



STATE OF THE NATION PENSION CHALLENGES AND OPPORTUNITIES IN 2017



This is for financial adviser use only and shouldn't be relied upon by any other person.

STATE OF THE NATION **AGENDA**

- State pensions
- Pension freedoms
- Automatic enrolment
- Pensions & D-i-v-o-r-c-e
- Rise of the ISAs
- Budget predictions...



STATE OF THE NATION
STATE PENSIONS

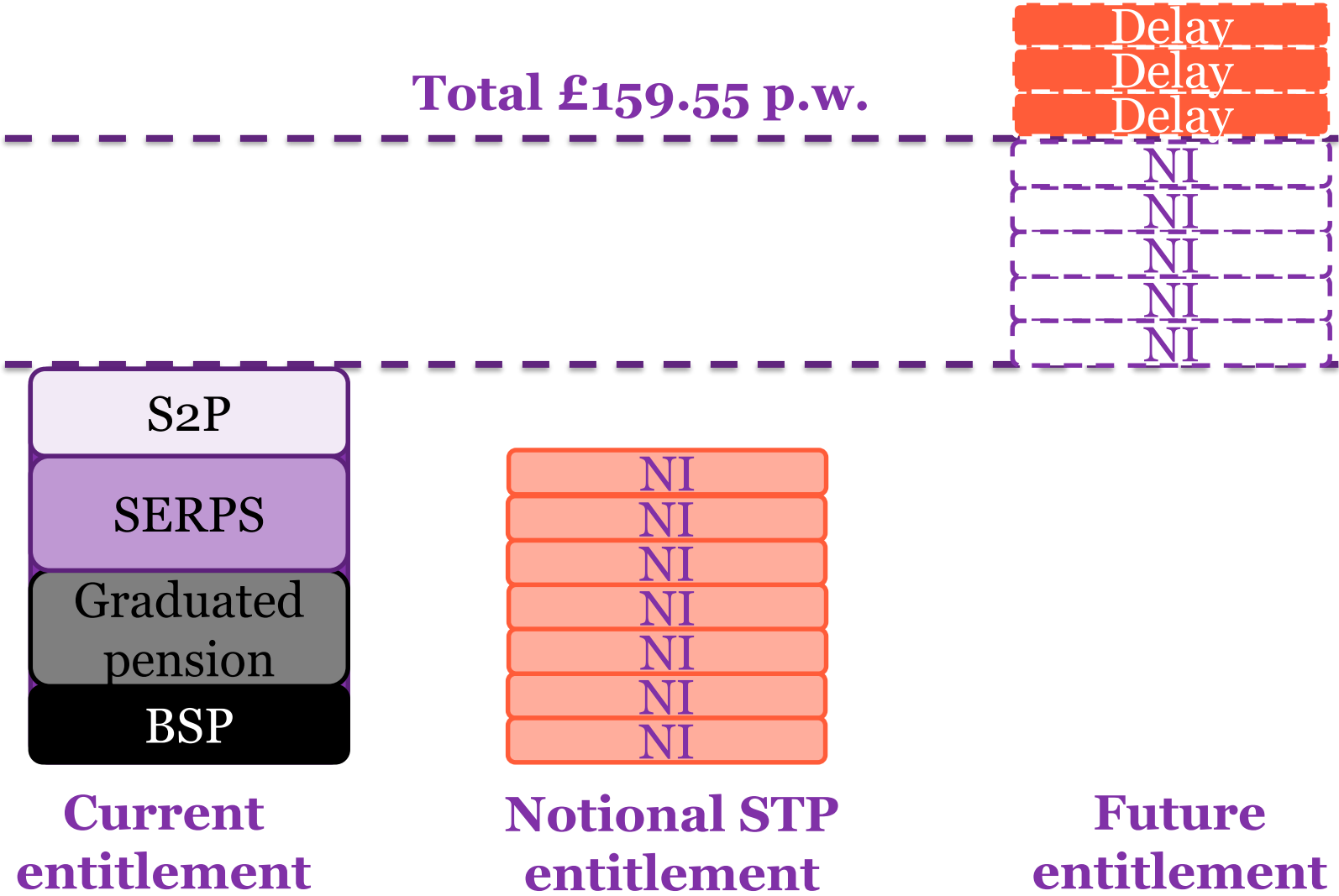
STATE OF THE NATION **STATE PENSIONS**

- Total State Pensions
- All pensions + housing/DLA/PIP/AA



STATE OF THE NATION

STATE PENSIONS



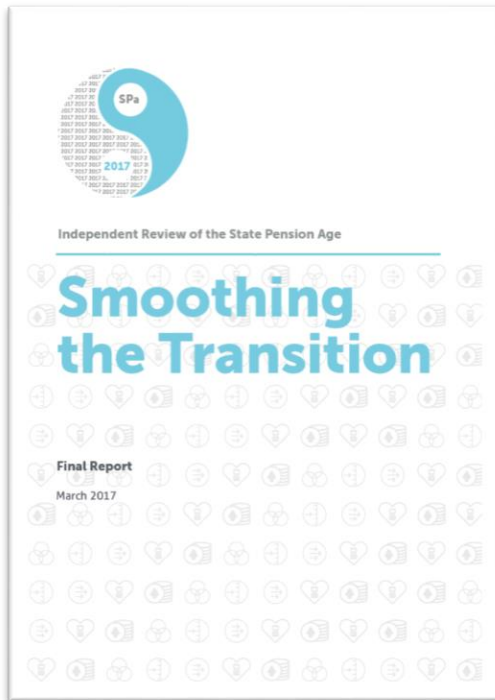
Source: The pension advisory service, April 2017

STATE OF THE NATION STATE PENSIONS



- Changes in criteria:
- Minimum contribution years: **1** year to **10** years
- NI record to get full pension: **30** years to **35** years
- Defferal: **5** weeks/**10.4**% p.a.
