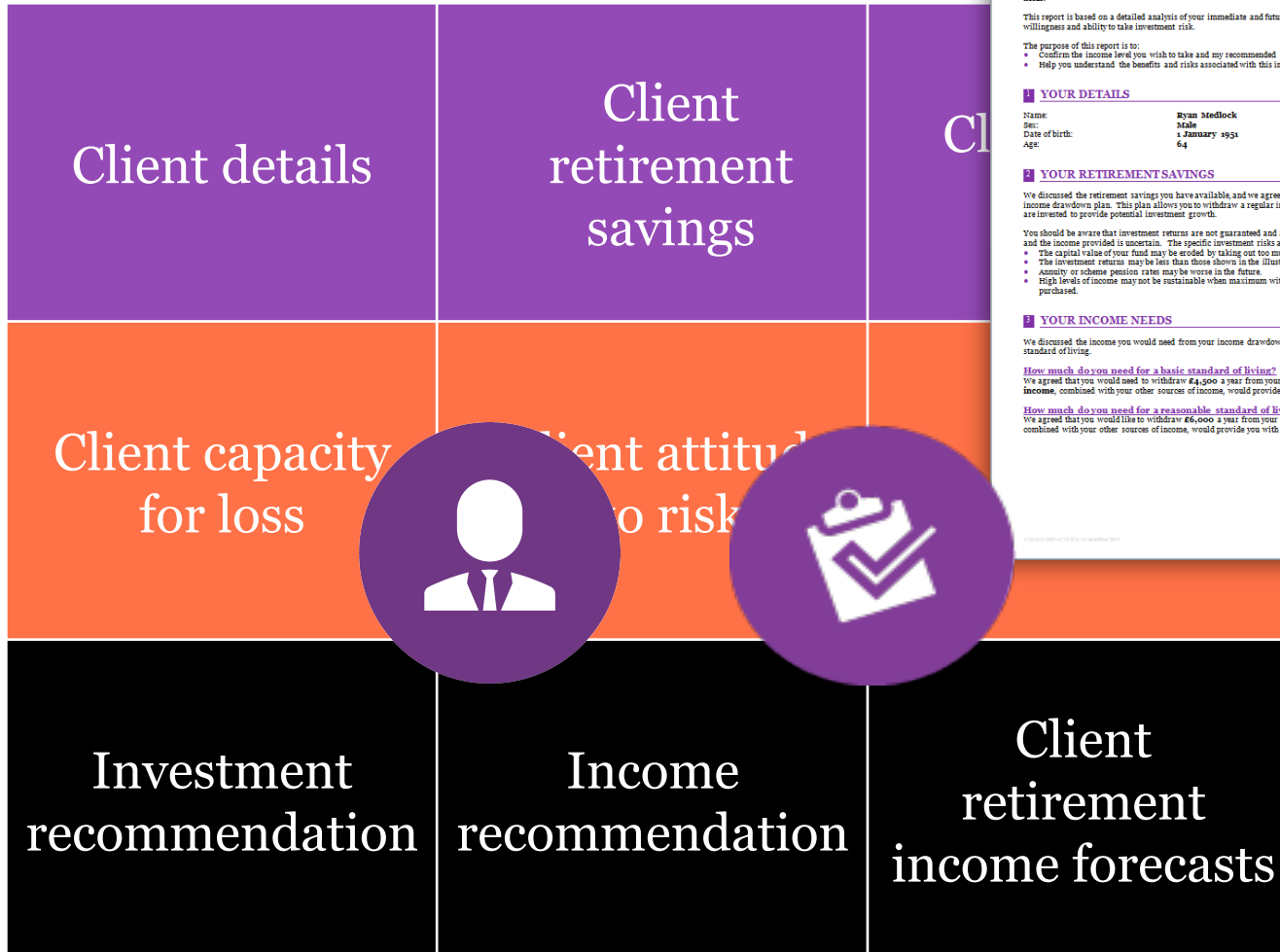
GARs, GMP
but not
With Profits

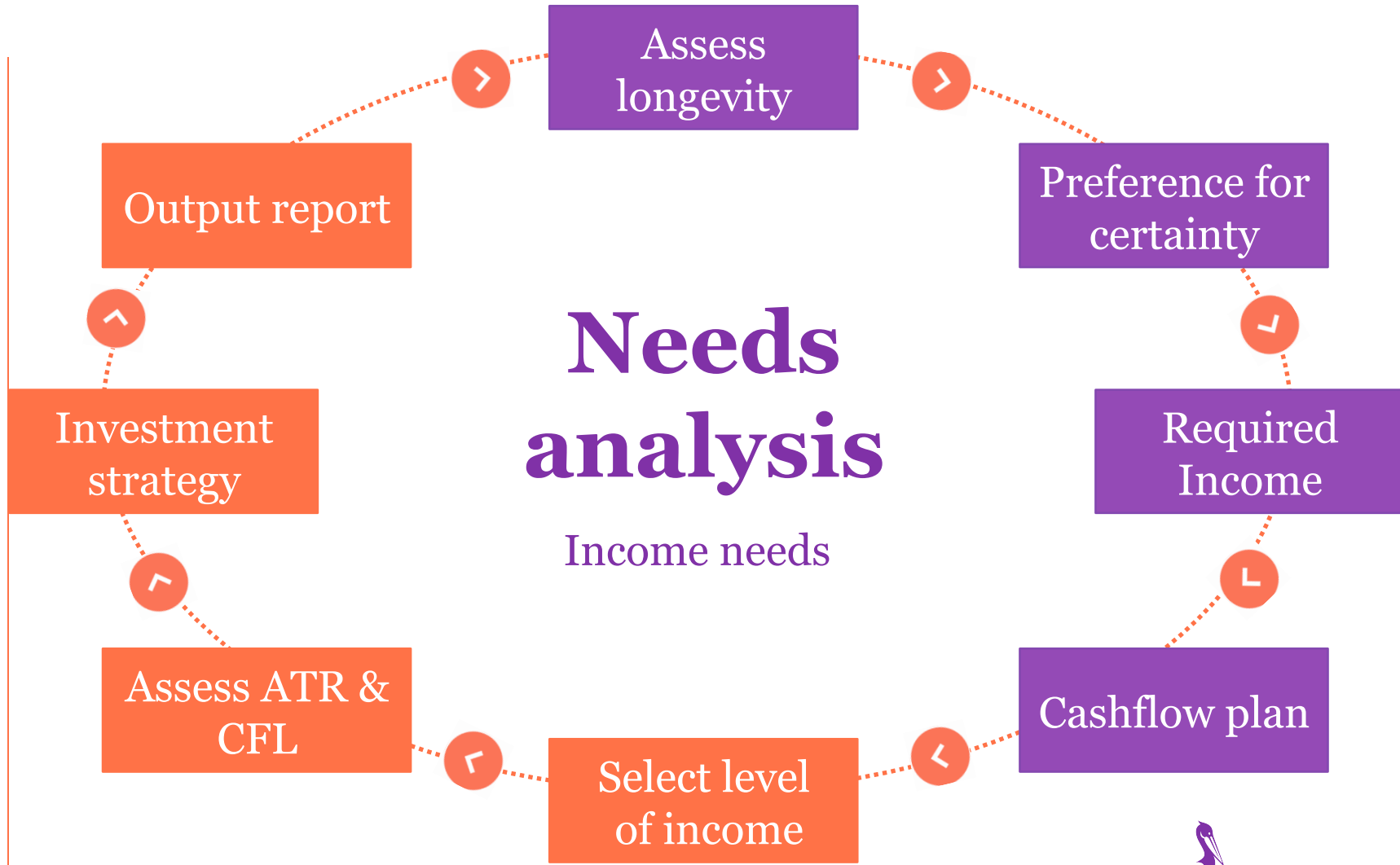
CONSULTATION ACCESS TO ADVICE



Source: ONS Table 14 Household Income October 2012

ACCESS TO ADVICE PLANNING TOOLS





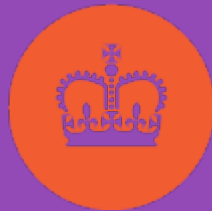
Commission for later life:

- Growing elderly population
- Increasing demands on income
 - Longer life expectancy
 - Health
- Long term approach
- Free from day to day politics
- Supported by NAPF, ABI, Financial Consumer Panel



THE PENSIONS REVOLUTION SUMMARY

- More people are saving in DC
- New limits for higher earners
- Further change likely





THANK
YOU

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