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Pension Transfer GUIDE

Ups & Downs

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FAQs

2011 BUDGET

• Lifestyle Protection • Creating Wealth • Tax Rules •

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Profit from pension changes

Lifetime allowances

Millions of people saving for retirement faced dramatic changes to the rules governing pensions from April and next, so what are the consequences for pension savers?

A radical reduction in the annual and lifetime allowances for contributions, as well as the abolition of the requirement for pension savers to buy annuities by the age of 75, will affect many pension savers. Most importantly, they could penalise many on middle incomes and those who are in generous final salary schemes, by triggering large tax bills.

From April 6, the annual allowance for pension contributions fell from a maximum of £255,000 to £50,000. Also, the anti-forestalling rules introduced by the previous Government restricted those earning more than £130,000 a year to an annual contribution of £20,000, also came to an end.

If you exceed this new allowance, you will have to pay tax on the excess at your highest marginal rate. If the bill is more than £2,000, you will be able to opt to have the whole amount paid by your workplace pension scheme, but sacrifice benefits later.

For members in schemes, this is good news, as it means the bill is paid from gross rather than net income, avoiding double taxation.

If you exceed your allowance in one year, you are able to offset any unused allowance from up to three previous years, back to the 2008-09 tax year. This would be particularly useful for those who have been caught out by the anti-forestalling rules.

If you were only allowed to pay in £20,000 to your pension last year, you can immediately add the extra £30,000 to next year's allowance, giving you £80,000 for 2011-12. If you did not make contributions in 2008-09 and 2009-10, you can make this up in 2011-12.

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Critical Times

FAQs

Life insurance pays out if you die, critical illness insurance pays out if you don't. As the name suggests these insurance policies pay out a lump sum if you are diagnosed with one of a number of specified medical conditions. The exact number of conditions covered will vary, depending which company you buy a policy from.

How long will I be covered for?

This is agreed by you when you take out the policy and usually depends on a couple of factors. Those looking to cover the cost of a mortgage may tie the term to the remaining years on the mortgage, while others may just cover themselves until retirement.

Can I include my children in a Critical Illness Policy?

Most insurers will include children up to a certain age in your policy. You can also opt for taking out a policy specifically for your child or children.

What factors affect my premium?

Several factors are taken into account when deciding your insurance premium and include your gender, age, weight, whether you smoke, and the medical history of your family, also any existing illnesses or underlying conditions you may have, or have had in the past.

What is covered?

Critical illness cover is an insurance policy that will pay benefits should you be diagnosed with an illness or injury, as outlined by the insurer. These illnesses usually include heart disease, cancer, multiple sclerosis, stroke, major organ transplant or failure, head trauma, and paralysis. Coverage may be expanded depending on the insurer and each insurer usually has a long list of exclusions as well.

Can you continue working after a claim?

Once the insurer has agreed your claim and it has been settled you can return to work once you are fit and well.

What is excluded?

A critical illness cover will typically help people who legitimately develop serious illness or injury. However, non-invasive or non life-threatening illnesses are usually excluded.

Other exclusions in many policies include aviation injuries, injuries resulting from criminal acts, drug abuse, failure to follow medical advice, hazardous sports or activities, HIV/AIDS, self-inflicted injury, and war or civil commotion. It is important to carefully evaluate your needs and individual circumstances before choosing the right critical illness cover for you. The insurance company's rules and regulations vary, so it is important to seek professional financial advice when choosing Critical Illness Cover.

What happens if I claim more than once?

If your original claim does not require a full payout of your sum assured, then the remaining cover will stay in place until you potentially need to make another claim. Therefore if your illness progresses or even if you develop a completely different illness you will be able to claim again. It is also possible to choose a policy that will top up your cover for each claim.

I have recently been diagnosed with a serious illness. Will that be covered if I apply?

Unfortunately not, insurance companies would not be in business if people discovered they were ill and then attempted to obtain immediate insurance and payout. Pre-existing conditions are normally excluded from coverage. The same applies for heart disease, gynaecological issues and other types of conditions that could eventually lead to serious illness. In such instances, you may be eligible for a critical illness policy that would cover other types of illnesses.

How do I purchase critical illness cover?

You can purchase a critical illness cover directly with an insurance company. However, you can also purchase coverage through a professional financial advisor. Buying a policy through a professional financial adviser gives you more protection if something goes wrong with a claim in the future.