to **9** weeks/**5.8**% p.a.

STATE OF THE NATION STATE PENSIONS



Recommendations

➤ Increase State Pension Age to 68



➤ Accelerated timetable 2044 to 2037



➤ Scrap the 'triple lock'



STATE OF THE NATION STATE PENSIONS



TOPPING UP YOUR STATE PENSION: **EVERYTHING YOU EVER WANTED TO KNOW**

If you want to see if you could boost your State Pension so you have more money in retirement, this guide is for you.



STATE OF THE NATION STATE PENSIONS

Planning points:

- Changing goalposts will drive advice
- Class 3 NICs useful for some

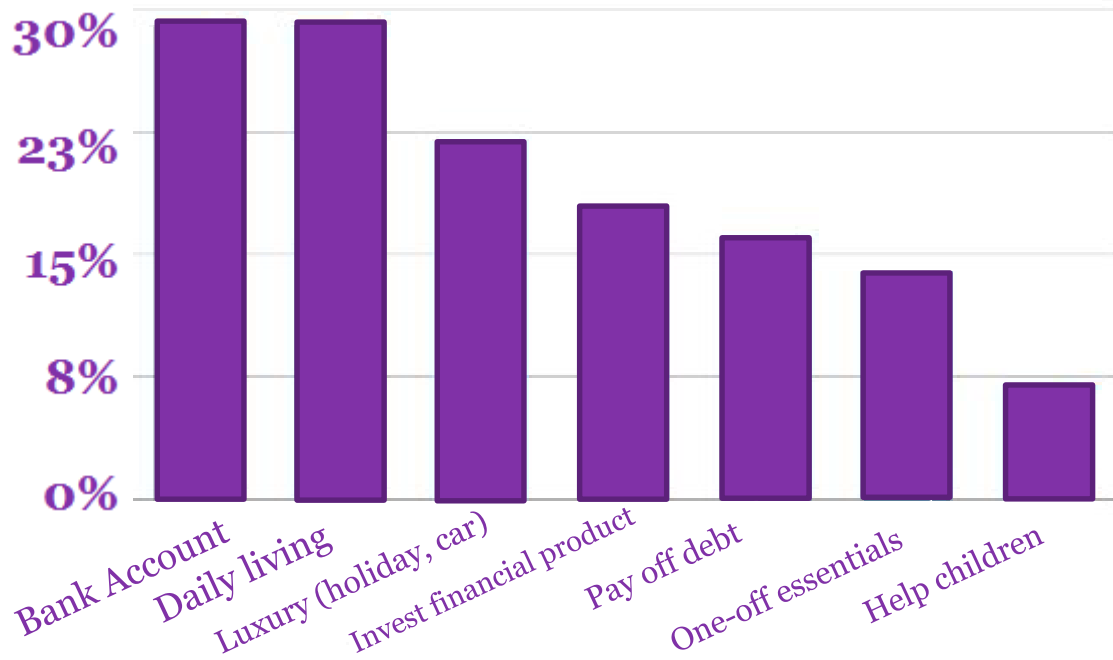




STATE OF THE NATION
PENSION FREEDOMS

STATE OF THE NATION PENSION FREEDOMS

Figure 2: How consumers plan to spend their pension savings



*Putting it in
the bank:*

29%
of total

32%
of >£100K+

STATE OF THE NATION PENSION FREEDOMS

Planning points:

