Budget 2015

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A selection of comments and views on the 2015 Budget coming into the IFA Magazine news desk:

And check-out IFA Magazine Editor Michael Wilson's up-to-the-moment Budget report, click here.

Hargreaves Lansdown

Danny Cox, Chartered Financial Planner: "The higher personal allowance of £10,800 is another shot in the arm for pension freedoms, boosting the tax-free amount people can draw from their pensions. With careful planning, a couple could have £306,000 saved in pension and draw this tax-free over their lifetimes on top of their state pensions."

On personal savings allowance: "A tax cut on already miserably low interest rates is no big giveaway but welcome nonetheless. Despite this, savers should not turn their back on cash ISAs – the tax benefits of ISA build over time – and basic rate taxpayers could get dragged into the paying higher rate tax band and tax on their savings in the future."

On inheritance tax: "Inheritance tax is one of the least popular taxes and catches an increasing number of people as house prices and stock markets rise. The abolition of Deeds of Variation should warn investors that there will be no second chances. Wills need to be right first time and then reviewed regularly as circumstances change."

On Pensions and Lifetime Allowance reduction Tom McPhail, Head of Pensions Research, Hargreaves Lansdown: "Another cut to the Lifetime Allowance will bring increasing numbers of middle earners into paying punitive tax charges and added complexity into the system. A reversion to indexation of the LTA from 2018 is welcome but arguably the annual cap on contributions there is actually no need for an LTA at all.

"The allowance reduction of £250,000 means a 40% tax payer will pay an extra £62,500 on that slice. The cost to a basic rate taxpayer in retirement will be £100,000."

On extending the pension freedoms: "The new pension freedoms are already immensely popular and extending these to those already in retirement makes a lot of sense. The bird in the hand option of cashing in an annuity will be attractive to many. However there are significant practical obstacles to overcome before this option will be available and in most cases we would expect the guaranteed income an annuity provides to have a greater lifetime value than a cash payment now."

The Government claim that 5 million existing annuity holders will benefit from the freedom to exchange their annuity for a cash sum needs to be put into context. It is not at clear that such a scheme can be built and even if it is, it will only benefit a small minority. For most people it will probably make sense to retain their existing secure annuity income."

On ISA and the New Flexible ISA, Danny Cox said: "This moves the cash ISA to more like a bank account, providing investors with far greater flexibility. This is unlikely to be helpful to those with stocks and shares ISAs who will be taking a much longer term view."

On new help to buy ISA: "It's good to see a scheme which encourages people to save, and after the pension freedoms and Pensioner Bonds, it was high time there were more savings incentives for younger people. However omitting a stocks and shares option leaves a big hole for longer term savers who want to invest to get a better return than that available on cash."

Regarding the Budget 2015 and an economic view, Hargreaves Lansdown said: "As expected, this was primarily a Budget about politics rather than economics. Nevertheless, George Osborne took the opportunity to highlight the relative strength of the UK economy, and the risks of handing control back to Labour.

"The economy is sure to be a key battleground in May's election, and there is plenty of evidence to suggest it is on the right track. Figures released today show the employment rate (73.3%) is now the highest since records began. There are now 30.94m people in work, a rise of 617,000 over the last 12 months, while the jobless total is 1.86m, the lowest since mid-2008 and almost half a million down on a year ago.

"Earnings growth slowed slightly last month, but real wages are still growing strongly, helped by record low inflation."

As regards growth and borrowing projections: "At 2.6%, GDP growth in 2014 was strong compared to developed-world peers – as George Osborne pointed out, this is the fastest growth in the G7 (though the IMF forecast that we will be overtaken by the US this year). Mr Osborne revealed today that the Office for Budget Responsibility has upgraded its projections for economic growth, and reduced its forecast for the budget deficit.

"The OBR now projects GDP growth of 2.5% this year (up from 2.4% forecast in the Autumn Statement) and 2.3% next year (up from 2.2%).

