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Dear Client

LUMP SUM RUMOURS

A number of rumours are circulating regarding possible changes to the taxation of pension commencement lump sums, after the next general Election, or after the next Budget Day if earlier – whoever wins!

No credible suggestions have been put forward regarding what may happen, if at all and there is no certainty as to the timing of any changes – and how they would affect those with existing rights.

In these circumstances, we feel that it is our duty to make you aware of the rumours – but also to comment that there is no universally applicable course of action that we would recommend. Clients will make their own judgements regarding what value to place on these rumours.

Any premature drawing of lump sums would destroy the Inheritance planning advantages of undrawn benefits and would also transfer assets from a tax exempt medium to a potentially much higher tax regime on income arising. Further, personal Estates would be increased with potential IHT consequences. There is also the risk that if action was taken based on the rumours – but the rumoured changes did not occur, then the current favourable position would have been destroyed unnecessarily.

On the other hand, those who are contemplating drawing lump sum benefits in the near future in any event may wish to safeguard their positions.

Yours faithfully

Nigel Sloam & Co

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