- Timing and taxation of withdrawals
- Sustainability
- Transfer advice



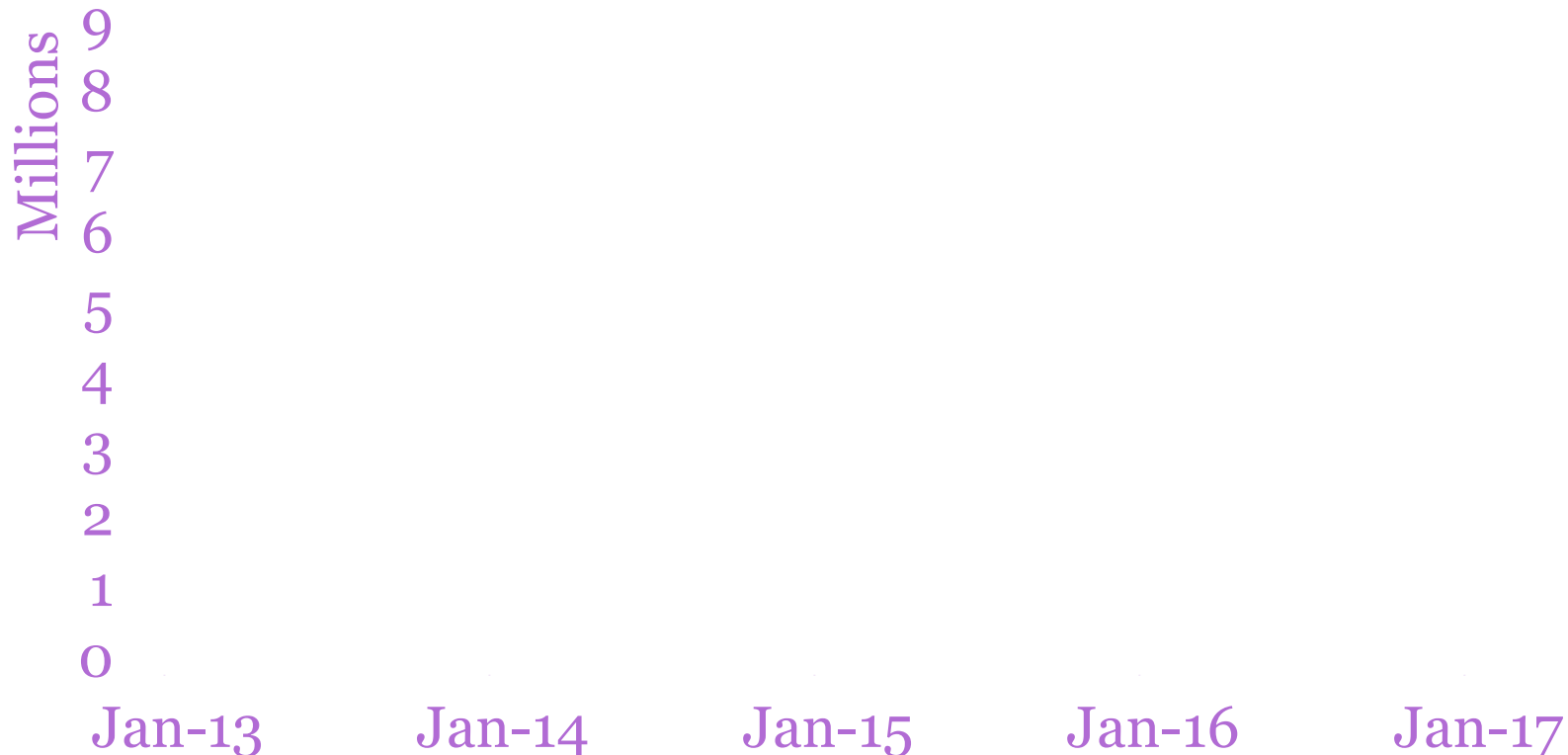


STATE OF THE NATION
AUTOMATIC ENROLMENT

STATE OF THE NATION

AUTOMATIC ENROLMENT

Eligible jobholders automatically enrolled into an automatic enrolment scheme



TPR to prosecute bus company and boss for failing to give staff workplace pensions

Ref: PN17-54

Friday 8 September 2017

The Pensions Regulator (TPR) is to prosecute a Greater Manchester bus firm and its managing director for deliberately not putting staff into a workplace pension.

Stotts Tours (Oldham) Limited is accused of failing to comply with the law on automatic enrolment in respect of 36 members of staff. Managing director Alan Stott is accused of either consenting or conniving in the bus company's offence, or allowing the offence to be committed by neglect.

Stotts Tours (Oldham) and Mr Stott have been summonsed to appear at Brighton Magistrates' Court on 4 October 2017. They will face eight charges of wilfully failing to comply with the company's duties under section 3(2) of the Pensions Act 2008, contrary to section 45 of the Act in the case of Stotts Tours (Oldham) and contrary to section 46 of the Act in the case of Mr Stott.

This is the first time that TPR has launched prosecutions for these offences.