Discover new ways to maximise income

Regular investment in ISAs could save pensioners a hefty tax bill on their retirement income

Building up an ISA pot over thirty years to around £700,000, could produce an income per year, just under the 40 per cent bracket, assuming a typical yield on an income fund of 4 per cent.

If this were outside an ISA, and assuming this amount was £36,000 and you also received the state pension of £5,078 plus an occupational pension of £10,000, you would have total income of approximately £51,000, which is about £7,200 above the higher-rate threshold.

This example shows that income bearing funds should normally be sheltered in ISAs before other funds. Generally, income tax rates are higher than capital gains tax rates and capital gains tax can be deferred, whereas income tax from funds or shares cannot, even when the income is reinvested.

Dividends on shares are taxed at 10 per cent, even when held in an ISA, although the benefit for higher rate taxpayers is that there is no additional tax to pay as there would be on dividends from holdings not held in ISAs.

It is recommended that investors use a portfolio of funds covering fixed interest securities, equities and property, which are all providing reasonable income yields compared with the historically low rate of interest available from cash.

Equity income funds

These funds aim to deliver an above average and growing income without sacrificing the potential for long term capital growth through an investment in the shares of UK companies. Such funds can yield above average returns with retail investors paying a 5 per cent initial charge and 1.5 per cent annual management charge.

Overseas income

For diversification, it is not unusual to see such funds yielding around 3.5 per cent and 5.3 per cent. Diversifying is important due to the concentration that you get in the UK market, with the top five stocks representing a large portion of the overall dividend on the UK market.

Bond funds

Due to the likelihood of rising interest rates, experts are not keen on bond funds at the moment, preferring, instead, strategic bond funds.

One advantage of these is the ability of the manager to invest in higher yield as well as investment grade bonds, which should reduce the risks when interest rates rise.

Commercial property

Investing in UK real commercial property, as opposed to the shares in property companies has a historic yield of 3.30 per cent and has delivered a high performance over the past year and fallen less than its sector over five years.

The value of your investment and the income from it can go down as well as up and you may not get back a significant proportion of your investment. Past performance is not an indication of future performance. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

Salary exchange scheme

Both employee and employer benefit

Salary exchange is a contractual agreement between you and your employer, which changes the way you are remunerated to increase the amount of benefits-in-kind you receive, and to reduce your cash earnings.

Employers and employees will save on their National Insurance Contributions (NICs) that would typically have been paid against their salary. However, because of changes to the NICs rates as of April 6 2011, it has become an even more attractive proposition.

Should you agree to the salary exchange, you relinquish your right to receive this additional cash payment for a minimum period of twelve months. Additionally, you need to be aware that it could affect your eligibility for tax credits, your pension contributions, your State pension entitlements and Statutory Maternity Pay. So, it is not for everyone, but if you choose this option you can increase your net 'income' in real terms.

Here are some tips where individuals can convince employers that salary exchange is the right thing to do:

Pension contributions

Employer pension contributions as an alternative to pay is one of the most common uses of salary exchange, but not the most efficient substitute that might be chosen. You are saving your personal NICs on the amount of salary exchanged, which is either 12 per cent today, or 2 per cent depending on the NIC bracket you fall into. But you do not save tax because relief would be available if the contributions were paid personally.

It is also appealing for your employer though, as it will save them 13.8 per cent NICs. You might expect some or all of this saving to go into your pension as well, because it costs your employer nothing apart from administration.

Non-taxable benefits–in-kind

Your employer might be persuaded that maximising your net 'income', by using salary exchange to provide non-taxable benefits-in-kind would be good for staff motivation and morale.

Childcare vouchers, the payment of the congestion charge for those commuting by company car into a charging zone, and a mobile phone provided for private use by your employer are examples of benefits that would not be subject to either tax or NICs for the employer and employee. The tax you save will depend on your current top rate of tax 20 per cent, 40 per cent or 50 per cent.

Taxable benefits-in-kind

If a benefit-in-kind is taxable, then there is still a reason for both the employer and employee to look at salary exchange. The employer would not make a direct financial saving, but the employee would. So this might be seen as a way of retaining or attracting staff to the company.

Taxable benefits-in-kind not taxed on the basis of cost

The benefit-in-kind available on a company car is set against its value and emissions, this taxable amount might prove to be less than the value you place on the benefit of having a new car.

