

New auto-enrolment countdown begins

Time is ticking away for thousands of medium-sized employers across the UK who have just six months to go before they must start automatically enrolling eligible employees into a qualifying work-based pension scheme.

The Pensions Regulator said on 17 October that it had already written around 6,000 letters to employers urging them to begin finalising preparations to their auto-enrolment responsibilities, with thousands more due to receive a reminder in the run-up to Christmas.

On the same day, it said that more than 1.7 million workers had been automatically enrolled since the initiative began in October 2012. More than 2,000 of the UK's largest employers have now implemented auto-enrolment.

More than 5,000 employers will need to implement automatic enrolment in April 2014, forming the first wave of medium-sized employers, the next group to come on board. More than 20,000 employers with fewer than 250 workers will reach their staging

date – the date on which they must implement auto-enrolment – between May and July.

Minister for Pensions Steve Webb said: "With only six months before medium-sized employers enrol their staff the message is clear: act now to ensure you meet your duties."

Charles Counsell, the Pensions Regulator's executive director of automatic enrolment, added: "The six-month countdown for medium-sized employers has begun and we are calling them to action. We know many have been working hard to ensure they are ready for their new duties. We are calling on all employers not to be complacent."

The regulator says that employers due to implement auto-enrolment in April 2014 should by now have identified a suitable pension provider and software provider as well as any outside help they may need. They should also have started checking which workers they will need to automatically enrol and telling them about the changes.

It said that lessons learned from larger employers that have already implemented automatic enrolment show the importance of being certain that a pensions provider can deliver what is required and that payroll systems are compatible.

With auto-enrolment likely to become a priority issue for increasing numbers of businesses over the coming months, specialist expertise in this area can be invaluable.

At Birchwood Investment Management, our fully qualified team offers extensive experience in auto-enrolment and other occupational pension issues.

Our pensions experts can provide advice on a one-to-one basis, or through seminars, or we can provide more specialist assistance with reviewing and upgrading pension schemes or implementing new schemes. For more information, please contact us.



Over-50s worry for future, survey finds

Nearly a quarter of people in their early 50s fear they will have to leave their homes in the future because they won't be able to keep up their mortgage or rent payments, a new survey has found.

Findings from charity Age UK's Economic Tracker, published on 30 July, found that in a poll of 971 people aged 50-plus, only 38 per cent felt the future looked good for them.

A key concern for many was keeping or finding a job, underlined by the fact that nearly half of all unemployed men and women aged between 50

and 64 (46 per cent or 191,000 people nationally) have been out of work for more than a year.

Research also shows that it is harder for someone aged 50 and over to get back into the workplace than for any other age group, despite the need for them to work longer before receiving their state pension.

At the same time as the state pension age is due to rise – to 67 by 2028 – current low interest rates and poor returns on annuities mean that earnings on savings designed to

fund retirement are severely restricted.

Age UK's charity director Michelle Mitchell said "We know that times are tough financially, but when a significant number of people aged 50 and over say they are worried about losing their homes, it's a clear sign that many are truly struggling to keep their heads above water.

"While all sorts of factors may be at play, we know that too many older people currently find themselves locked out of the job market just because of their age."

Annuities a mystery for 1 in 3, survey finds



More than a third of consumers do not know what an annuity is, according to new research.

A September survey by unbiased.co.uk, a website that helps consumers to find regulated and qualified financial and other advisers, found that 37 per cent of those questioned admitted not understanding annuities.

Earlier this year, supermarket giant Tesco announced that it was seeking regulatory approval to expand its price comparison website, Tesco Compare, to help people shop around more easily for annuities. The site currently offers comparison services for insurance, credit cards, loans, mortgages, utilities and holidays.

Each year, 400,000 retirees cash in pension contributions to buy an annuity, which then provides an income for the rest of their lives. But research by the Association of British Insurers suggests that one in three does not feel informed

enough to compare alternative quotes and many settle for the offer made by their pension provider, which could be less favourable financially.

Karen Barrett, chief executive of unbiased.co.uk said: "There is no doubt that shopping around for the best annuity deal is one of the most important financial decisions someone will make in their lifetime.

"If almost two in five consumers don't know what an annuity is, how can we expect them to be able to confidently make the best choice on the different options available?

"We would expect a large proportion of consumers to be best served by enlisting the help of a professional adviser when it comes to their annuity choice. Factors such as health, postcode and size of fund can all have a bearing on the annuity offered and an adviser with specialist knowledge of the market will be able to identify the best annuity option."

Pension savers miss out on £229m in tax relief

Failing to claim pensions tax relief is costing higher rate taxpayers almost £250 million a year, according to research from the Prudential.

It revealed on 2 October that, based on the findings of a survey of higher rate taxpayers, more than a quarter (26 per cent) of those with defined contribution pension schemes were failing to claim the full tax relief worth 40 per cent they are entitled to.

The Prudential estimated that around 182,500 higher rate taxpayers are failing to maximise their tax relief, losing out on £229 million in the process.

It said the amount of tax relief not being claimed could be even higher as another 15 per cent of higher rate taxpayers with defined contribution pension schemes do not know whether they are

claiming the relief, which can be worth as much as £1,255 a year.

The Prudential urged higher rate taxpayers to act now to check whether they were claiming the maximum they were entitled to and to reclaim any tax relief they had missed out on in the past.

Taxpayers who fill in an annual tax return can claim for contributions paid as far back as the 2011/12 tax year.

If the taxpayer does not complete a self-assessment return, claims can be backdated for up to three tax years. For claims going back to the 2009/10 tax year, the deadline was 31 October 2013.

Members of occupational pension schemes receive basic and higher rate tax relief automatically

through their payroll. But members of personal pension schemes, including SIPP (Self Invested Personal Pensions) and stakeholder pensions, only receive basic rate 20 per cent tax relief automatically. They need to claim the additional relief through their annual tax return or by informing HM Revenue & Customs.

Clare Moffat, Prudential's tax expert, said: "Failing to claim higher rate pension tax relief can have a major impact on income and it is clear that a substantial number of higher rate taxpayers are not claiming the relief they are entitled to.

"There cannot be many people who would happily give up as much as £1,255 a year and substantial numbers of higher rate taxpayers can take action now to significantly improve their pension savings."

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