

# PENSIONS & SAVINGS UPDATE

Every month, the directors at mcphersons share some useful financial tips especially for Bexhillian readers. This month, Ainsley Gill has invited Daron Beacroft, of Mcphersons Financial Solutions, to share some information about the recent changes to pensions and savings.



Chancellor George Osborne made clear that this year's Budget was for "makers, doers and savers", emphasising that the economic recovery was happening faster than anticipated. There were some key changes affecting both pensions and savings, and this month, we will expand on these. To download our full budget book, please visit our website [www.mcphersons.co.uk](http://www.mcphersons.co.uk).

## Savings

- ❖ The cap on Premium Bonds will be raised from £30,000 to £40,000 from June this year, increasing to £50,000 in 2015.
- ❖ Cash and shares ISAs will be merged to create a new single ISA from 1 July 2014 (NISAs), with the annual tax-free limit increasing to £15,000 (£4,000 for junior ISAs). Therefore, all existing ISAs will become NISAs. Under the NISA, investors will have new rights to transfer their investments from a stocks and shares to a cash account.
- ❖ A new Pensioner Bond, available to all over-65s from January 2015 with interest rates of 2.8 per cent for one-year bonds and four per cent for three-year bonds.

## Immediate Pension Changes

The Chancellor announced that restrictions on pensioners' access to their pension pots will be removed, meaning they will not have to buy an annuity. The total pension saving which can be taken as a lump sum will be increased to £30,000, while the taxable part of a pension pot taken as cash on retirement will be charged at the normal income tax rate, rather than 55 per cent. The changes cover four broad areas:

- ❖ **Capped Drawdown** – An individual aged 55 or over can opt for a drawdown pension which means they can extract income for the relevant year. This is capped at 150% of a notional annuity rate.
- ❖ **Flexible Drawdown** – Where an individual aged 55 or over can demonstrate that they have a pension income of £12,000 (including the state pension) they can ignore the drawdown cap and take whatever they wish. Tax will be payable at the marginal rate.
- ❖ **Trivial commutation** – Previously an individual aged 60 or over, who had total pensions savings of less than £18,000 could withdraw this as a lump sum. This limit has been increased to £30,000.
- ❖ **Small Pots** – The Government has increased the amount for small individual pension pots that can be taken as a lump sum regardless of total pension wealth from £2000 to £10000. The number of pension pots that can be taken has increased from two to three.

## Pensions – changes to come

The Government plans to bring in even greater changes from April 2015. In effect, an individual will be able to choose what they want to do with their defined contribution pension fund.

## Need more Help?

This feature aims to give some informal hints and mcphersons are offering small businesses free advice so get in touch now to arrange your free meeting.

McPhersons Financial Solutions LLP. Woodside, Junction Road, Staplecross, East Sussex, TN32 5SG Tel: 0844 804 0025 Fax: 0844 804 0390. McPhersons Financial Solutions LLP is the independent financial advice arm of McPhersons Chartered Accountants. McPhersons Financial Solutions LLP is an appointed representative of The On-Line Partnership Limited which is authorised and regulated by the Financial Conduct Authority. Registered Office: 23 St Leonards Road, Bexhill-on-Sea, East Sussex, TN40 1HH. Registration Number OC353077 (England and Wales). UK Residents only

Ainsley Gill – Director mcphersons chartered accountants

01424 730000 | [info@mcphersons.co.uk](mailto:info@mcphersons.co.uk) | [www.mcphersons.co.uk](http://www.mcphersons.co.uk)