For example, a new car, with a list price of £12,540 which emits 89g/km of CO_2, had a taxable benefit charge of £1,630 for 2010/11. If your employer asked you to exchange salary equal to his annual lease costs you might regard the net salary reduction plus tax payable on the car benefit as being a good price to pay for a brand new car. Your employer would save NIC because the taxable car benefit should be less than the salary exchanged.

Roll up of benefit-in-kind employer's NI

If your employer is providing a benefit-in-kind to you the NICs are payable once a year in July, after the P11D, the benefit-in-kind form, has been created for the tax year instead of being paid once a month during the year. This would allow your employer to improve cash flow, using those payments that would ordinarily be sent to HMRC for other purposes until the lump sum payment is due.

> *"you can increase your net 'income' in real terms"*

The FSA do not regulate tax planning and you should seek professional advice before requesting salary exchange from your employer.

What the budget means for you

The 2011 Budget claimed to "raise the living standards of families", George Osborne, Chancellor, announced help for lower-earners, motorists and first-time buyers and some tax incentives for higher earners who will be adversely affected by income tax, national insurance and pension changes from April 6.

Income tax

The tax-free personal allowance for under 65s will increase by £630 to £8,105 in April 2012, cutting individual tax bills by up to £126.

But 750,000 people will find themselves dragged into the 40 per cent tax bracket when the threshold is reduced from £43,875 to £42,475 and the previously announced one percentage point increase in national insurance contributions (NICs) came into force as from April.

The default measure for increasing direct tax thresholds and bands will change to the Consumer Prices Index (CPI) from 2012, rather than the currently higher Retail Prices Index (RPI). This switch to CPI would tend to draw more people into higher tax bands. However, to ensure older people do not lose out, age related personal allowances will continue to be uprated in line with RPI for the duration of this parliament.

The Government will also consult on options for integrating the operation of income tax and national insurance contributions into one personal tax system.

First-time buyers

The Government has provided first-time buyers with a boost by announcing the launch of a new shared equity scheme, called First Buy Direct, which aims to help 10,000 families onto the property ladder.

The scheme replaces the former Home Buy Direct initiative which ended last autumn and will see first-time buyers put down a 5 per cent deposit, with the Government putting in 10 per cent and the housebuilder another 10 per cent.

First Buy Direct is only available to first time buyers that purchase a new build property and are below a certain income threshold. Experts have pointed out that the new scheme is less attractive than the old Home Buy Direct initiative.

Household bills

Motorists benefited from a more generous cut in fuel duty than expected. From 6pm on 23 March (the day of the Budget) fuel duty was cut by 1p per litre.

A fuel duty escalator due to push up fuel costs was cancelled and the inflation linked rise in fuel duty which was due in early April has been delayed until next year.

Holidaymakers will also benefit from a freeze on the planned increase in air passenger duty.

Junior ISAs

A new tax-free savings account for children, known as the Junior ISA, will be available from 1 November 2011, the Government has confirmed. The Individual Savings Account (ISA) will have an annual contribution limit of up to £3,000 in cash and shares. Junior ISAs will replace Child Trust Funds, which have been phased out.

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Enterprise Investment Schemes

Higher earners will have the chance to offset the fall in their maximum pension contributions from £255,000 to £50,000 in April by taking advantage of generous new tax breaks for investing in small companies.

As of April, upfront income tax relief for private investors rose from 20 per cent to 30 per cent, bringing the scheme in line with the relief available in contributions into Venture Capital Trusts.

But, at the same time, the amount that any individual can invest through the EIS will double from £500,000 to £1m a year, and the size of company that can qualify for investment will be increased.
At present it is limited to companies with gross assets of no more than £7m and fewer than 50 employees.

Pensions

A new single tier state pension worth about £140 per week is to be introduced, but no date has been set. This would be based on contributions and be flat-rate. It will not apply to current pensions and will "take years fully to come into effect".

The Government proposed a new, more automatic mechanism for future increases in the State Pension Age based on regular, independent reviews of longevity.

Inheritance tax

Inheritance tax (IHT) will come down in some circumstances, but it will not leave beneficiaries better off. IHT is currently charged at 40 per cent on estates valued above £325,000, this would decrease by 10 per cent to 36 per cent if a person donates 10 per cent or more of their estate to charity. Charities will also be allowed to give people gifts worth more to say thank you for donations. At present, gifts such as lifetime membership or free tickets to an event are limited to a value of £500 but this will rise to £2,500.