Editor's notes

1. Under section 45 of the Pensions Act 2008, an offence is committed by an employer who wilfully fails to comply with the duty under section 3(2) (automatic enrolment) of the Act – "The employer must make prescribed arrangements by which the jobholder becomes an active member of an automatic enrolment scheme with effect from the automatic enrolment date."
2. Where an offence under section 45 is committed by a company with the consent or connivance of one of its directors, or is attributable to the director's neglect, the director is also guilty of the offence by virtue of section 46 of the same Act.

STATE OF THE NATION **AUTOMATIC ENROLMENT**

Govt review: our response

- Contribution rates – must go up!
- Self-employed participation
- Net pay arrangement schemes

STATE OF THE NATION AUTOMATIC ENROLMENT



Planning points:

- Employers still need help!
- Scheme reviews
- Self-employed



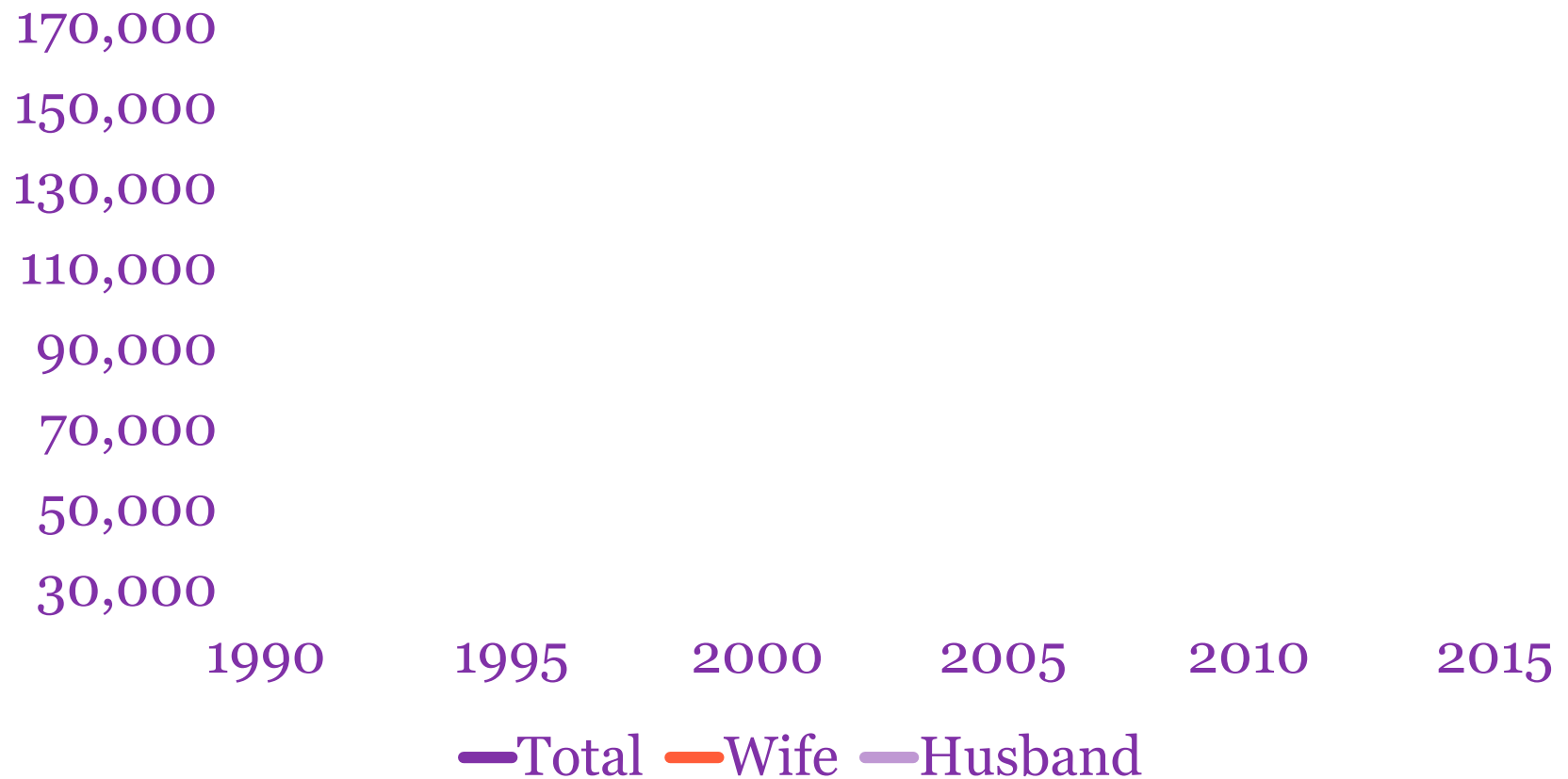
ROYAL LONDON POLICY PAPER
4. Britain's "Forgotten Army": The
collapse in pension membership
among the self-employed – and what
to do about it



