

Tax Efficient Inter-Generational Savings Plans (aka Pensions)

Pension rules have changed significantly over the last few years. Two of the most welcome changes were the removal of the need to 'do' something by age 75 and the possibility of bequeathing unused funds to next of kin or chosen beneficiaries.

In combination, these rule changes now mean that it is possible for a pension fund to be passed down through the generations indefinitely. If we factor in that pension funds will not form part of your estate, therefore not subject to inheritance tax, plus the tax relief available on contributions when putting money in, it can be seen that pensions are extremely attractive and incredibly tax efficient savings vehicles.

In fact, probably the worst thing about pensions, is that they are still called pensions, which often conjures negative sentiments.

Although the pension rules have changed to allow benefits to continue beyond 75 and to be bequeathed, it does not mean that all existing contracts have changed. A good analogy here is when 24-hour pub opening rules were introduced; not all pubs (or even many pubs) chose to stay open all day.

Most pension companies simply introduced new contracts which adopted the new rules rather than changing the existing contracts. Thus, many long-standing pension contracts are still tied into old-fashioned rules. On such contracts, benefits may *have* to be taken by age 75, and even if they can be extended beyond that time the options on death may be restricted.

We would therefore recommend that everyone reviews any long-standing pensions they have in place to identify the options available on death. You may be tied into a contract that does not enable you to pass on your pension to a pension in the name of your next of kin, which would mean the pension fund effectively coming to an end when you do.

If your existing contracts do not incorporate these new flexibilities you could consider switching to an arrangement that does provide them which is where we at Wingate can help. We would conduct a detailed analysis of your existing pensions to ensure that you are not giving up any other valuable benefits, for example guaranteed growth or annuity rates etc and that the recommended new pension arrangement meets your needs and objectives for the future.

Overall, the tax efficiency and flexibility available to modern pensions does mean the worst thing about them is their name: they could be called Tax Efficient Inter-Generational Savings Plans!

Please feel free to contact us for a review of your existing arrangements.