

## Press release

# A J Bell propose changes needed to rectify Labour Government pensions complexity

3 June 2010

Andy Bell, Chief Executive of SIPP provider A J Bell, has written an open letter to the new Chancellor George Osborne proposing three simple measures to restore lost confidence amongst investors and their advisers in the pension sector.

Bell says, "The new Government has given prominence to three key principles – freedom, fairness and responsibility. These are not expressions that I could apply to many of the pension policies of the Labour Government and this has resulted in a damaging loss of confidence in pensions as a long-term saving vehicle."

Bell continues "It is not realistic to expect the Government to act quickly on the long list of complex areas within our pensions framework. The UK's finances simply make it impossible to rectify all of the errors of the previous Government. I have used the new Government's key principles to propose three simple measures that will go a long way towards restoring consumer confidence in pensions."

A copy of the letter is attached, in summary the A J Bell proposals are:

### **Freedom from complexity for pension incentives**

- **Scrap the complex taper system and reduce the Annual Allowance to £50,000.**
  - The pension industry supported the need to restrict tax relief through a reduction in the Annual Allowance,
  - In spite of widespread opposition, the Labour Government chose to introduce a complex taper system to restrict higher rate tax relief to the highest earners,
  - The estimated cost of the taper system is £900 million in the first year alone,
  - Scrapping higher rate tax relief will disenfranchise almost 4 million individuals from pensions.

### **Fairness over tax treatment on death**

- **Make the tax charges on lump sum death benefits fair.**
  - The Labour Government paranoia over the use of Alternatively Secured Pension (ASP) for Inheritance Tax avoidance led to an 82% tax charge on death in ASP,
  - This created an unfair position where there may be 0% tax payable on lump sum death benefits where an individual dies at 74, but 82% if that individual survives to 75,
  - Fairness in tax treatment will remove the incentive for tax avoidance.

### **Responsibility in policy development**

- **The Government must commit to a long-term, fair, sustainable pension framework and, once established, leave it alone!**
  - A pension is a savings vehicle for life, the sweeping biannual changes damage confidence and ultimately costs consumers billions of pounds,
  - HMRC systems simply can't cope with the Labour Government's irresponsible volume of change,
  - Avoiding change will benefit the pension saver, the financial services industry and the Government bodies unable to cope with the complexity.

**END**

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Please note this document is intended for trade and national press individuals.

#### Notes for Editors

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A J Bell is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 36.62% and 10.37% respectively of the share capital, the remainder being owned by Andy Bell and the management team.

Established in 1995, A J Bell specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

A J Bell is now the largest privately owned provider of self administered pensions and institutional stockbroker services in the UK, with in excess of 40,200 individual SIPPs and assets under administration exceeding £11.2bn. It also provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and TD Waterhouse.

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