STATE OF THE NATION
PENSIONS & D-I-V-O-R-C-E

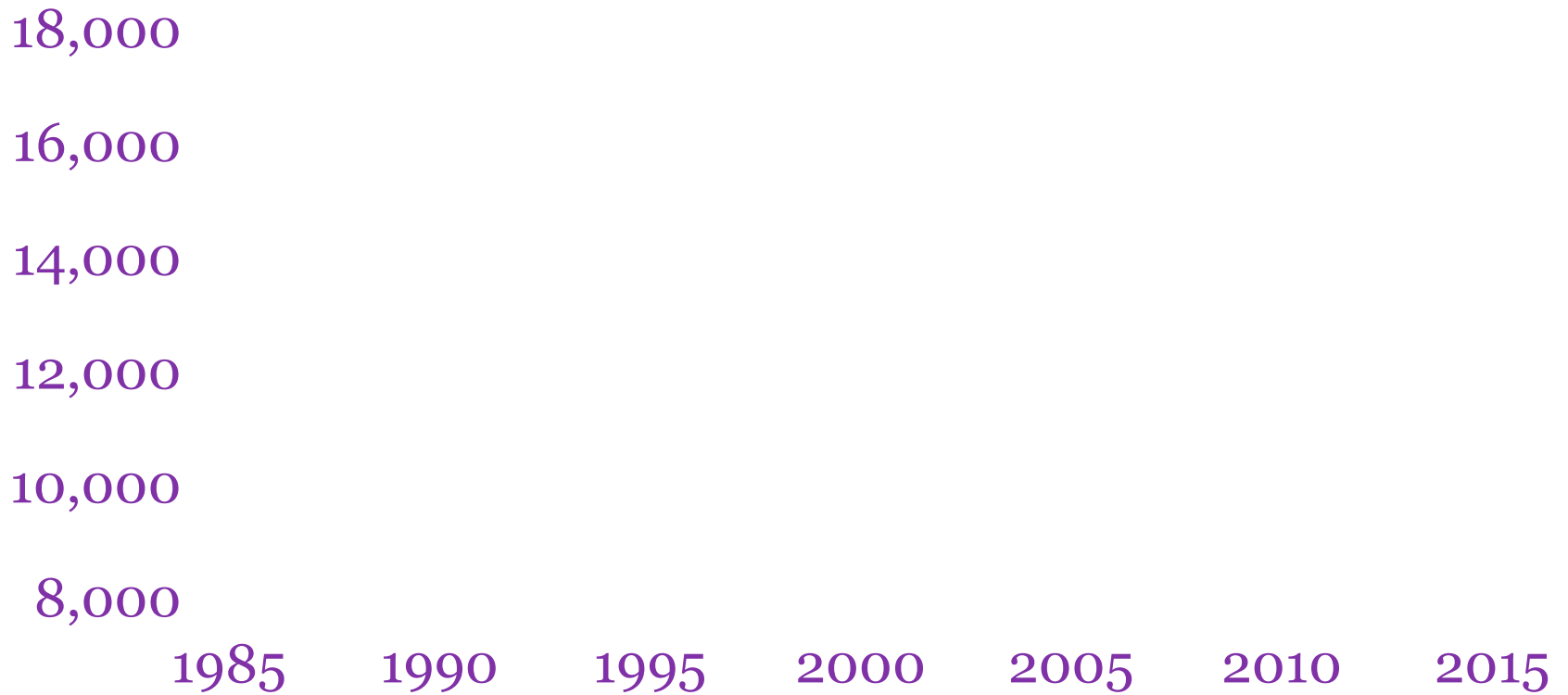
STATE OF THE NATION PENSIONS & DIVORCE

Number of opposite sex couples divorcing: On petition of/Party to whom granted, all decrees



STATE OF THE NATION **PENSIONS & DIVORCE**

Divorces of opposite sex couples: Men and Women age 60 and over



STATE OF THE NATION

PENSIONS & DIVORCE

WS v WS

- 🔦 H: SIPP/Money Purchase – CEV £970,696
- 🔦 W: DB – CEB £3,064,154

Both pensions **in payment**

Wanted to avoid pension sharing order. “would take the husband well over £1m in allowance with severe tax consequences.”

Judge decided to use Duxbury calculation to determine the offsetting amount - **£425,000.**

STATE OF THE NATION **PENSIONS & DIVORCE**

Husband's Sipp	£970,696
Wife's DB	£3,064,154
TOTAL	£4,034,850
Divide by 2	£2,017,425

Possible share	£3,064,154
-	£2,017,154
	£1,046,729

£621,729 more than the amount awarded!

