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New Pensions Regime

A few months on from "A Day" the financial services industry has had time to digest the various changes which were implemented on 5th April this year. These are numerous however a few of the most significant points which are generating a great deal of interest, particularly in Self Invested Personal Pensions (SIPPs), are as follows:-

- There is no longer a requirement to buy an annuity with your pension fund at age 75. The alternative is to leave your pension fund invested and draw an 'alternatively secured pension', this is similar to an income drawdown arrangement pre age 75. The benefit here is although subject to a tax charge on death the fund remains intact rather than handing it all over to an insurance company in exchange for an annuity.
- The limits on pension contributions have been significantly increased meaning that effectively earners can contribute to a pension fund an amount equivalent to their total income in a particular year. The effect of this is that high earners are now able to contribute far more to pensions and thus gain significantly greater income tax relief.
- It is now possible to withdraw the tax-free cash from a pension fund and leave the remainder of the fund invested; previously on withdrawal of tax-free cash from a fund it had been necessary to start drawing an income at the same time.
- There are also significant Inheritance Tax benefits to personal pension funds, allowing funds to be passed onto your family in certain circumstances.

These new flexibilities along with the established benefits of a SIPP (i.e. investment flexibility, the ability to appoint your own investment manager to run your pension fund) have led to a significant increase in interest in SIPPs.

BRI manage SIPP portfolios on behalf of many clients. If you would like to consider whether a SIPP would be appropriate for you, please do not hesitate to contact us.

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