An open letter to the Chancellor, George Osborne

Dear George,

I am writing to you as a principal of Wingate Financial Planning, a firm of Chartered Financial Planners who specialise in at retirement advice, mainly for owner managers of small to medium businesses. As a Chartered firm we represent the pinnacle of ethics, experience and qualification in Retirement Planning, and won several awards in 2011 recognising our contributions to our profession.

We are concerned by the growing tendency of government to tinker with pensions, both in accumulation and decumulation. The 1990s saw two significant changes in the form of the significant and arguably necessary Pensions Act 1995, and the less welcome removal of dividend tax credits. The following 10 years saw significant changes in 2001 and 2006. Since then we've had changes virtually every year with the Lifetime Allowance increased, then reduced by 20% with no increases for at least a subsequent five years, we've had a reduction in annual allowable contributions which were £255,000 and unlimited in year of retirement to a less generous £50,000; other changes have been made to Protected Rights, inflationary increases, state provision and default retirement ages, along with a reduction in what can be taken out. This is before we even consider the effect of other government policy, for example fiscal policy, and how this has effected investment and annuity rates.

Dealing with the owners of the business, we are overwhelmingly told it is the depth and pace of change that causes the most frustration. It is notable that change hits those with money purchase pensions hardest which are most common in the private sector, and makes the recovery tax more mainstream that was intended in 2006. At the same time we have clients taking pensions commencement lump sums, against advice, because they are worried over the whim of government.

It is our view that you need these individuals to be positive about pensions as they are the employers of a significant number of Britain's workforce. Persistent tinkering dents confidence in our pensions system, and in turn this reduces individuals wish to save. Given the mire of personal and national finances, it shocks me that a Chancellor of this country pays such little mind to encouraging a savings culture, that he would even contemplate further changes in the 2012 Finance Bill.

Auto-enrolment has the potential to be a significant development in private pension funding, and whilst schemes such as NEST do little to help those who earn above the qualifying limit (broadly 40% and 50% tax payers), these higher earners run the businesses that will adopt workplace pensions, and they lead the opinions of the workforce.

I have been broadly understanding of prior changes, but am moved to write this letter as moving to basic rate tax relief for all would, in my professional opinion, have a catastrophic effect on any perception of legislative stability. The reduced faith in pensions, particularly by those in position to influence the impressions of the workforce, is damaging long-term savings, and runs the risk of decimating the level of pension savings for the next generation of retirees. Pension income is taxed on exit, it does not make sense for it to also be taxed on entry.