"The chancellor was also keen to point out that the national debt would be lower at end of this parliament than at start – one of his original targets. However, cutting the deficit has proved far more difficult than originally expected. The coalition once aimed to reduce the deficit to £40bn by 2015, but the latest figure is almost £100bn."

As for the measures announced today: "Lower inflation and higher employment means less welfare spending, and lower inflation means significantly lower debt servicing costs. However, George Osborne today confirmed this extra money would go to reducing debt rather than pre-election giveaways.

"However, it appears spending cuts in the next Parliament under a Conservative government will be less severe than previously thought, and certainly significantly less than the £70bn predicted by Ed

Balls in a recent speech. Spending is set to fall to year 2000 levels by 2019, countering Labour's claim that Osborne would cut spending to 1930s levels.

"The biggest change in plans comes at the end of the next Parliament, with a £7bn surplus forecast 2019/20, as against the £23bn previously forecast. This represents a significant loosening in the government's purse strings at the end of the period."

Oliver Bedford, manager of the **Hargreave Hale** AIM VCTs, says: "VCTs have become increasingly popular with investors looking for tax free income in retirement. The reduction in the tax free pension savings lifetime allowance from £1.25million to £1million is likely to reinforce that trend as more investors look to VCTs as a source of tax free income and capital gains exempt growth as they approach or enter into retirement. VCTs are very different to pensions and, as always, investors should take advice from their financial adviser or accountant before proceeding with an investment."

The **Association of Investment Companies (AIC)** today responded to the Chancellor's announcement on changes to the Venture Capital Trust (VCT) scheme rules.
Ian Sayers, Chief Executive, said: "We welcome the Government's commitment to secure the future of VCTs by ensuring that they gain European state aid clearance. In the meantime we will consider these proposed rules with our members and their managers and work constructively with the Government to secure the best possible outcome for the sector. We look forward to joining the new industry forum on the operation and use of venture capital schemes."

Albion Ventures
Commenting on the rule changes to VCTs, EIS and SEIS in today's Budget, Will Fraser-Allen, Deputy Managing Partner said: "These amendments make sense in the context of obtaining EU approval and would appear to have minimal impact on the vast majority of schemes. Having managed VCTs for over 20 years we have yet to commit over £15 million in any portfolio company and cannot immediately think of an investment in a company for the first time that was over 12 years old. However, these changes underline The Treasury's continued commitment to supporting tax-efficient investment schemes and the role they play in support high growth small businesses and generating commensurate returns for investors."

On the reduction in the lifetime pension allowance from £1.25m to £1.m: "There is little doubt that this will increase demand, among a significant larger number of people planning for retirement, to invest in a broader range of tax-efficient pension supplements, including VCTs. We've already seen a substantial increase in investor interest in VCTs following earlier reductions in the pension lifetime allowance and expect this additional reduction to further boost demand."

On the proposed introduction of Social Venture Capital Trusts (Social VCTs) Robert Whitby-Smith, Partner, said**:** "We welcome the establishment of Social VCTs and based on the details released in the Budget we are increasingly of the view that Social VCTs with tax reliefs will encourage demand among retail investors looking to support social enterprise."

Richard Stone, CEO of The Share Centre, on today's Budget said: "We welcome the focus on saving. In particular the flexibility which will be available to savers using an ISA is something we have called for over a number of years and believe will enable personal investors to make greater use of the ISA for their savings and financial planning requirements.

“In addition, ISAs are likely to be a significant beneficiary of the Government’s radical shake up of the annuity market. With the prospect of being able to cash in existing annuities, we expect many retirees to consider unlocking their annuities – especially if they currently offer disappointing rates. Part of the attraction of an ISA is that investors will appreciate much more tangible control over their investments, and equity income funds and high yielding stocks will be even more popular. The tax benefits of traditional workplace pension schemes shouldn’t be overlooked by those still in employment, however, with further restrictions on the pension regime, ISAs will become the long-term savings and investment vehicle of choice for those in retirement as well as those still working.

