

# Article

## Accidents are inevitable

March 2010

### When I'm 64

**Pension reform is a political hot potato that MPs refuse to put down or agree on. Pensions experts help make sure advisers know the latest developments and reveal what can be done to maximise your clients' retirement income.**

Getting incentives for savers right is not easy, it involves trying to understand human behaviour. I am a huge fan of the law on mandatory seat belts; I have no doubt that it saved the life of a very good friend of mine recently. Another friend will talk all day on his view that mandatory seat belts create incentives for rash driving and a false sense of security that can lead to more car accidents. The truth is we humans can be a strange lot.

Our pension system has historically operated on an EET basis (money invested in the pension fund is exempt from tax, money is accumulated with interest that is exempt from tax and the proceeds of the fund are taxable). I think we would all admit that there is still much work to do on increasing consumer appetite for self provision. However, the post A-Day annual allowance rules are capable of being understood by most savers.

The Government's proposal to restrict tax relief on pension contributions paid by those earning over £130,000 is, in some ways, understandable. High earners benefit from a disproportionate percentage of the tax relief granted. However, the anti-forestalling measures and proposal to limit tax relief will disenfranchise all pension savers because of its complexity.

To determine whether these new rules apply, you need to calculate what is known as "relevant income". This is a complex calculation bringing into play previous tax years, all of your taxable income, not just your earnings, plus any contributions made under salary sacrifice, less personal contributions to a maximum of £20,000. I almost lost myself there.

From discussions with clients, advisers and other people in the industry it is clear that there is a common call from all for a simple solution to this problem by reducing the annual allowance. As I said before, we humans can be a strange lot but this feels like a car crash waiting to happen.

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

### Notes for Editors

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