Budget 2014

INVESTMENT WEEK Professional Adviser

Chancellor George Osborne dropped a pensions bombshell at Budget 2014. *Professional Adviser* outlines the key announcements

PENSIONS

Government moves the goalposts on annuities

The big change was in the world of pensions. A new law will remove retirees' obligation to buy an annuity with their savings. Instead, you will be able to take the lump sum as cash and organise your own spending.

This may have income tax implications, so speak to your financial adviser. ***Note: if you are already receiving an annuity, you will not be able to switch arrangement.***

Additionally, from next January, the over-65s will be able to save in special 'pensioner bonds', which promise an interest rate of about 2.8% for a one-year bond, or 4% for three years.

Other titbits from George...

- A change to green taxes on energy could save families £15 on annual energy bills
- From September 2015, working families will get more of a subsidy for childcare costs
- The annual subscription limits for Child Trust Funds and Junior ISAs to increase to £4,000 from July
- The Premium Bond investment limit will increase from £30,000 to £40,000 in August, then to £50,000 in 2015-2016

SAVINGS

ISA limit jumps to £15k; any combination allowed

From July, savers will be able to shelter from tax a total of £15,000 in ISAs, in any mix of cash or stocks and shares as they please. This is quite a jump in both total amount (which was shortly to rise to £11,880) and flexibility.

In another change, money in stocks and shares ISAs can also be switched to cash ISAs.

Moreover, the 10p starting rate of tax on income from savings is also to be abolished.

Taxation

The personal allowance – the chunk of income you can earn before you pay income tax – will increase to £10,500 in 2015-2016. It is already due to rise to £10,000 next month. Meanwhile, the threshold at which earners pay 40% income tax will also increase, a bit this year, then to £42,285 next year.