“The Share Centre is committed to serving personal investors regardless of wealth or experience. Supportive of the measures announced by The Chancellor, we will look to ensure our customers can benefit from these changes.”

Tina Riches, national tax partner at Smith & Williamson, the accountancy and investment management group, said: “Winners look to be lower to middle income earners. The prospect of raises in the income tax threshold, increase in the marriage allowance, upping of the 40% tax threshold not to mention the new flexibility surrounding ISAs and with Help to Buy ISAs.
“There will be no ‘abolition’ of tax returns per se, but rather an evolution through pre-populating tax returns. People will still have to check the data and it will be assessed year on year; provision will be necessary for those without online access, such as the elderly.

“On pensions, the annual allowance of £40k was retained which is again helpful to the self-employed and business owners, and others with irregular income, as well as those who have taken career breaks and need to make up for periods when they were unable to make pension contributions, plus civil servants.

“However, the cut in the lifetime allowance to £1million will bring many more thousands of people into this net than any previous reductions. Some people in their 40s will have to consider the tax implication of funding their pension as they will be far more likely to hit the lifetime allowance. Many doctors, senior nurses and senior teachers will be affected, as at £1m the lifetime allowance will catch public sector employees on around £75k.”

Rick Eling, Senior Client Fund Manager at Sanlam.
Regarding help to buy ISAs: “Encouraging people to save in any format is positive, but we fear that the Help to Buy ISA will divert money away from shares, bonds and other assets into an already overvalued asset class. British house prices need no encouragement to keep rising to ever-higher multiples of salaries. We have supply-side constraints, so extra demand can only lead to further home inflation and further problems down the line.”

As for pension freedoms: “Pension freedoms are growing, but the opportunity to benefit from pension tax reliefs is shrinking. A Lifetime Allowance of £1m in reality isn’t very high: it could be reached by a person investing quite modest regular sums from age 25 to age 65, with a fair wind from the markets. A £1m pension pot offers a “best buy” annuity income at today’s prices of about £55k a year.”

As for annuity encashment: “Annuities have been irreversible lifetime decisions- until today. In the past, many new pensioners have saddled themselves with a low income rate from their annuity because they failed to explore the open market. So it's good news that poor decisions made in the past can now be unwound by the sale of the annuity, with tax only at marginal rates. But caution is needed: we worry that unregulated cold callers will target people settled and happy with their annuities and convince them to sell up for some type of dubious investment opportunity.   Annuity encashment might be the right choice for some, but only with great care and a trusted, regulated adviser at the helm. The need to use a reputable, trusted financial adviser has never been more important at and throughout retirement.

Patricia Mock, tax director, Deloitte, comments on today's Budget announcement around personal and savings rates allowances. In summary:

– Personal allowance increase to take nearly 600,000 people out of tax by 2017/18

– Increases in the higher rate threshold to give higher rate tax payers extra £103 in 16/17 and £160 in 17/18

– Basic rate and higher rate tax payers with savings income will receive tax saving of up to £200

Regarding personal allowances and thresholds: "Whilst the personal allowance for 2015/16 is to increase to £10,600 as trailed in the Autumn Statement, the Chancellor intends to increase these further to £10,800 in 2016/17, and to £11,000 in 2017/18. These increases are consistent with the agreed Conservative and Liberal Democrat policy of increasing the personal allowance to £12,500 by 2020 and will take another 247,000 people out of tax altogether in 2016/17, with another 341,000 to follow in 2017/18.

"The higher rate threshold will remain at £42,385 in 2015/16 giving a basic rate band of £31,785. This compares to the 2014/15 higher rate threshold of £41,865 and the basic rate band of £31,785. However, in 2016/17 and 2017/18 the higher rate threshold will increase, to £42,700 and then £43,300, giving basic rate bands of £31,900 and £32,300 respectively.

"The overall cost of these increases are predicted to be £960 million in 2016/17 and £1.48 billion in 2017/18.