STATE OF THE NATION **PENSIONS & DIVORCE**

Planning points:

- Divorcees need help!
- Solicitors need help!
- A growing and potentially lucrative market...

STATE OF THE NATION **PENSIONS & DIVORCE**

“Nearly **one quarter of a million** people face divorce in the UK each year, with the majority needing **financial assistance**. Yet there are just **42 accredited** financial adviser specialists in family law – that’s **one** adviser for every **5,000 people**.”

STATE OF THE NATION PENSIONS & DIVORCE



Unlock the divorce
and separation market

a £500 million opportunity
for financial advisers



with

Personal Finance Society
Standards | Professionalism | Trust



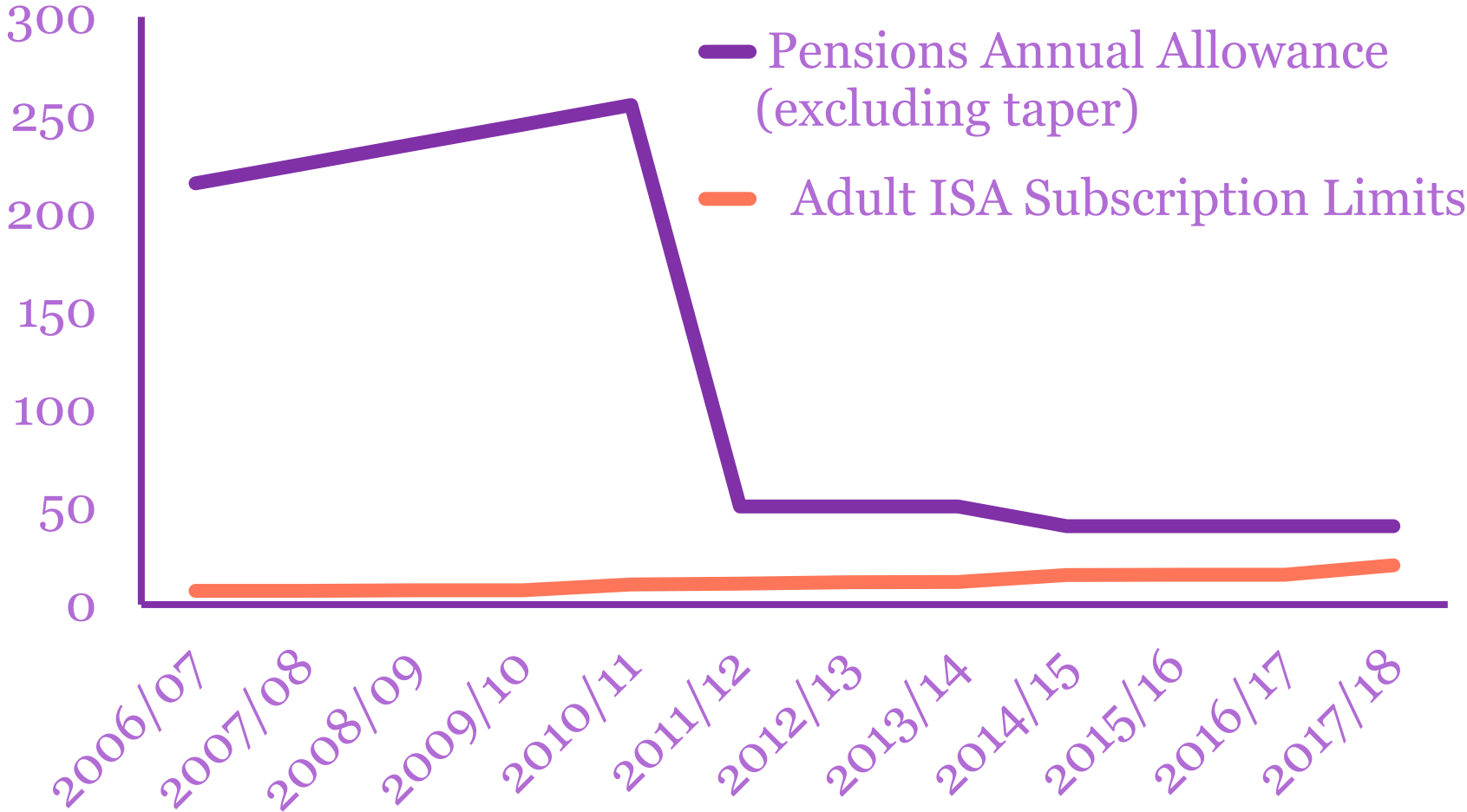
“Financial Adviser **Specialist Accreditation** is open to associate members of Resolution who hold a **QCF Level 4 plus AF3/G60** and a **valid Statement of Professional Standing (SPS).**”