National Savings & Investment Index-Linked Certificates re-launched

Buried away in the Budget documents was some welcome news for savers. These inflation-beating accounts were withdrawn last summer after being swamped by savers seeking sanctuary from high inflation and low interest rates.

However, they are set to make a comeback, with NS&I confirming after the Budget announcement that they will be re-introduced in the next financial year.

Stamp duty land tax

In a move to strengthen investment into residential property, the Government has announced plans to reform the stamp duty land tax rules applied to bulk purchases for residential properties.

A buyer can decide to have the rate of stamp duty on purchases of multiple residential properties determined by the mean value of the dwellings purchased, subject to a minimum rate of 1 per cent, rather than their aggregate value as is currently the case.

The current relief, available for properties that cost £250,000 or less, ends next March.

Escape the middle income grab

Many middle income families are falling into the 40 per cent tax band as the thresholds reduce in real terms. This higher rate will lead to a loss of child benefit payments from 2013, even if one parent is not working.

This April saw cuts to child tax credits and a one percentage point rise in the standard national insurance rate for employees from 11 per cent to 12 per cent.

We explain the legitimate options that can help you to reduce the pain of the tax grab.

Transferring assets

Transferring assets to a spouse or civil partner is one of the simplest ways to make a big tax saving if one of you has to pay higher rate tax.

If £10,000 of investment income is subject to 40 per cent tax, you are left with only £6,000. Move the assets to a spouse who pays tax at the basic rate and the £10,000 will be subject to 20 per cent basic-rate tax, leaving you with £8,000.

Applying this move could save you thousands of pounds in Capital Gains Tax (CGT). The tax went up to 28 per cent for higher rate taxpayers in June. Basic rate taxpayers continue to pay 18 per cent and, crucially, everyone continues to have an annual tax free allowance of £10,100.

Become Limited

Setting up or owning a small business with the attractions of becoming a "limited" company has become more alluring since April, as corporation tax rates fell. Within a limited company you pay corporation tax on any profits, rather than income tax. The smaller company rate dropped to 20 per cent from 21 per cent and the standard rate from 28 per cent to 26 per cent, falling to 23 per cent from April 2014.

Salary sacrifice advantages

By accepting a lower salary, the employee saves on income tax and national insurance, while the employer pays less national insurance at the employers' rate. Your employer in exchange for less salary could offer payments into your pension or additional weeks of holiday.

Anyone close to the higher rate tax threshold could well benefit from exploring this option.

Pension contributions

Pensions still remain among the most tax efficient investments, especially if you are a higher rate tax payer. From April, 40 per cent taxpayers saw full tax relief on all pension contributions up to £50,000.

Up to April 2012 savers are able to accumulate a pension pot of £1.8 million over their lifetime with full tax relief, provided that they don't exceed the £50,000 limit in any one year. After April 2012 the lifetime limit will be cut to £1.5 million. Pension savings above this threshold will be taxed at 25 per cent if they are taken as pension income or 55 per cent if they are taken as a lump sum.

Use your ISA allowance

Since April 5, you can now invest a maximum of £10,680 a year in ISAs. The whole sum can be placed in a stocks and shares ISA or up to half can be put in a cash ISA and the rest in a stocks and shares ISA.

Pension transfer guide

Penalty charges

If you wish to transfer an existing pension, find out how much your current provider would charge you to move. Even if you have held money with a provider for many years and your funds have not performed well, you may still face penalties for transferring.

With-profits funds held with life companies, for example, might have transfer penalties and extra charges known as Market Value Adjusters (MVAs) to make up for weak stock markets. Advisers say it is not uncommon to see these funds impose transfer penalties of as much as 10-20 per cent of the value.

Transfer valuation

A transfer valuation from your existing provider will give an up to date valuation of the funds held within the scheme and will break down any transfer fees and other penalties to be deducted. You should also check whether you are giving up any other benefits, such as a guaranteed annuity option, which some older style pensions offer.

Pension transfer advice

Pensions law and regulation are very complex, therefore you really must take good advice when it comes to transferring your pension. A professional financial adviser will have access to all the information you need to make the right decision and will be aware of the latest changes to the pensions regulations. Do not transfer your pension without consulting an expert.

Benefit levels

Pension schemes have different levels of benefits. Some can be very generous, whilst others are not, you must be sure that you are transferring to a pension that has good, if not better, benefits than your current scheme. Your pensions advisor will help you to check benefit levels and guide you through which are the most important to retain.