"Whilst basic rate taxpayers will receive an extra £40 in cash terms in 2016/17 (and a further £40 in 2017/18), higher rate taxpayers will benefit even more due to the increases to the basic rate band as well as in the personal allowance. Our calculations indicate that higher rate taxpayers will receive an extra £103 in cash terms in 2016/17 and a further £160 in 2017/18.

"These increases in the basic rate band are the first since 2009, and are a welcome reversal in this area which will hopefully reduce the estimated 18% of taxpayers who are currently higher rate taxpayers – an increase from 10% at the start of the Coalition government.

"In contrast to recent Budgets, those earning over £121,600 (in 2016/17) or £122,000 (in 2017/18) will also benefit from the changes as despite not receiving a personal allowance, the increases in the basic rate tax band mean that these taxpayers can expect to receive an extra £23 in 2016/17 and a further £80 in 2017/18.

“The upper earnings limit and upper profits limit for national insurance will be increased in line with the personal allowance. No changes have been announced to the primary threshold, so the anomaly of low paid employees being taken out of income tax but remaining in national insurance still remains.”

Regarding savings rates and allowance: “The new Personal Savings Allowance should benefit the majority of savers – indeed the Chancellor stated that this measure would take 95% of savers out of tax on those savings.

“From April 2016, those with annual taxable income of less than £42,700 will enjoy the new Allowance which exempts the first £1,000 of interest earned in the year from tax. For those earning between £42,701 and the additional rate threshold of £150,000, the new Allowance will be restricted to £500, so that they receive the same maximum £200 saving per year as basic rate taxpayers. Any interest earned in excess of the £1,000 / £500 Allowances will remain taxable at the marginal rates of 20% and 40% respectively.

“Additional rate taxpayers earning over £150,000 will not benefit from the Allowance.

“This announcement builds on the Chancellor’s previous Budget in which he undertook to exempt from tax any interest received by a saver whose total taxable income was less than £15,600 (from April 2015) by introducing a savings rate on interest of up to £5000 of 0%. But this rate only affects people on low incomes as non-savings income is taxed as the lowest slice of income and does not attract the 0% band. Hence, only those whose non-savings income is less than £15,600 (in 2015/16) will benefit from this change, whereas the new savings exemption will benefit all those with savings income providing their overall income is less than £150,000.

“Taken together however from April 2016 those with overall income of less than £16,800 will not have to pay tax on any savings income.

“From April 2016 it is proposed that the 20% automatic deduction of tax from non-ISA bank interest will be abolished entirely, which is an essential change to ensure that the savings are delivered without the need for repayment claims.”

Nigel Green, the founder and chief executive of deVere Group, comments on Chancellor George Osborne’s 2015 Budget. Regarding the sale of annuities in exchange for cash lump sums Mr Green said: “This is a pre-election move aimed at appealing directly to those who are already retired – and who are, coincidentally, the demographic most likely to vote, and to vote Conservative. Whilst the new flexibilities will certainly appeal to many, I believe that many more retirees will remain with their annuities, perhaps unconvinced by the idea or not being aware of the other ways to secure an income retirement.”

He continues: “There are also real concerns that individuals will be charged excessively high fees to cash-in their annuity and can expect poor value in return for them. I would urge anyone considering selling their annuity contract to seek professional independent financial advice in the first instance.”

He adds: “I suspect that the pension liberation scammers currently targeting individuals to cash in their pension pots in response to the new pension freedoms coming into effect on 6th April, will now do the same with the recently announced annuity freedoms. These Wolf of Wall Street-esque scam artists will inevitably increase their activities yet further – they will see it as ‘boom time’. We know that the scammers are adapting their tactics to reflect the changing pensions landscape. I would urge anyone who is contacted to sell their annuity contract to be extra cautious, not to be rushed into making a decision they might regret, and to seek professional independent financial advice before proceeding."

