

## Press release

# Unnecessary complexity in rules for implementation of new drawdown limits

16/12/2010

Low cost SIPP provider A J Bell has hit out at the complexity of the details contained in the recently announced pension drawdown rules due for implementation on 6 April 2011.

The most widely publicised changes include the introduction of flexibility to withdraw significant amounts from a pension if an individual has substantial secure pension income and changes to the rate of tax payable on lump sums paid after savers die.

Several major pension providers have focussed on the difficulties in meeting the short timescale with some not in a position to offer the new “flexible drawdown” from 6 April 2011.

A J Bell has raised concerns of wider practical challenges where clients are subject to income limits and moving from the old limits to the new.

Billy Mackay, Marketing Director of A J Bell said “We have been campaigning for a number of the headline changes for the last four years and welcome the intention of what the Government is trying to achieve. However, we expected the devil to be in the detail and we were not disappointed.”

Mackay continued “One of the key problems we have identified is the timing of the change from the current drawdown pension limits to the new limits. When the last major round of changes was introduced the Government recognised the need to be flexible over the exact review date and gave providers a two year window to move all savers onto the new system. This time the Government has tried to be prescriptive over the exact date and we’ve been left with what can only be described as a mish-mash. This will see savers subject to the new limits immediately in some circumstances, not seeing any change for five years in others, and will even leave some having part of their pension subject to the old rules and part subject to the new. That doesn’t make any sense to us and it won’t make any sense to advisers and clients.”

Mackay concluded “These reviews are likely to result in a small change in the level of pension for the huge majority of savers and there is no need to be this prescriptive. Offering the flexibility to gradually move savers to the new income limits over a two, or even three, year window is tried and tested and worked four years ago so it can work again now.”

### Basic summary of review position from 6 April 2011

1	Client crystallising benefits for first time in pension scheme	All benefits calculated under new rules
2	Periodic review of existing benefits in pension scheme with one drawdown arrangement	All benefits reviewed under new rules
3	Additional drawdown of funds in pension scheme to existing drawdown arrangement (where it takes place before 2)	New drawdown calculated, and existing drawdown reviewed under old rules
4	Periodic review of existing benefits in pension scheme with more than one drawdown arrangement *	Reviewed drawdown calculated under new rules, old drawdown not reviewed and carries on under old rules
5	Additional drawdown of funds in pension scheme but to a new drawdown arrangement (where it take place before 2)	New drawdown is calculated under new rules. Existing drawdown is not immediately reviewed and carries on under old rules
6	Transfer of a drawdown arrangement to a new pension scheme with an existing drawdown arrangement	Transferred drawdown reviewed under new rules but existing drawdown arrangement carries on under old rules

\* Pension schemes can hold more than one drawdown arrangement for a number of reasons. One example is where a transfer in drawdown is made. This can’t be made to an existing drawdown arrangement but must be made to a new drawdown arrangement.

# END

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

## Notes for Editors

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

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