

News from Louis Letourneau.

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Will Gordon Brown's budget finally sort out and simplify the new pension laws? You must be joking, says [Louis Letourneau](#).

For all you property tarts, the Chancellor's pre-budget report will have been very disappointing. Gordon Brown took the opportunity to remove the potential to put residential property into a [self invested personal pension](#) plan from April 6th 2006. In addition, he also stopped some of the other more unusual assets going in, such as fine wine, art, antiques and vintage cars. Personally, I think it was predictable; our Gordon was being lobbied quite heavily on this matter. I also think it's a good thing – self invested personal pensions aren't yet regulated and the potential for someone to lose their pension fund to some dodgy-dealing property shark was really very high.

But there's so much more to the new rules than just the type of investment. The new rules, which are effective from April 6th 2006, sweep away entirely the old, highly complicated existing pensions framework, but bring in one new-but-not-so-simple replacement.

Many will think that the rules won't apply to them, but you could be surprised. In future, you'll be able to pay much more into your pension - up to 100% of your salary with a cap for 2006/07 of £215,000 - but before you all rush head-long into doing this, make sure you know the pitfalls. For many of you, the notion of putting all of your income into a pension will seem ludicrous, but for some it could be worthwhile. This particular facility is best utilised if you can get higher-rate Income Tax relief on all of your contributions. Perhaps more interesting is the possibility that an employer can make a contribution of £215,000 on your behalf – we'd all like such generous employers, but they might be in for a surprise if the Corporation Tax relief they were expecting on your contribution isn't forthcoming. Your local Inspector of Taxes needs to be convinced that these large payments are justifiable. Such payments for highly paid directors will probably be allowed, but could be difficult for someone with low earnings.

Some of you might be on low salaries and are being paid mainly by dividends, with pension contributions being based on a higher salary from several years ago. If you're in this category, then you need to be very careful because basis years won't exist. Your pension contributions will therefore need to be reduced to 100% of your salary, or £3600 as a maximum. You can carry on making higher contributions, but you'll face having to repay some of the tax relief at some point.

Some need to be wary of the other limit being introduced, the Lifetime Allowance (LA). This is the amount of money that you'll be able to accumulate in total within a pension fund without facing an additional tax charge. The limits are generous; £1.5m for 2006/07, but some highly paid civil servants, NHS consultants, etc, will already be over the limit and will have to take some action to avoid tax of 55% on any fund higher than the LA.

Perhaps the area that will catch most out is the increase to the minimum age at which you can take benefits, currently age 50. From April 6th 2010, this'll be increased to 55, unless you've already reached that age. This means, for example, that anyone born between 1955 and 1960 needs to take care. Take someone born on January 1st 1958; he could retire between January 1st 2008 and April 5th 2010, but overshoot this date by just a day, and you then can't take the benefits before January 1st 2013.

Many of you will have paid-up pensions from previous employments and some of these will potentially give you tax-free cash at retirement of more than 25% of the accumulated fund. If these arrangements are with poorly performing insurance companies, you might already be too late to do anything about it without then restricting tax-free cash to 25% at retirement.

I know I'm beginning to sound like a worn-out record, but you really do need to take [independent financial advice](#) – make sure that you find a firm with properly qualified pension advisers, so ask about their qualifications. Ideally, use a firm where they have an adviser with the much sought-after G60 exam. In conjunction with the improvements in pensions for those using the Civil Partnership, the new rules are generally good news but there are pitfalls and [expert advice](#) is essential.

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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