Regarding the lifetime allowance being cut to £1m, Mr Green describes this measure as a "dangerous cap on aspiration", "scandalously counter-productive," "a slap in the face for those who have worked hard and saved hard," and a possible "precursor to a fully-fledged wealth tax." He also added it would "serve as a catalyst for people to move their British pensions out of the UK."

Paul Latham, Managing Director at **Octopus Investments**, commented: "In recent years we have seen the decrease in both annual and lifetime pension allowance act as a catalyst for increased interest in investments such as Venture Capital Trusts and Enterprise Investment Schemes. The Chancellor's announcement today reducing the pension lifetime allowance to £1 million reinforces the need for investors and advisers to look for alternative tax-efficient solutions that can complement their existing retirement planning arrangements, and we expect to see demand for VCTs and EIS increase when the latest cap is imposed."

Regarding changes to ISA rules Mark Williams, Business Line Manager for inheritance tax commented: "In allowing people greater flexibility over how they manage their ISAs the Chancellor has highlighted the importance of the ISA as a cornerstone of financial planning for UK savers. However what these proposals will do nothing to address is the fact that after spousal transfer has been taken into account, the lifetime tax benefits of an ISA are often more than offset on death when the savings form part of the deceased's estate for inheritance tax. Investors will still need to consider how to plan for the impact of inheritance tax on their Isa savings, as IHT is no longer just a tax that affects the super-rich. To this end, the changes made to ISA rules in 2013 to allow savers to hold shares in AIM-listed companies are as relevant as ever. Many AIM listed companies will, provided they're trading, qualify for Business Property Relief. This means that in addition to accessing the potential for capital growth that investment in smaller companies brings, ISA savers could potentially enjoy 100% exemption from IHT by investing their accumulated ISA savings in AIM listed trading companies."

As for changes to Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) legislation Paul Latham said: "We welcome the Government's continued commitment to making the UK one of the best places to start, finance and grow a business in Europe and its recognition of the valuable role that tax-advantaged venture capital schemes like VCTs and EIS can play in achieving this by attracting investment into the sector. Today's Budget once again highlights the value of these government approved initiatives and affirms the government's continued commitment to them.

"As always, as a result of today's legislative tweaks, there will be inevitably some companies that just miss out on funding that are on the cusp of the qualifying criteria. However, EIS & VCT have been and will continue to be a critical source of funding for UK smaller companies and high growth small businesses.

As for launch of social Venture Capital Trusts Richard Wazacz, Business Line Manager for VCTs said: "It's great to see the Government recognise the valuable role Venture Capital Trusts can play in supporting areas of the economy in need of investment. Octopus has been actively engaged with the Government during the consultation period to help provide insight into the market opportunity through our experience as the largest provider of VCTs in the UK. We do not currently have any plans to launch a dedicated social VCT but we will be keeping a close eye to see how the market develops over the coming year."

Aegon
Kate Smith, Regulatory Strategy Manager: "This is a further signal that digital is the way forward across all customer's finances. Online services have revolutionised the way we manage our pensions and bank accounts and the Revenue is moving into the digital age.
"A new digital tax account allows people instant up-to-date access to their tax affairs and will allow them to sort out their tax quickly as it cuts out paper. It should also avoid nasty tax demand surprises in the future, as by going online people will know instantly what they owe the revenue or what it owes them. We hope it will encourage more people to claim back higher rate tax relief on their pension contributions. Only basic rate tax is added automatically to people's pension savings, with any additional tax relief claimed back, currently via a self-assessment tax return at the end of the tax year."

Steven Cameron, Regulatory Strategy Director, said: "How disappointing to see the government once again taking a short-term approach to pension tax by cutting the Lifetime Allowance from £1.25m to £1m from next year. A £1m pension pot may seem huge, but with improvements in health and life expectancy, people who retire at 60 may need to use their pension income to cover their costs for 30 years or more. If you want your pension to continue to your partner and rise with inflation, £1m will buy you less than £30k a year. Many people aspire to more than that.
"As people live longer, Government should be encouraging them to build up adequate savings for longer lives including paying for very expensive long-term care. Reducing the amount that can be saved in pensions is, in our view, a move in the wrong direction."

