

**News from Louis Letourneau.**

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*If you want to retire early, the Government's new pension proposals could be a bunker shot – or a hole in one. [Louis Letourneau](#) tees off.*

Just when you thought that [pension provision](#) couldn't get any more complicated, along comes the long-awaited pensions White Paper, ironically entitled '[Security in Retirement: towards a New Pensions System](#)'. This followed Lord Turner's report published at the end of 2005.

There's a lot to be pleased about if the proposed changes come to fruition, and it's likely that they will, since they have broad, cross-party support. The current system of state provision has been riddled with inconsistencies for years, ranging from the amount of basic state pension and its rate of increase to the National Insurance contribution record required to qualify for a full state pension. Women and carers, in particular, have been disadvantaged under the current system.

Pensioner groups have long campaigned for the basic state pension to be linked to earnings rather than prices, but the Treasury's always seen this as wholly unaffordable. Its sudden change of heart has heralded a potential new era for state pension provision. I say "potential" because the date when the link to earnings might be reinstated looks rather fluid, so that if it can't be afforded in 2012 (the proposed date), it can be delayed until 2015 or maybe even beyond.

When it comes to it, there's no such thing as a free lunch and there has to be a downside to a more generous state pension. This comes in the form of an increase to state pension age for anyone born after 1958, so anyone born in 1976 or later will have to wait until age 68 to get their pension. Given that we're all living longer, this isn't unreasonable. There are many other tweaks to the system as well.

One that will impact on anyone who's single and intends to remain so is that the ability to contract out of the state second pension will end in 2012. "So what?", you might ask. Well, the "so what" is that if you die prior to state pension age, your state pension will die with you. Contracting-out might not have been very advantageous, but for those concerned about leaving funds for a partner or other loved ones, it did at least give you an option to do this. Of course, if you're in a [Civil Partnership](#), there's no need to worry; you'll inherit half of your partner's state second pension entitlement earned since 1988.

Originally the Government only wanted to recognise civil partners as far back as 2005 for pension purposes, but after some lobbying in the House of Lords, it agreed to backdate this to 1988, which is the year the rules first equalised for men and women.

One of the other proposals in the White Paper is that any employee not already in a pension scheme will have to join a new National Pension Savings Scheme and be required to contribute 4% p.a. of earnings between £5000 and £33000, although you can opt out of it. Employers will also have to contribute 3% p.a. to this arrangement. Those of you with businesses need to be thinking about the cost of these proposals, although they won't be introduced until 2012. This is compulsion – but it isn't a bad thing to combat the fact that people just don't save enough for their retirement.

One worry about this particular proposal is that some employers who are generous with their pension scheme contributions might see it as an excuse to reduce contributions – one to be watched, I think.

Of course no-one's saying you can't retire when you want to, but if you plan to spend most of your time on a beach somewhere sooner rather than later, then you need to start planning - the earlier the better. The new pension simplification rules that came into force on 6 April 2006 make it easier to fund private provision now, even for those with good employer sponsored provision. Don't forget that up to 40% Income Tax relief is available on pension contributions. How many investments can you make where if you pay £100, that nice Mr Brown at No 11 Downing Street will give you an additional £66.67 as a reward for your trouble?

ISAs and their forerunner PEPs are also very effective as savings for retirement. Income taken from these will be completely free of Income Tax. And the ever-popular property market which can be lucrative if you get it right.

Like all financial planning, it's rarely a good idea to rely on one form of provision. Diversify, because you can't bank on just one investment - even a good final salary pension scheme isn't guaranteed, aside perhaps from the public sector schemes – and take good [independent financial advice](#), of course.

**Louis Letourneau, MA** is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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