

## Article placed in FT Adviser

### A light bulb moment for pensions from the Treasury

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Excitement is not an emotion typically associated with news about pensions.

Immediately after the Government introduced the concept of flexible drawdown to us all on 9 December 2010 an associate in the pensions industry confided in me that they were genuinely excited by what it might offer. In fact they went as far as describing flexible drawdown as a Thomas Edison style light bulb moment from the Treasury – a completely fresh invention, and hopefully the first of many designed to encourage pension saving.

Taken as a whole, the signs are that the Coalition Government's initiatives in the pensions arena are having a positive effect. Simplifying the rules and limits governing the amounts that can be paid into pensions has led to a 170% increase in single contributions paid to our Sippcentre SIPP. Scrapping of the 82% tax on lump sum death benefits has also proved very popular with advisers and clients, although the consensus is that the 55% tax which replaces it is still too high.

When it comes to flexible drawdown I remain optimistic that the long-term opportunities offered to pensions savers will be positive. However, in the short term, when looking at flexible drawdown, it is not Edison's light bulb moment that currently springs to mind. Rather it is one of the inventor's most famous quotes, "Genius is 1% inspiration and 99% perspiration".

We are definitely in the middle of the perspiration phase at the moment. Since the idea of flexible drawdown was introduced last December concerns have been raised over the lack of FSA guidance, restrictions have been placed on the circumstances when scheme pension qualifies for the Minimum Income Requirement (MIR), and question marks have been raised as to whether or not RPI-linked annuities will count towards the MIR.

When all these issues have been dealt with the question is, will the perspiration have been worth it? A J Bell is one of the providers already offering flexible drawdown and so we clearly feel that the answer to that question is Yes. However, I do wonder whether my unnamed associate's excitement at Treasury light bulb moments will have dimmed a little.

**Gareth James**  
**Technical Marketing Manager**  
**A J Bell**

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

#### Notes for Editors

Pictures available by contacting [claire.juckles@ajbell.co.uk](mailto:claire.juckles@ajbell.co.uk).

Billy Mackay  
Marketing Director  
07525 236 580

Andy Bell  
Chief Executive  
07973 137 272

Gareth James  
Technical Marketing Manager  
0161 876 2819

Claire Juckles  
Marketing Executive  
0161 876 8706

[billy.mackay@ajbell.co.uk](mailto:billy.mackay@ajbell.co.uk)

[andy.bell@ajbell.co.uk](mailto:andy.bell@ajbell.co.uk)

[gareth.james@ajbell.co.uk](mailto:gareth.james@ajbell.co.uk)

[claire.juckles@ajbell.co.uk](mailto:claire.juckles@ajbell.co.uk)

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