And on the 'fully flexible ISA: "The central theme of the pension reforms has been flexibility and the Chancellor extended this principle to ISAs today. At the moment, if you use up your annual ISA allowance and withdraw some of it later in that year, you can't redeposit until the next ISA year. That's now changed meaning ISAs are more flexible – and simpler to understand. Anything which incentivises savings is welcome. The only irony is we could end up with more ISA than pension millionaires!"

Elissa Bayer, Senior Investment Director at Investec Wealth & Investment: "The Chancellor did not have a great deal to give away but as has come to be a feature of an Osborne Budget he uses any advantage carefully. Generally he balanced the giveaways and taking from banks is an easy win. Helping first time buyers is positive but through an ISA may be a complicated way to do it.
"However, be aware of the White papers – often the most contentious details lie not in the Statement. Furthermore, the pension lifetime allowance limit falling to £1 million is too soon. The industry is still absorbing the previous cut and this reduction will not affect the majority of pensioners given the average UK pension is around £40,000 or less."

The National Association of Pension Funds (NAPF) has commented today (Wednesday) on the changes to pensions announced in the Budget 2015. Commenting on the Chancellor's announcement to cut the Lifetime Allowance (LTA) to £1m per annum, and index-link it from 2018, Graham Vidler, Director of External Affairs, National Association of Pension Funds, said: "The Chancellor's commitment to index-link the Lifetime Allowance from 2018 is welcome. But the question remains, what will the LTA be in three years' time?

“Let’s hope past performance is not an indication of future cuts. The LTA has been cut by £0.5m in the last three Budgets which if repeated would leave an LTA of £0.5m. This would buy an income of around £10,000 per year.”

In reference to the Chancellor’s confirmation of a consultation on how to create a secondary market in annuities, Vidler said:“This clearly fits with this Government’s agenda for pensions, but it’s unclear how savers will be protected. We welcome the full consultation as it will be essential to ensuring a fair and balanced market.

“It’s vital this does not distract us from or undermine the Freedom & Choice pension reforms due to begin in 19 working days. The Government must make sure this doesn’t divert focus or resource from Pension Wise, damage the broader annuity market or slow down the development of a much-needed market in retirement solutions for those looking to make use of Freedom and Choice from next month.”

Jeremy Leach, Chief Executive Officer of Managing Partners Limited, which manages a number of funds that invest in insurance linked securities, commented: “This initiative is long overdue given that interest – and therefore annuity – rates have been at all-time lows for a record time. It is a fantastic opportunity for those who bought an annuity when it was not their preferred route to seek financial alternatives that are more suitable to their circumstances, including the paying down of debt. “Annuity sellers could get significant value but a lot will depend on age and health factors. There will be a lot of people who will not be able to achieve the value they want from selling their annuities.

“Tax treatment will need to be clarified. For example, how will the capital gain for annuitants be taxed and how will the income streams for the new beneficiaries be treated given it will be less than the price paid for some time? Regulators will also have to draft new rules to cover transferability rules.

“For many annuity sellers it will be a complicated process though and therefore there will be significantly more demand for financial advice.”

On the back of the Chancellor’s Budget speech, **Brett Williams, Managing Director, SEI Wealth Platform, UK Private Banking**comments: “The savings changes should be welcomed and they create an even greater need for quality advice. The reduction on the pensions cap is disappointing, but leaving alone tax relief makes pensions saving even more attractive following the relaxation on annuities and the tax changes.”

Commenting on today’s Budget announcement that up to five million existing pensioners can now swap their annuity for cash, Nick Breton, Head of Direct Line for Business: “People already in retirement can now join the pensions freedom party. Research shows a third of those aged 45 to 64 with a pension would consider accessing these funds to purchase a buy to let property and today’s announcement allows those already retired to follow suit, swapping their annuity for a fixed lump sum they could put into a buy to let investment. Britain’s ranks of ‘silver landlords’ could increase significantly following the change in regulation, which offers more freedom for those in retirement. For some retirees it could be a good way to diversify their investments and income, however, prospective landlords should seek financial advice to ensure they understand the returns and risks of investing in property and especially the tax implications."

