



personal accounts

In a move to encourage saving for retirement, the Government is introducing a new low-cost saving scheme - currently called Personal Accounts although the name may change. It is to be introduced from 2012 and employers who do not offer access to a suitable alternative pension arrangement will be able to use personal accounts for their employees.

Employees will be automatically enrolled in the scheme but will have the opportunity to say they do not want to join. They will also be able to opt out again at a later date if they want to.

Contributions will be paid by employees and employers and invested in a range of funds. At retirement, the accumulated fund will be used to provide an income for the member's lifetime.

Members of the scheme and their employers will be able to pay additional contributions above the specified levels. However, there will be an overall limit on the total amount that can be invested in the scheme each year. At present this limit has been set at £3,600 pa.

The scheme will be run by a board of trustees. The trustees will run the scheme independent of Government and the scheme will be regulated by The Pensions Regulator in common with all other occupational pension schemes.

Anyone who is a member of a personal account will be able to continue to save in their personal account even after they leave the workplace or move to an employer that does not offer personal accounts.

Membership

If an employer chooses to use the personal accounts scheme to fulfil their duty, it is proposed that:

- **employees** between 22 years of age and State Pension Age will be automatically enrolled if they earn more than around £5,035 per annum;
- **employers** will be required to pay minimum contributions equal to the value of **3%** of the employee's relevant earnings that fall within a band of earnings of between around £5,035 and £33,500 per annum (in 2006/07 earnings' terms). This minimum contribution will be phased in over a period of time;
- **employees** will be required to contribute a further **4%** on the same band of earnings, while the **Government** will contribute around **1%** in the form of normal tax relief. Again, the minimum employee contribution will be phased in.

What About My Existing Group Scheme ?

Provided your scheme meets certain minimum criteria, including the level of contributions being paid at present, you will not have to take action for the current members.

From 2012, employers can choose to auto-enrol their employees into a qualifying Group Personal Pension Scheme.

Workers that are auto-enrolled into their employers' qualifying pension schemes will be exempt from being auto-enrolled into another qualifying scheme (including personal accounts).

How To Keep Up To Date

Obviously between now and implementation there will be some amendments and updates. In order to keep you up to date with these please detach the slip overleaf with your email address and return it to ECS and we will keep you informed. As an existing client of ECS Insurance Brokers, we will be happy to discuss your existing pension arrangements to help you decide which type of pension is most suitable now and in the future.



limited pension tax relief for high earners

The Government has announced its intention to restrict, to the basic rate of income tax, tax relief on pension contributions with effect from 6 April 2011 for people with relevant income of £150,000 or more. Legislation has been introduced in the Finance Act 2009 to prevent those potentially affected from seeking to forestall this change by increasing their pension contributions in excess of their normal regular pattern, prior to the restrictions taking effect.

What is “Relevant Income”?

The definition of relevant income is far more reaching than previous ones and the calculation includes the total income that is charged to income tax, certain pension contributions and salary sacrifice amounts before certain dates.

Who is affected?

These anti- forestalling provisions have been in place since the 22nd of April 2009 but they will not affect the vast majority of individuals. However if they do affect you it is important that you seek advice on how best to maximise the tax relief you are entitled to and make sure that you do not incur a financial penalty for exceeding the limits.

Personal Tax Changes

The last Budget introduced new tax rates and allowances and the following are just some that may affect you;

- From April 2010 the basic personal allowances for income tax purposes will be gradually reduced to zero for those individuals whose income exceeds £100,000
- From 2010 there will be a new higher rate of income tax of 50% for those individuals with income in excess of £150,000
- From April 2011 there will be a 0.50% increase in National Insurance contributions for employers and employees.

What should I do now ?

It is important to discuss your personal position with your Financial Adviser as soon as possible. There may be some planning opportunities that will help you reduce your tax burden and improve your personal circumstances when you retire.

Tax relief on pension contributions make it one of the most tax efficient methods of saving towards retirement. With the state of the nation’s finances how long will it be before high rate tax relief will be removed completely?

Please contact one of our pensions advisers at ECS Financial Services on 0114 280 2830 or return the slip below using our free postal address FREEPOST RL TJ-LGAY-KLXG, ECS Financial Services Ltd, ECS House, 4 Broadfield Court, Sheffield, S8 0XF or email chrisholland@ecsbrokers.com using Pension Updates as the subject title.

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