

# BIG CHANGES *to* PENSIONS IN THE 2014 BUDGET

The Chancellor announced a series of far reaching changes which will radically affect the way today's workforce save for tomorrow.

Some changes are happening straight away: others will be introduced in April 2015, depending on the results of a Government consultation.

## How might these changes affect you?

How the changes affect you depends on when you're planning to take your benefits and the type of pension scheme benefits you're building up. Given how radical the changes are, everyone is likely to be affected in some way.



### **If you have just purchased an annuity:**

As there is a limited window of opportunity in which to cancel your annuity purchase, you should speak to a financial adviser as soon as possible. Let your pension provider know straight away if you'd like to delay your purchase until more detail is confirmed.

### **If you are about to purchase an annuity, or are planning to retire before April 2015:**

The proposed changes would introduce much more flexibility, particularly for defined contribution benefits, so you might want to defer your retirement until more information is released.

### **If you're under 50:**

The earliest age you can retire is likely to change.

### **If you're currently in a defined contribution plan:**

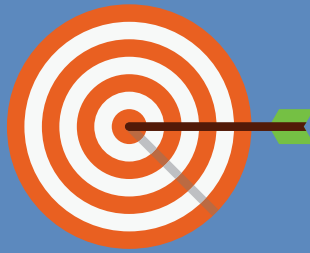
As the proposed changes are far reaching there is still a lot of detail to be confirmed. We will keep you informed of developments as we know more.

# What changes are being proposed?



## New choices on how you take your defined contribution pension

As well as the options you already have when you retire, you'll also be able to take as much or as little of your defined contribution pension pot as you want each year. Or you could simply take all of your pension pot in one go.



## Guidance at retirement

The Government is planning to guarantee that everyone who retires with a defined contribution pension will be offered free and impartial face-to-face guidance on their choices at retirement.



## The minimum pension age will rise

The earliest age you can take your pension will rise in line with changes to the State Pension Age. Currently 55, the minimum pension age will increase to 57 by 2028.



## Restrictions on pension transfers

Transferring your pension from a defined benefit pension scheme to a defined contribution plan may be severely restricted, or even banned.

# What changes are being introduced straight away?

On top of the well-publicised changes to taxes on beer, bingo and fuel, the following changes to pensions are taking place straight away.

# £10,000

## 'Small pots limit' increased

If you have a pension pot of less than £10,000 then, subject to certain conditions, you can take it as a lump sum. Previously the limit was £2,000.

## Trivial commutation limit increased

If the total value of all your pension pots is less than £30,000 you can take them all as a lump sum. Previously the limit was £18,000.

# £30,000

# 150%

## Capped drawdown limit increased

Some schemes allow you to take income from your fund each year instead of buying a pension. The amount you can take has been increased.

## Flexible drawdown test relaxed

If you can prove that you have a guaranteed income of £12,000 a year (down from £20,000 a year) you can take the rest of your pension income as and when you like i.e. the capped drawdown limit does not apply.

# £12,000

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