Nancy Curtin, Chief Investment Officer of Close Brothers Asset Management, comments: "With the general election just around the corner, who can blame the Chancellor for highlighting the strides the UK economy has taken? Plan A has clearly worked. The public finances are in much stronger shape, and the forecast for borrowing is coming down. The economy is moving in the right direction, and plunging oil prices and low inflation have helped boost consumer spending, feeding through into increased VAT receipts.

"All of this has given Osborne a little more fiscal leeway to take positive steps, without compromising on austerity. On the personal tax side, the increased personal allowance and greater financial freedoms for pensioners will be welcomed by many households. However, economically speaking the pre-announced move to broaden the recovery through infrastructure investment and greater economic powers for northern cities should provide added impetus, as will the additional support for the housing market. SMEs, so crucial to the labour market and the country's growth, will be buoyed by the business rates review. All of this is positive for the UK's outlook."

Claire Trott, Head of Technical Support, Talbot and Muir comments on the sale of annuities: "The consultation formally announced in today's Budget on the sale of annuities is welcomed. It should be noted that it will be a complex area and should be regulated accordingly which again is welcomed. People could be hit by double charges, once when they took them out and once when they sell them on. The will have to go through substantial underwriting to ensure that the purchaser gets value for money, they will be making the offers so will be leading the rates payable. It is in the purchaser's interest to ensure they know enough about the annuitant's lifestyle to be able to make an appropriate offer."

And regards the reduction in the lifetime allowance: "The reduction in the lifetime allowance is a blow to all the positive changes made in the other pension reforms, not only will it penalise those in money purchase schemes more than in final salary schemes but it adds another layer of complexity to peoples retirement planning. This will mean another round of protections that people will need to decide if they need to apply for and possibly the choice to stop contributing for fear of tax charges at retirement.

"The recent downwards slide of the lifetime allowance goes against the promise of increased freedoms and the encouragement to save in a pension scheme. It would make much greater sense for the limit to be on contributions and not on both contributions and benefits. People can plan what they pay in but the value of what their benefits are at the end of the day is dependent on so many factors including investment growth, age when they choose to take benefits and charges.

"It is welcome that the lifetime allowance will again be indexed and the annual allowance isn't being decreased."

Mattioli Woods

Alex Brown, Senior Consultant: "As widely anticipated, the lifetime allowance has been reduced from £1.25M to £1M, which is a disappointing reduction when the government already has a cap on the maximum annual contributions. Whilst pension planning remains a core part of our client wealth planning, it now represents only one part of an investment philosophy, which we will continue to

incorporate into all our client strategies. As details emerge, we would hope that adequate transitional provisions are made for those close to the new lifetime allowance."
Simon Gibson, Director: "Savers to the fore in today's Budget. It is clear that the Chancellor believes in the need to plan for the future, not dwell on past mistakes – a good theme for investors. Pension freedom was given just a nod in today's Budget – from 6th April, it's all systems go!"
As regards access to annuities: "From next April it is fantastic news that individuals will be able to access the capital behind their annuity, especially given the pension freedom for people who haven't annuitised. However, this good news will be tempered with the practicalities – such as transactional costs, potential underwriting, advisory costs, and as such clients will need carefully considered advise here, before rushing in to sell their income for capital."

George Houston, Wealth Management Technical Manager, on increased ISA freedoms: "A great improvement for savers to maximise the tax efficiency available from ISAs. If you draw money out (tax free), you will be able to top up to your allowance level later in that year."

