Pensions alert

PwC recommends that you urgently review your pension position

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Background

In his Supplementary Budget in April 2009 the Minister for Finance signalled a change to pensions later this year:

'The Commission on Taxation is examining various aspects of pension tax treatment including the treatment of lump sums and I expect to be dealing with their recommendations in the 2010 Budget next December'

Media speculation about pension restrictions include

- Reduced Tax Free Lump Sum entitlements (currently up to €1.35m)
- Reduced Income Tax relief for personal pension contributions (currently 41%)
- Reduced overall lifetime pensions limit (currently €5.4m)

Implications

The impact of any such changes could be profound. For example there is a suggestion that Tax Free Lump Sum entitlement could be restricted to €150,000. Other changes would reduce the scope for tax favoured pension contributions leading ultimately to smaller funds at retirement.

Can any pre-emptive steps be considered?

We are helping clients who are approaching retirement to optimise the timing of the drawdown of their pension benefits. In an independent fashion we explain all the implications and help them devise and implement their pension strategy.

We also explore the possibility of accelerated Employer or Employee pension contributions (cashflow permitting).

Who can best avail of any opportunities?

The profile of those who might be best positioned to optimise opportunities will include Employees and Executives over age 50 and self employed individuals over age 60.

Pre retirement planning

As part of a review of your overall retirement planning, we suggest you review your pension arrangements in terms of target fund, expected retirement date, likely income and funding. We can assist you in assessing your position and implementing a future pension strategy.

Post retirement investment planning

We assist clients to devise an independent investment strategy appropriate to their post retirement needs.

This includes reviewing asset allocation, timing of drawdowns and desired returns.

At a recent Private Client Services briefing, PwC's personal financial planning experts highlighted the following top 10 tips:

- Consider drawing down your pension fund
- Accelerate pension contributions for 2008 & 2009
- Review your borrowings, what is your exposure
- Rental properties – review your expenditure & loans
- How safe are your assets? Do you understand the risk of your assets?
- What is the effect of tax increases on your cashflow going forward?
- Review your tax returns for 2008 and your likely tax for 2009
- Reduced asset values – maybe now is the time to consider passing them on
- Helping children buy property – use the reliefs
- Wills & estate planning – consider family partnerships
- Foreign Property – review, costs, tax status, inheritance tax

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