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# UK Pensions – Pension Changes in UK Budget 2015
## PENSION ADVISORY SERVICES

The recent UK Budget announced 18 March 2015 contained two pension changes of interest

**Option to cash in or sell an annuity**

From April 2016, the UK intend to allow people who are already receiving income from an annuity to sell that income to a third party, subject to agreement from their annuity provider. The annuity could be cashed in for either a single lump sum or a series of payments. These payments would be taxed at their marginal rate, in the same way as other pension income. The UK government are currently consulting and seeking views on exactly how this secondary annuity will work.

This is an interesting option, but it will be important for people to consider carefully and take advice before making such a decision. Steps are also being taken to ensure people cannot deliberately spend or give away the proceeds of their annuity sale and then look for increased state benefits. The UK government have said there is a need to protect vulnerable pensioners and that for most people, continuing to hold their annuity will be the right decision.

To see a UK news report on this click here

**UK Lifetime allowance**

The lifetime allowance for pension funds will be reduced to £1 million from April 2016. The current UK threshold is £1.25 million. It is estimated that in the UK over 96% of individuals currently approaching retirement have a pension pot worth less than £1 million. The UK also took steps to clarify the future of the lifetime allowance threshold by confirming it will increase annually by CPI from April 2018.

These changes follow on from liberalisation of UK pensions announced last year where, as an alternative to annuities, pension savers will be allowed to draw a taxable lump sum or invest in a post-retirement product (a similar concept to an ARF, but without an AMRF or guaranteed income requirement). For more information from the UK government on those changes click here

While these changes have no direct impact on Irish pensions it is interesting to see how pensions are developing in neighbouring countries. In particular the option to drawdown a UK pension without the need to hold a fixed amount in reserve or show a certain level of pension income can be contrasted with potential increases to AMRF/guaranteed income requirements in Ireland in 2016. Irish Life continue to put forward that an increase to the AMRF/guaranteed income requirements is not currently appropriate and runs counter to how pension access is developing in other countries towards greater flexibility and choice.



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PAS (03/15)