



For immediate release
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EARLY ACCESS TO PENSION CASH SUMS WOULD INJECT £65 BILLION INTO UK ECONOMY, SAYS SOCIETY OF PENSION CONSULTANTS

- **Proposals would dripfeed over £2bn each year into economy after initial injection**
 - **If adopted, measures would contribute more to the economy than “QE2”**
 - **Future pension income would be left untouched**
- **Pensions trade body calls for Treasury to look into early access recommendations**

Research from The Society of Pension Consultants (SPC), the representative body for the pensions industry, suggests that new rules allowing early access to tax free pension cash sums from the age of 50 would inject in the region of £65bn into the UK economy in the short term, and approximately an additional £2bn per year thereafter.

SPC is calling on the Coalition Government to consider early access to pension cash sums as a key plank in its strategy to return to economic growth, highlighting that – based on conservative assumptions – the move would contribute more than the £50bn figure attached to rumours of a second wave of Quantitative Easing.

The benefit to the UK economy would be a by-product of measures which would be designed to encourage people actively to save for retirement; instead of retirees being forced to wait until 65 to take what is rightfully theirs, SPC’s view is that access at 50 would incentivise more people to save at a time when confidence in the system is flagging. Moreover, the financial impact on future retirement income and the funding of Defined Benefit Schemes would be neutral as drawdowns would be delivered earlier than is currently the case but discounted to preserve income in retirement.

The calculations are based on conservative assumptions relating to the total value of UK private sector occupational schemes, the percentage of people that take the maximum tax free cash at retirement, and the percentage of people that would take up the option of early access – and assumes that early access to the cash sums would only be available for those over 50.

Against the backdrop of widespread cuts to public spending, an additional annual boost to the economy of in the region of £2bn would cover the current annual budget of The Department of Energy and Climate Change or The Department for Business, Enterprise and Regulatory Reform.

Kevin LeGrand, President of SPC, said: “Whilst the exact figures in terms of impact on the economy will vary depending on the assumptions made about the value of occupational pension schemes and the take-up of options relating to pensions, what is clear is that early access to pension cash sums for those over 50 would in a very short time contribute tens of billions of pounds to the UK’s coffers, bypassing the banks and



injecting funds into an economy facing the threat of a double-dip recession. Introducing this simple measure would also provide the incentive of added flexibility to encourage people to save for the future and has no effect on the funding of schemes – it is a win, win, win situation. We would urge the Coalition Government to consider early access and would be very keen to discuss our ideas with The Treasury at the earliest opportunity.”

~ENDS~

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Note to Editors

Current HMRC rules governing pensions allow pension payments to commence at any time from age 55. However, the optional tax-free cash lump sum is tied to the date pension payment commences; it is a maximum of 25% of the value of the accrued pension funds at that date. Severing this link, and discounting the cash sum for earlier payment would allow a member to take the cash early, in isolation, while leaving the remaining pension intact, to be taken from a future retirement date.

It is believed by many that one of the factors that discourages people from making pensions savings is the absence of any opportunity to access any of the funds if required before retirement; this proposed measure would address that issue, thereby removing a barrier to saving.

About The Society of Pension Consultants

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector and, through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interested body or group. Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.