LONDON & COLONIAL
INNOVATION IN PENSIONS

Press Release

# London & Colonial considers the new pension planning opportunities post budget.

*Yesterday's budget and its radical proposed changes should be welcomed with open arms. And with it the changes bring some welcome side effects and new planning opportunities. We have campaigned for years for HMRC to make pensions more flexible and agree that "conventional annuities" has had a negative impact on new money being invested into pensions says Adam Wrench, Head of Product and Business Development at London & Colonial.*

"Any kind of savings plan that requires a "lifetime lock-in" should quite rightly be banished to extinction. However, as with any changes – opportunity knocks for any provider that can react quickly to the changes. Given that the main intention behind the changes is to encourage new funds being invested the focus will now switch to maximising contributions to pensions especially for SME business owners whilst having one eye on the reduced lifetime allowance. Financial planning around the Lifetime allowance will therefore become more crucial at an earlier stage rather than leaving it to the last minute before the LTA bites.

There are also likely to be some positive benefits especially in relation to closing down many of the pension liberation schemes. When clients previously viewed their pension pot as dead money they were more vulnerable to taking unnecessary risks in trying to unlock their funds. Now that clients can view their pension funds as real money with an actual value I suspect that many will choose to investment more prudently and simply chase investment returns from more conventional investments. Obviously, there will still be a market for annuities and it will be interesting to see which direction the trends go in Drawdown v Annuity in the hunt for guaranteed income.

It will also be interesting to see how the IFA market reacts to cashing out pension pots. Will advisers still feel constrained and uncomfortable with advising clients to cash out? Evidence shows that the popularity of Flexible Drawdown was low. This is not really a surprise given the previous £20k MIR (minimum income requirement), as HNW clients would probably prefer to exhaust funds that are caught by IHT first before drawing from pension pots that are IHT exempt. Not sure I see any logic in disinvesting from pensions only to reinvest into ISA for the same reason.

Therefore, as always holistic financial advice that spans all pension and saving contracts will be key to maximising the planning opportunities the under new regime and the ability to span pension provision and IHT planning across pension products such as SIPP, Drawdown, Annuity, QROPS and QNUPS."

-ENDS-

For more information, please contact:


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| Matt Godwin | London & Colonial | 020 3479 5505 |
| Fiona Bond | Holt PR | 020 8334 8354 |

Notes to Editors

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