

# UK Budget Changes – Implications for Ireland?



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# UK Budget Changes

- Trivial Commutation
- Capped Drawdown
- Flexible Drawdown
- Annuity Purchase



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# Trivial Commutation

- If over 60 and less than £18,000 in overall savings – take as lump sum
- Changing to £30,000



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# Capped Drawdown

- Allows income from fund. Capped at 120% of “equivalent” annuity
- Changing to 150%



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# Flexible Drawdown

- Allows income from fund. No limit if £20,000 guaranteed annual income.
- Changing to £12,000 annual income



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# Whatever You Like

- From April 2015, can take pension pot and do what you like
- If over age 55
- Pay marginal rate of tax in that year - 0%, 20%, 40% or 45%
- 25% remains tax free



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# Why?

**£1BN annuity RIP-OFF**  
Thousands who led to sleep and for pension annuity

**How David lost a fifth of his pension - because of unfair rules**

From the Mail, October 18, 2012

**COMMENT**

At last! We applaud the news that - after a tireless Money Mail campaign - the FSA is finally investigating those insurance companies whose inadequate, misleading pension deals have cost the elderly up to £1billion a year in lost income.

For, make no mistake, the finances of Britain's elderly are under attack like never before.

Historically low interest rates have decimated life savings, while the Bank of England's policy of quantitative easing - or printing money - is having a devastating impact on pension annuities.

When their nest eggs are being plundered in this way by both the Government and the City, it's little wonder people have no incentive to save for their old age.

December 5, 2012

**Daily Mail**

**FREE GREAT BRITISH BAKE OFF RECIPE CARD** (Text yours up from 12.00 to 18.00)

**MILLIONS FORCED TO TAKE PENSION GAMBLE**

Annuity rates now so bad you'd have to live to 90 to get value for money

**Mary Berry: I HATE Gordon Ramsay on TV**

**THE PENSION ROBBERS**

**YES, YOU CAN AVOID ANNUITIES**

**The great annuity rip-off**

**What about annuity rip-offs, minister?**



## FCA Thematic Review

- Annuity Market not working for Consumers
- 60% do not switch provider. 80% would be better off
- Missing out on £115m - £230m additional savings
- 79% on average fund size better off
- by £67 a year





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# The numbers

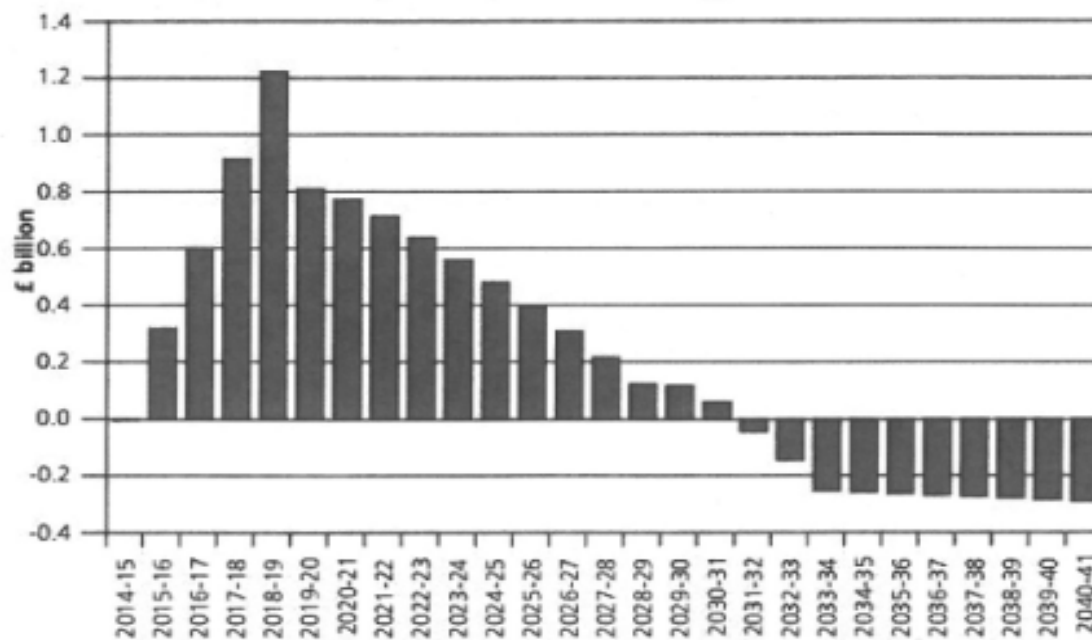
- 420,000 annuities sold in 2013
- £14bn in premium value
- Average premium £27,000
- Market to drop by 2/3
- Drawdown products premium value €1.2bn



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# The numbers

Chart 1.11: Projected tax impacts of pensions flexibility measures



Source: HMRC analysis.



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# Reaction





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# Reaction





# What next?

- Consultation Process
- How will annuity market respond?
- Impact on default strategies
- Compatible with auto-enrolment?
- Guidance/Advice?
- Who pays?



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# Impact Here

- Much applies already
- Less bad press on annuities
- Fewer people retiring
- Overseas transfers
- Tax figures are tempting!