STATE OF THE NATION
RISE OF THE ISAS

STATE OF THE NATION

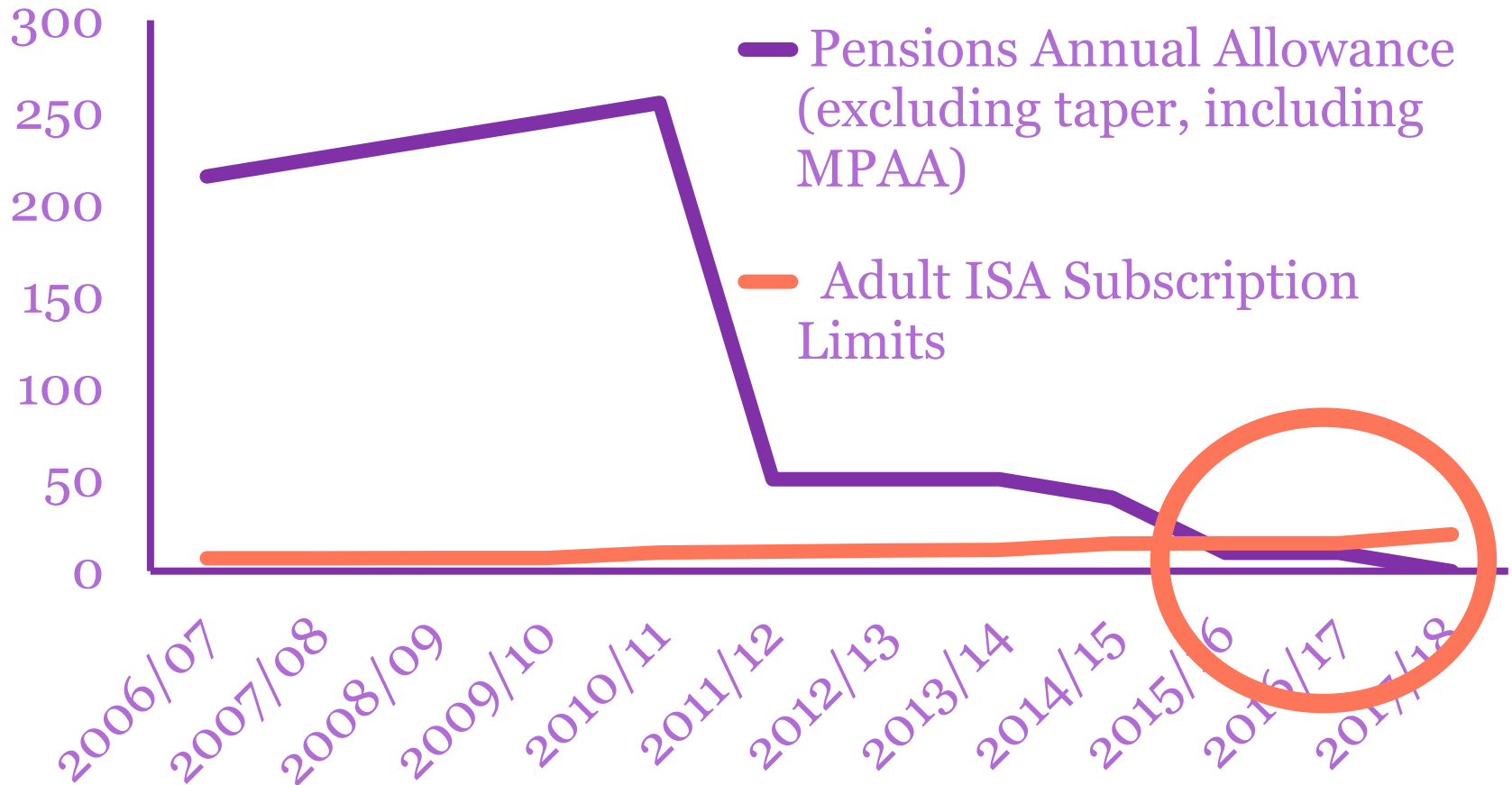
RISE OF THE ISAS



Source: HMRC: Individual Savings Account (ISA) Statistics, April 2017 & Royal London

