

## Article placed in FT Adviser

### Clear incentives needed for pensions

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We know that the Government introduced the changes to the pension contribution and incentive system with the aim of building a simple and sustainable set of rules whilst still achieving the required tax relief saving of £4 billion.

I have made the point regularly in articles that getting the foundations right for a simple and sound case for investing in a pension involves:

1. a clear incentive system that everyone understands.
2. simple rules around what you can contribute.
3. clarity & flexibility on what you can do with your money when it is in the pension arrangement.
4. flexibility & fairness on how you get your money back out in retirement or on death.

It is early days and I would be the first to admit that the system of tax relief is not perfect. However, I do know that in the first few months of the new regime (from 6 April 2011) we experienced a significant increase in new contributions to our A J Bell range of SIPPs.

On 22 June the Office for National Statistics released a number of interesting "Pension Trends" statistics. A few topical snippets jumped out:

- Participation in pension schemes in the private sector is falling. In 2010, 39 per cent of male employees and 28 per cent of female employees belonged to an employer-sponsored pension scheme in the private sector. This compared with 52 per cent and 37 per cent respectively in 1997.
- While membership of employer-sponsored pension schemes fell in the private sector between 1997 and 2010, in the public sector it was unchanged for men, at 87 per cent, and it rose for women, from 75 per cent to 82 per cent.
- The General Lifestyle Survey shows that 38 per cent of full-time self-employed men in Great Britain belonged to a pension scheme in 2009, down from 64 per cent in 1998/99.
- Private pension saving accounted for nearly three-quarters of saving in the pre-retirement group (households headed by people aged 50 to 64) in Great Britain in 2006/08.

The release that accompanied the statistics made the obvious point that falling pension scheme membership implies less private pension saving which will lead to reduced retirement income in future, unless other saving increases. Am I alone in saying that it really does feel like a very odd time to speculate about further changes to the tax relief incentive system?

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

#### Notes for Editors

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