Growth levels

You should ask your pensions advisor to check growth levels to see which new funds are likely to return your investment to the current level of the old existing fund, the quickest.

Beneficiaries

Ensure you can nominate one or more beneficiaries for your new pension scheme and that the pension fund manager will honour your nomination. If you die before retirement, your pension entitlement will be paid to your nominated beneficiary or to your estate.

Retirement age

If you are transferring your pension 10 years before retirement, check that your new scheme gives you the same rights as your old scheme. If you are intending to retire early, ask your pension advisor to check the value of your existing scheme and the scheme you want to transfer to, so you can ensure you will have a good income on your retirement.

Fees

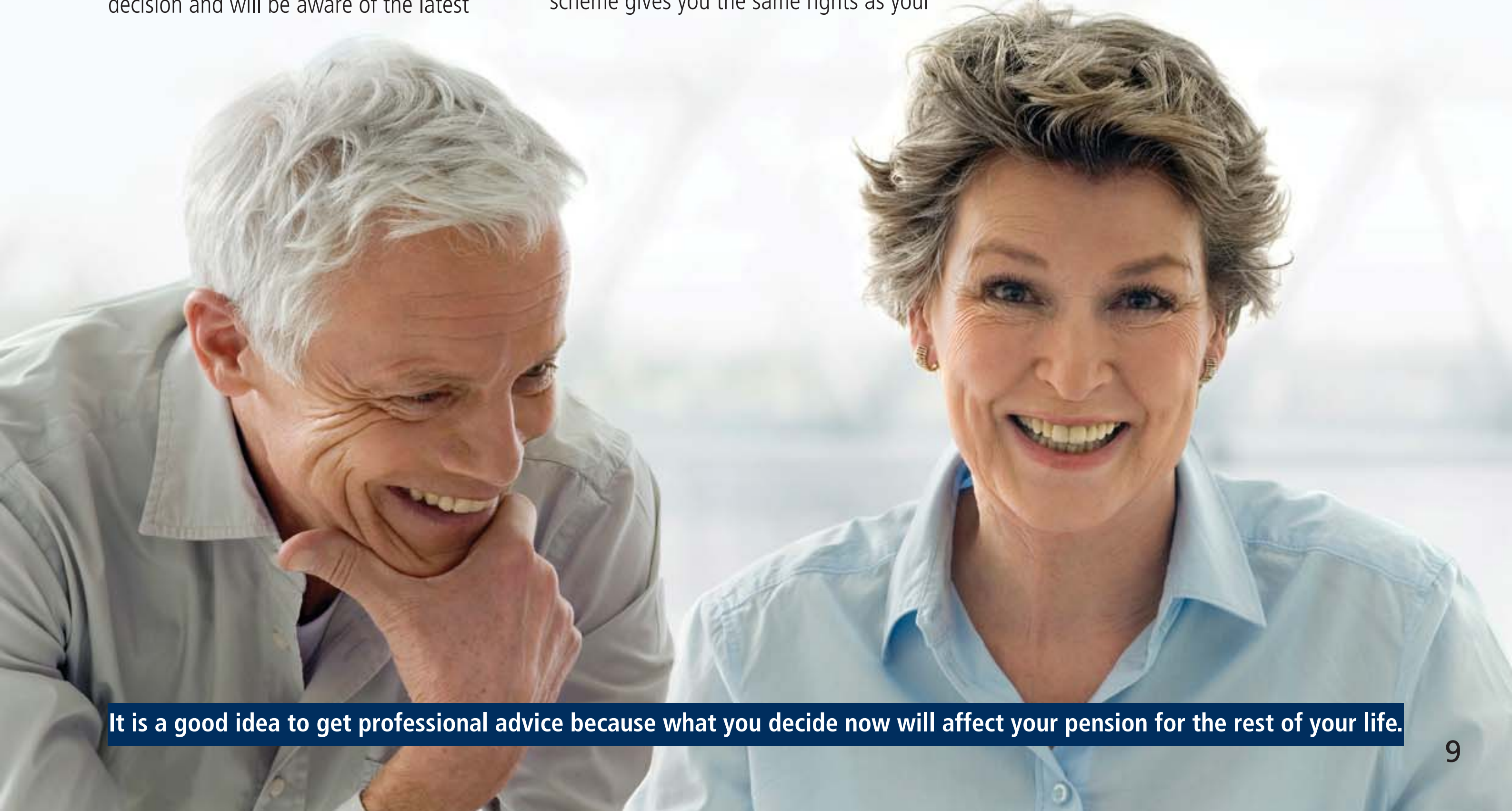
One key area where pensions schemes compete is the management fee. This fee is normally applied annually and is calculated as a percentage of your funds. Many people choose to transfer their pension in order to obtain a lower management fee, so you should make sure that the scheme you choose has an acceptable management fee.