On IHT: "There was no mention of the widely speculated £1m tax free allowance for family homes – this is surprising given the intense speculation over the past couple of days and many clients are likely to be disappointed. However whether this change was announced or not, our clients will still require individual advice taking into account their entire asset base and how they may take some steps to legitimately mitigate their tax exposure".

Andy Cumming, Head of Wealth Management at Close Brothers Asset Management, comments on the potential re-sale of annuities: "Increased financial freedom at retirement has been a crucial step forward in the last year, but the Chancellor has fired the starting gun on the resale of annuities before we have seen the impact of last year's reforms. It is a natural progression from the last Budget's changes, and for thousands of annuitants, the move will be beneficial. However, it will be vitally important that there will be sufficient guidance for those looking to sell – especially if their current annuity is still the best option, providing value for money and supporting retirement goals. Equally, the cost and risk involved in selling an annuity must be made crystal clear to retirees. With questions still unanswered over how Pension Wise will operate and match the predicted demand for April's freedoms, let alone further changes, much more clarity on the support and protection consumers will receive is necessary."

Commenting on today's Budget announcement and greater pension freedoms for those already in retirement, Jeff Lynn, CEO at Seedrs said: "We welcome today's budget announcement that those already in retirement and with an annuity will able to join working people cashing in all or part of their defined contribution pension when they retire. With greater investible capital, those in or approaching retirement will need to diversify their investments and income. There are clearly many ways to invest this additional capital and we are seeing a huge increase in clients looking to diversify their portfolio with alternative yet genuinely interesting investments through crowdfunding. Not only can investors benefit from potentially strong returns in crowdfunding but they can buy into businesses that they believe in and share in their success. Crowdfunding investors are making a real contribution to SMEs across the UK and benefiting the economy as a result."

In response to today's Budget announcement that the lifetime allowance will be cut to £1m, Greg Kingston, Head of Marketing and Proposition at Suffolk Life, said:
"Talk of a pension lifetime allowance of £1 million will seem meaningless to a 21 year old on the increased minimum wage of £6.70 an hour. Yet if that 21 year old works a 35 hour week and manages

to put 20% of their earnings into a pension then by the time they reach the age of 67 they could easily have reached this limit. It is difficult to think of another situation where a £1 million cap might prove a disincentive to someone earning £6.70 an hour, yet that's the reality where there's so much constant change that the understanding of the value of pension saving for many is limited to sound bites and headlines. The positive benefits of the new pension freedoms will only be effective if people save sufficient amounts into their pensions to take advantage of them, and increased levels of saving through auto-enrolment does not automatically equate to greater positive engagement on the value of retirement saving.

"Political headlines can easily result in unintended behaviour. Pension savers between 55 and retirement age are one group who might easily be nudged into withdrawing their pension funds completely. They've been told already that they can access their pensions in full from April, and now we have a Budget whose pension headline is that the cap on pension savings is now approaching half of what it was just a few years ago. That could drive a proportion of pension savers into making irrational decisions, such as ceasing contributions or withdrawing their pension funds in full.

"Advisers will need to review all their clients whose pension savings could approach the new, lower pension lifetime allowance of £1 million. It'll be a particularly testing time for those clients who are over 55 and have to also understand the new pension income options and, in particular, the new taxation regime of pension assets on death. It'll make for a very busy time, particularly if advisers also have to respond to a new set of client queries on whether or not they should cash in their annuities. It is said every year but remains true: the need for advice has never been greater."

Responding to the Chancellor's announcement that the annual paper tax return will be phased out, Judith Donovan CBE, Chair of the Keep Me Posted campaign, said:

"The Keep Me Posted campaign welcomes the fact that British tax-payers will still have the option to complete a paper self-assessment return. Many people like the protection offered by paper tax returns, particularly in light of revelations last year that five million British workers may have had their tax bills incorrectly calculated.

"Whilst this move is a further indication of the Government's ambitions for public services to be 'digital-by-default', we are pleased the change takes into account the views of the millions of workers who choose not to manage their affairs online. We look forward to seeing further detail about how this choice will be protected."