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Pensions Update (5 minute read)

Dear Richard,

I thought this headline from the front page on yesterday's Times would be of interest to my clients:



The article can also be found on the Times website, (although to see it in full you'll need to be a subscriber): <http://www.thetimes.co.uk/tto/money/pensions/article4509240.ece>.

Those of you that come in and see me on a regular basis will know that the article shares my own view in that in years to come we will look back on the exceptional returns that can be achieved through the current pension rules in the same way that we now do about property investment during the mid-1990's.

A reminder of the current rules:

For every **£80** you put into a pension scheme the government contributes an **extra £20**.

If you are a higher rate tax payer (income over £42,385) then you get a further **£20 tax refund** at the end of the year.

On top of this most pension funds have performed well over the past year, and if we assume 10% growth then this adds a further **£10** to take the total gains up to **£50**, or put another way a **62.5%** return on your investment.

To compare this with an investment in property remember that the same £80 investment comes after tax meaning that as a basic tax payer you'd have to earn £100 or as higher rate tax payer £120 first of all.

If the value of the property increases by the same 10% as the pension fund then you'd end the year with your investment worth £88, i.e. less than £100 / £120 gross income that you started with.

Please let me know if I can be of any further help – I do have a full copy of the article on the Times website saved as a PDF that I can send to you if useful?

Regards,



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