Review regularly

If you are considering transferring your pension, ask your pensions advisor for a review of your current situation, then once you have transferred your pension, you need to ask for a regular review, particularly as you approach retirement age.

Income planning

If you are transferring your pension scheme when you are some way from retirement, you may want to consider the level of contributions you are making. Talk to your pensions advisor about your desired target income, they can then work out the payments you need to be making into your new pension scheme.



It is a good idea to get professional advice because what you decide now will affect your pension for the rest of your life.

SIPP into the pension world

When you near retirement you are likely to find that your pensions come from a number of different sources.

If you have completed the qualifying National Insurance Contributions, you will be entitled to the full basic state pension. Being employed you will be entitled to an additional Second State Pension (S2P), which was previously known as the State Earnings-Related Pensions Scheme or 'SERPS', unless you have opted out, whereby some of your NI contributions would have been redirected to either your employer's scheme or your personal pension.

Your employer's scheme is likely to be a Defined Contribution Scheme or Group Personal Pension scheme where the amount of pension you receive depends on the performance of the invested fund.

You may also have a Defined Benefit Scheme, where the pension received is based on service and either the average or final salary you are on at retirement.

If you prefer to set up your own pension then there are three options available, stakeholder pensions, personal pensions and SIPPs (Self Invested Personal Pensions).

Stakeholder pensions are usually offered by insurance companies, have low costs and a limited fund range. Personal pensions are also offered by insurance companies.

Key benefits

SIPPS offer flexibility and control when it comes to allowable investments and are one of the few pensions which allow direct access to equity markets both in the UK and overseas.

The main advantage of a SIPP is that it allows you to take a much more hands on approach to your investment strategy to meet your financial needs in retirement, which through a traditional occupational scheme or other type of pension plan would not be possible.

Is there a limit?

There is no actual limit on the amount you can invest in a SIPP each year, but there is a limit on the contributions you can pay into all your pension schemes and receive tax relief. You can receive tax relief on your personal contributions either up to 100 per cent of your earnings or up to the annual allowance of £50,000. You can get also get tax relief on contributions up to £3,600 per annum even if you are not earning or paying tax. However, if you contribute more than the annual allowance you will be hit with a 40 per cent special tax charge.

There is also a lifetime limit on the total amount you can accumulate in your pension without triggering additional tax charges when benefits are taken. The Lifetime Allowance is currently £1.8 million and does not include your entitlement to state pension.

So, where's the catch?

As with all invested plans, the value of any investment held in your SIPP can fall as well as rise and are not guaranteed and you may get back less than the amount you invested. This could affect the value of the income you expect to receive in retirement.

You can also invest in foreign markets through your SIPP. This could involve greater risks than the UK markets. Additionally profit or loss from transactions on foreign markets or in foreign currency dealings will be affected by fluctuations in foreign exchange rates.

How to choose a SIPP?

Comparing one SIPP with another is difficult as there are a wide variety of schemes available. All have different costs and offer different investment choices. The type of SIPP you choose will depend on what investments and markets you want to invest in and how involved you want to be with the investment decisions.

What assets are eligible for SIPPs?

HMRC allow a wide range of assets within a SIPP, but not all SIPP providers offer all asset classes through their own products.

In general, SIPPs offer access to UK Equities, Overseas Equities, Investment Trusts, Unit Trusts, OEICs; with some, but not all, providers offering access to AIM Shares, Warrants, Exchange Traded Products, REITs, Fixed Interest Stock, and Government Gilts.

SIPPs can also directly hold Commercial Property including retail premises, offices, industrial premises and the land itself.

If you have any doubts about the suitability of a SIPP or you need further advice, you should seek advice from a suitably qualified financial adviser.

BUDGET

The Chancellor said this budget was about reforming the economy, so we can have enduring growth for the future. George Osborne said this is not a tax-raising budget, this is a budget based on sound money. So what does this mean, here we outline the key points

Economy

• The independent Office for Budget Responsibility (OBR) forecasts growth of 1.7% (down from 2.1%) for 2011, 2.5% next year, 2.9% in 2013, 2.9% in 2014 and 2.8% in 2015 (this compares to OECD forecast of 1.5% for 2011 and 2.0% for 2012).
• OBR forecasts inflation to remain between 4% and 5% for most of this year, dropping to 2.5% next year and 2% in two years' time.

