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### **Another Pension U-turn**

One of the most eagerly awaited changes to pensions regulations was the new ability for those over the age of 75 with personal pension funds to withdraw an income from their fund, leaving the balance invested rather than being forced to buy an annuity on their 75<sup>th</sup> birthday. Annuity rates have decreased significantly over the last few years both due to reduced returns on government gilts and increased life expectancy. This withdrawal of income for the over 75s was named Alternatively Secured Pension (ASP) and became very popular with those who preferred not to hand over their entire pension capital to an insurance company in exchange for an annuity especially at a time when annuity rates were relatively low.

This new arrangement when coupled with the pre-existing tax rule that any pension funds held by someone under 75 from which no withdrawals have been made would fall outside their estate meant that for many the advice had been to delay drawing benefits for as long as possible.

However, after the A Day rules were released Gordon Brown subsequently announced that, in a surprise move, he intended to implement law such that any residual fund left within an ASP on the member's death (or on second death of a couple) would be subject to a new tax of 70%, the balancing 30% then being subject to 40% inheritance tax. If this does become law then the effective rate would be over 80% tax. In light of this it is very important to review levels of withdrawal from personal pensions as the advice may change from delaying withdrawals for as long as possible to withdrawing as much as possible very quickly.

If you have personal pension funds and would like guidance on this matter we will ensure you receive the appropriate professional advice.

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