

NEW PENSION FREEDOMS 6th April 2015 – NEW RIGHTS *AND* NEW OBLIGATIONS

When discussing the new pension rules that have just come into being, the consumer financial press have been somewhat disingenuous in highlighting the new rights or ‘freedoms’ without balancing them with the several new obligations or restrictions.

As James Johnsen, Church House’s Director of Private Clients, explains: “From our clients’ perspective, there are three good reasons why many will not wish to withdraw funds from their SIPPs, especially if they are still earning or in higher income tax brackets.

First, three quarters of any withdrawal could potentially be taxed at their full marginal rate of income tax. So they will prefer to leave any withdrawals until they either do become genuinely retired pensioners or can organise their affairs so as to benefit from lower tax brackets.

Secondly, if you start withdrawing from a personal pension, you are severely limited (to max. £10,000 p.a.) as to what you can put in. So you lop off one of the last few things that attracts a full tax rebate even for higher or additional-rate taxpayers.

Finally, clients need to think twice before depleting what is now a very valuable tax-planning tool. A SIPP or personal pension continues to be, first of all, a hugely valuable portfolio ‘wrapper’ in which all the capital growth and income rolls up tax-free. Under the new rules, it also has the potential to become a significant part of succession tax-planning because, subject to certain conditions, it can now be inherited by a spouse or children free of IHT. So it is vitally important to be considered in the context of the overall plan for family succession and inter-generational inheritance.”

At Church House, we manage investment portfolios for SIPPs and SSASs and spend a great deal of time ensuring that whatever we are asked to do fits in with a sensible plan for an individual and their family and a properly thought-through strategy for their total assets.

Please get in touch with any of the [Client Relations team](#) if you would like to discuss the new pensions régime and how it impacts your pension or wider investment plans. We are not financial planners or IFAs; but as investment managers, we have wide experience of the practical issues concerned and can advise you as to when and how best to get formal professional advice.

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