Borrowing

• Borrowing for this year to be £146bn, below the Government target. Borrowing will fall to £122bn next year, then £101bn in 2012-13, £70bn in 2013-14, £46bn in 2014-15 and £29bn in 2015-16.
• Public sector net borrowing will decline from its peak of 11.1% of GDP in 2009-10 to 1.5% of GDP in 2015-16; the cyclically adjusted or "structural" current deficit will be eliminated by 2014-15, with a projected surplus of 0.4% of GDP in that year, rising to 0.8% of GDP in 2015-16.
• Public sector net debt will peak at 70.9% of GDP in 2013-14, before declining to 70.5% of GDP in 2014-15 and 69.1% of GDP in 2015-16.

Tax and duty

• Personal tax allowance to rise from £7,475 to more than £8,105 in April 2012.
• 43 tax reliefs abolished to simplify the system.
• Merging of national contributions and income tax.
• Corporation tax to be reduced by 2% from April, to fall eventually to 23%, the lowest corporation tax among the G7 industrialised countries. Bank levy rate to be adjusted next year to offset the effect of corporation tax reduction on banks next year.
• A £50,000 charge for non-doms who have lived in the UK for 12 years.
• Inheritance tax discount for charitable donations.
• Tax avoidance loopholes to be closed, raising £1bn.
• Charge on non-domiciled taxpayers to increase from £30,000 for those here for seven years to £50,000 for those in the country for 12 years, raising more than £200m.

Pensions

• Government to seek automatic mechanism for future increases in state pension age, based on regular reviews of longevity.
• New single tier pension, worth £140 a week, would not apply to current pensioners.

Housing

• Reviews launched of the revenue raised by the 50p tax rate and the taxation of very high-value property.
• £250m to help first-time buyers purchase newly-built homes.
• Support for mortgage interest scheme extended for a year.

Enterprise

• £350m worth of regulation on businesses to be removed.
• Relief for entrepreneur tax doubled to £10m.
• Entrepreneurs relief scheme to be doubled to £10m from 6 April.
• 21 new enterprise zones to be funded, including in Manchester, Birmingham and London. Ten others to be named in the summer.
• Help for manufacturing to include new export credits, a technology and innovation centre and nine new university centres.
• Income tax relief on enterprise investment scheme to increase from 20% to 30%.
• Small companies' research and development tax credit to rise to 200% in April and 225% in 2012.
• New funding to double the number of university technical colleges from 12 to at least 24.
• Number of places on a new work experience scheme to increase to 100,000 over two years, rather than 20,000 as previously announced.
• Funding for 40,000 new apprenticeships for young unemployed.

Giving

• Gift aid administration to be simplified, especially for small donations.
• Inheritance tax discount for charitable donations.

Fuel duty

• New fair fuel stabiliser to be introduced, funded by increasing the supplementary charge on North Sea oil and gas production from 20% to 32% as from 24 March 2011.
• Fuel duty cut by 1p a litre as from 6pm on Budget day.
• Inflation rise in fuel duty to be delayed until 2012. Fuel duty escalator that adds 1p to fuel duty on top of inflation each year to be cancelled for the rest of this parliament.

Environment

• Green Deal to reduce energy bills from next year.
• The UK to become the first country in the world to introduce a carbon price floor for the power sector.
• New "green investment bank", to start operating next year, will have access to £3bn of funds.
• Climate change levy discount on electricity for those signing up to climate change agreements will rise from 65% to 80% from April 2013.
• Plans to switch air passenger duty (APD) from passengers to planes have been dropped

The EU gender ruling

Insurers at the moment take gender into account as a risk factor to calculate not only insurance premiums, but also the annuity income they will offer to pension savers. As from December 21, 2012 insurers will no longer be able to charge different premiums for men and women.

VEHICLE INSURANCE

Currently young women are offered better rates as they are safer drivers than young men, so the biggest losers will be female drivers under the age of 25, who will almost certainly see their premiums rise by between 25 and 50 per cent.

A 17 to 21 year old female motorist could pay about £400 more at renewal after December next year, based on current average premiums, while a young male driver could pay £270 less, according to the AA, the motor breakdown service.