STATE OF THE NATION

RISE OF THE ISAS



STATE OF THE NATION
RISE OF THE ISAS

Cash ISA

Help to buy ISA

Stocks & shares ISA

Innovative **F**inance ISA

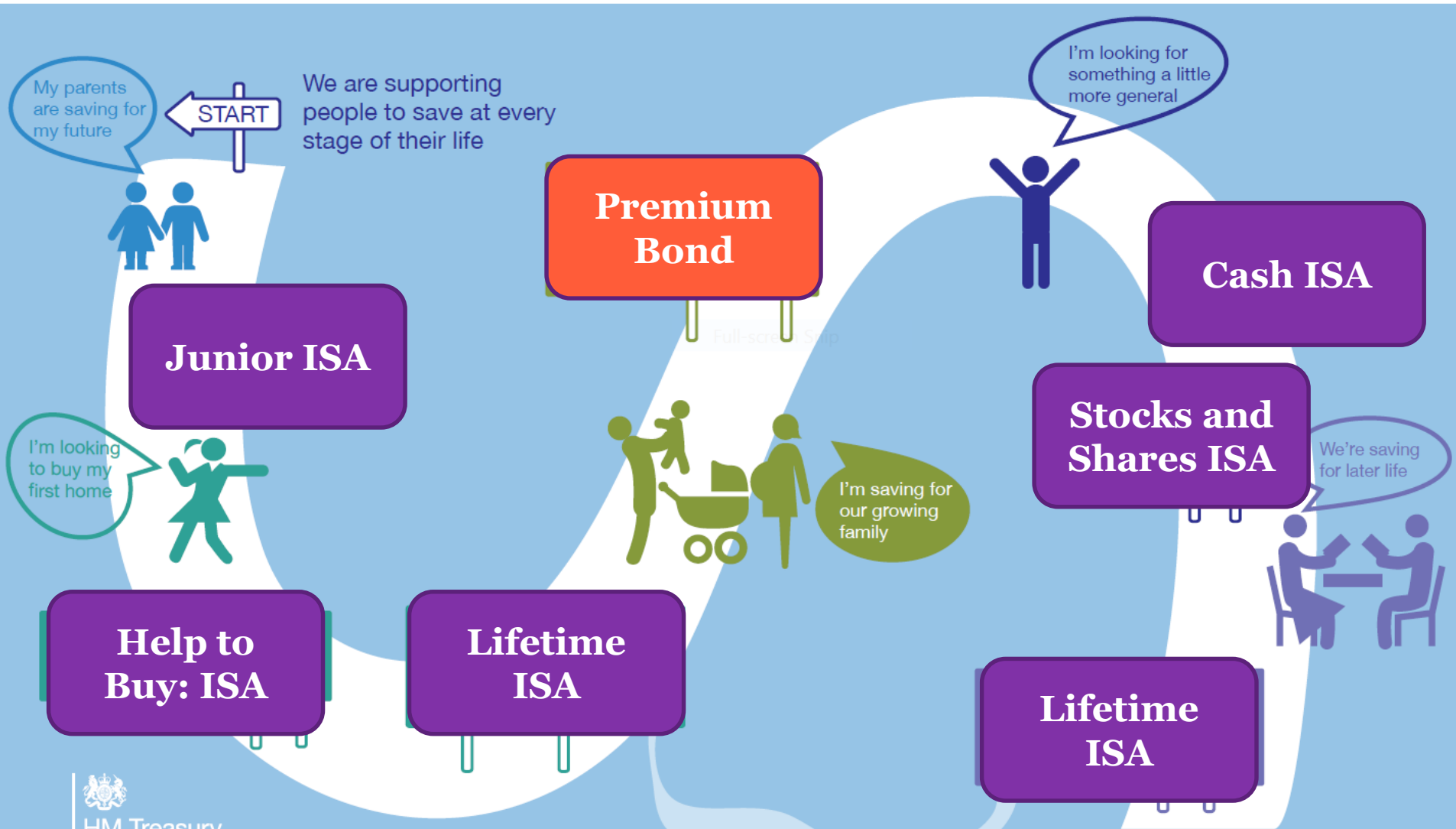
Junior ISA

Lifestime ISA



Ways to save in 2017

Learn about ISAs and other savings options



HM Treasury

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Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/579862/Savings_product_infographic_Christmas_2016_v7.pdf

STATE OF THE NATION RISE OF THE ISAS



50



£4K



25%



LISA

Source: HMRC, Lifetime ISA: updated design note

**Full withdrawals
tax and penalty
free if:**



**After 12 months, first
UK home up to
£450K**



From age 60



**Terminal ill-health
(<12 months to live)**



**LISA to LISA
transfer**

**Otherwise a 25%
charge will apply**

STATE OF THE NATION

RISE OF THE ISAS

Our view:

- LISA is a welcome alternative savings option
- It may not be suitable for retirement savings:
 - Access penalty
 - Investment structure
 - Phased withdrawal
- Combination of plans likely to be useful option
- Continued need for quality financial advice



STATE OF THE NATION
BUDGET PREDICTIONS

STATE OF THE NATION BUDGET PREDICTIONS...

- 1 AA**
- 2 Tapered AA**
- 3 LTA**
- 4 Employer NICs**
- 5 Tax-free cash**





1. AA
2. Tapered AA
3. LTA
4. Employer NI
5. PCLS