PENSIONS

When we consider pensions, men approaching retirement are likely to see a considerable drop in their pension income, while women could be better off. With shorter average life expectancy than women, men are currently offered more generous annuity income. Men will lose this advantage when insurers are forced to use unisex rates.

Research on behalf of the Association of British Insurers in 2010 predicted that men approaching retirement could expect an 8 per cent fall in annuity rates while female pension income could rise by 6 per cent.

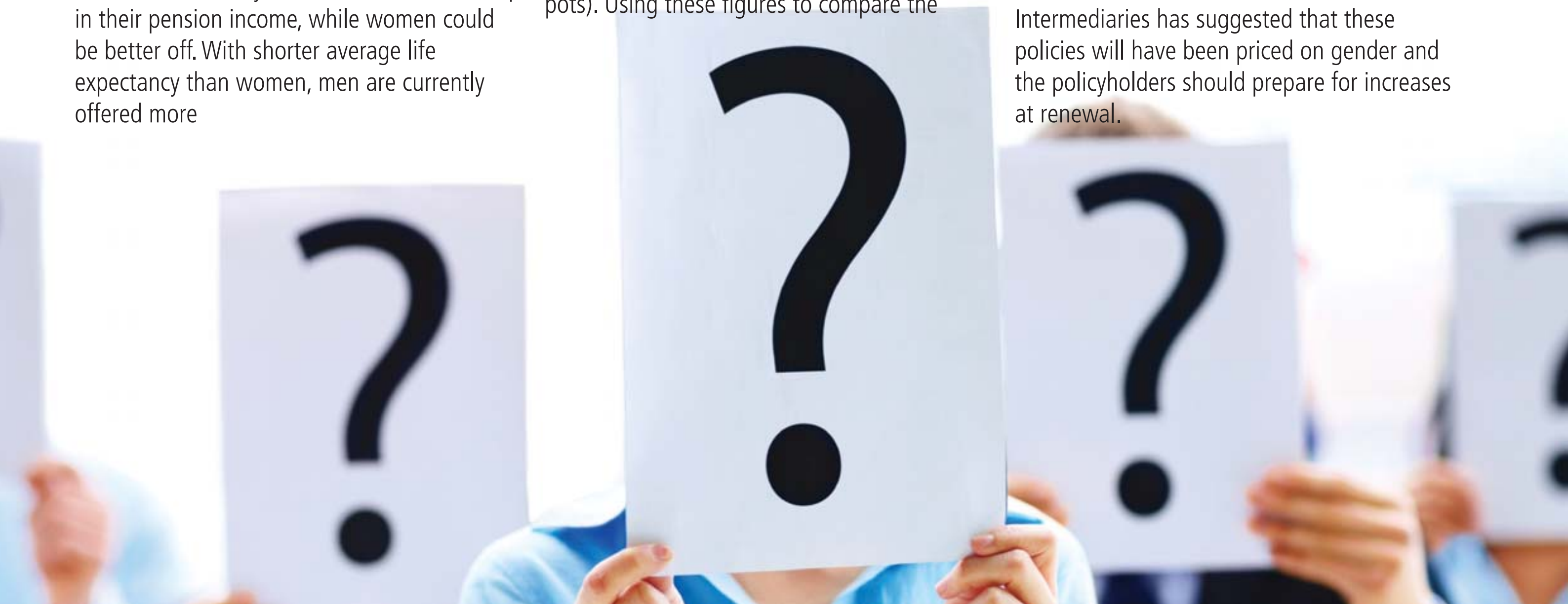
Based on current rates, a 5 per cent fall in male rates would mean £331 a year less for a 65-year-old with a £100,000 pension pot or £6,620 over 20 years.

Some believe the impact will not be that much of an issue as unisex rates are already currently used for Protected Rights annuities (annuities bought with contracted-out pension pots). Using these figures to compare the genders, it seems that male rates will reduce by about 2.5 per cent and female rates will increase by 2.5 per cent.

INSURANCE

With life cover and income protection, there is more balance, as women currently pay less for life cover as they live longer, but their rates have been forecast to rise by up to 20 per cent while men could see their rates fall by 10 per cent. These rises for women could be offset by cheaper income protection, where females currently pay more than men.

Most private medical insurers do not offer different premiums for men and women. Those policies that do (the difference in premiums is small), the Association of Medical Insurance Intermediaries has suggested that these policies will have been priced on gender and the policyholders should prepare for increases at renewal.



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