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87,500

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SAFE AND SIMPLE
IN A
DANGEROUS AND COMPLEX WORLD

SAFE AND SIMPLE IN A DANGEROUS AND COMPLEX WORLD.
How to protect your money and your future.
And take no risks.
Honest. I mean it.
No really

140 characters!

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"I am announcing today that we will legislate to remove all remaining tax restrictions on how pensioners have access to their pension pots. Pensioners will have complete freedom to draw down as much or as little of their pension pot as they want, anytime they want: no caps; no draw-down limits. Let me be clear: no one will have to buy an annuity."

Chancellor of the Exchequer 19 March 2014

Source: Hansard 19 March 2014, col.793

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Pension freedom cash 2015/16

- 213,000 people
- £3 billion
- In nine months
- Maybe £3.9 billion in year

Source: ABI 29 March 2016

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PENSION FREEDOM

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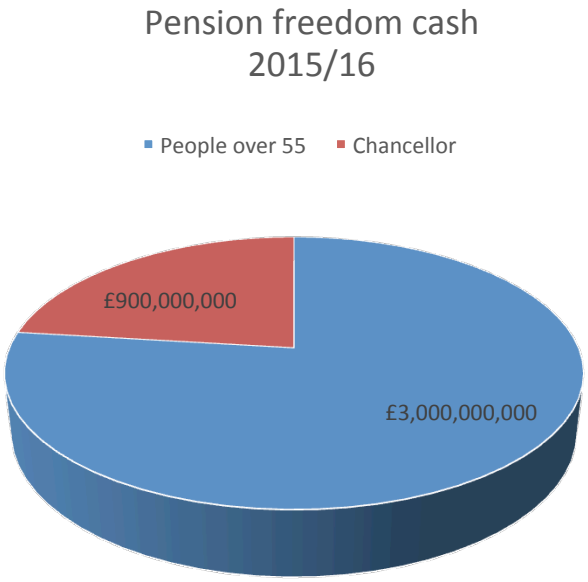

Source: ABI 29 March 2016

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PENSION FREEDOM

Tax

- first 25% tax-free, rest added to income.
- If income + pension drawn more than £42,385 taxed at 40%
- If totals £100,000 to £121,200 some can be taxed at 60%
- If totals more than £150,000 taxed at 45%

• Annual income	£25,000
• Pension pot withdrawal	£40,000
• Tax due	£8523 (21% of total withdrawn)

• Annual income	£40,000
• Pension pot withdrawal	£75,000
• Tax due	£22,021 (29% of total withdrawn)

• HMRC takes	£23,759
• Reclaim on P53	£1738
• Net tax	£22,021

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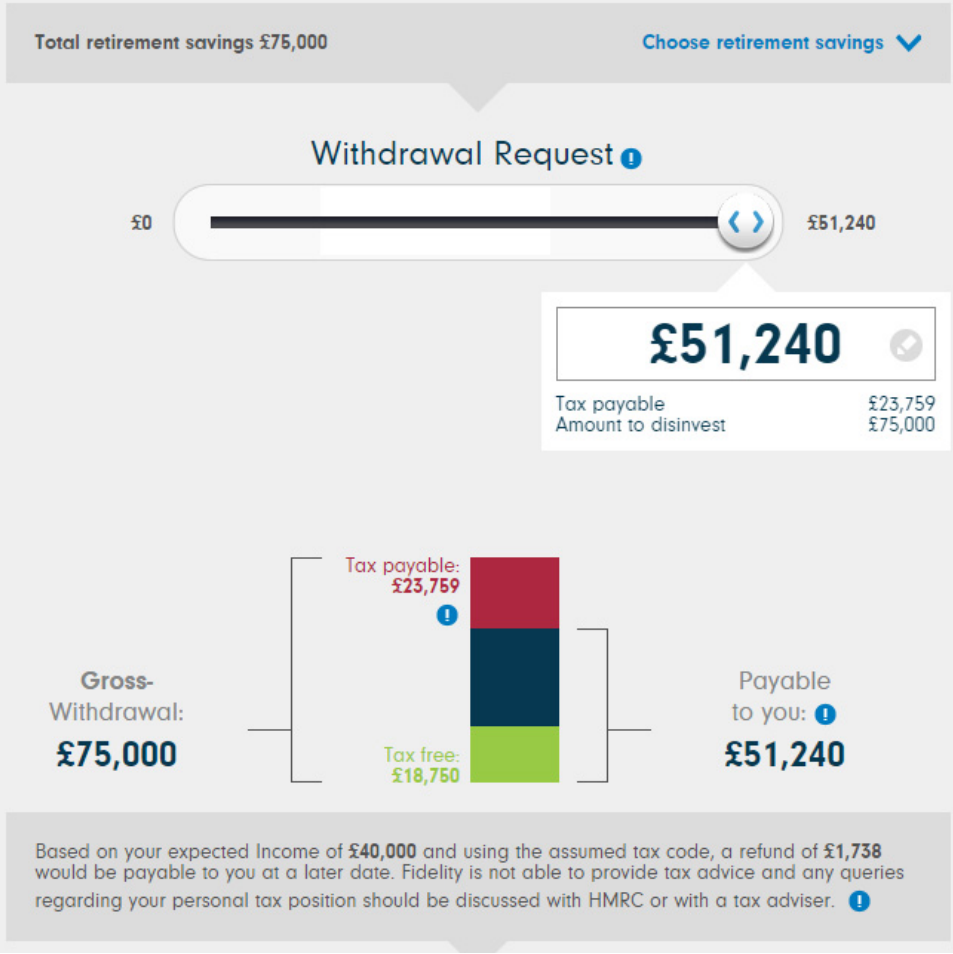
Results

Shown below are your results detailing the gross withdrawal needed from your retirement savings, and the amount of tax payable, to achieve the withdrawal amount you entered. We also show you an estimate of the effect that making this withdrawal might have on your future retirement income, based on the assumption made by this tool. After completing your calculation, you may want to consider the following areas to help you understand your options at retirement.



Source: www.fidelity.co.uk/investor/retirement/pension-cash-calculator.page

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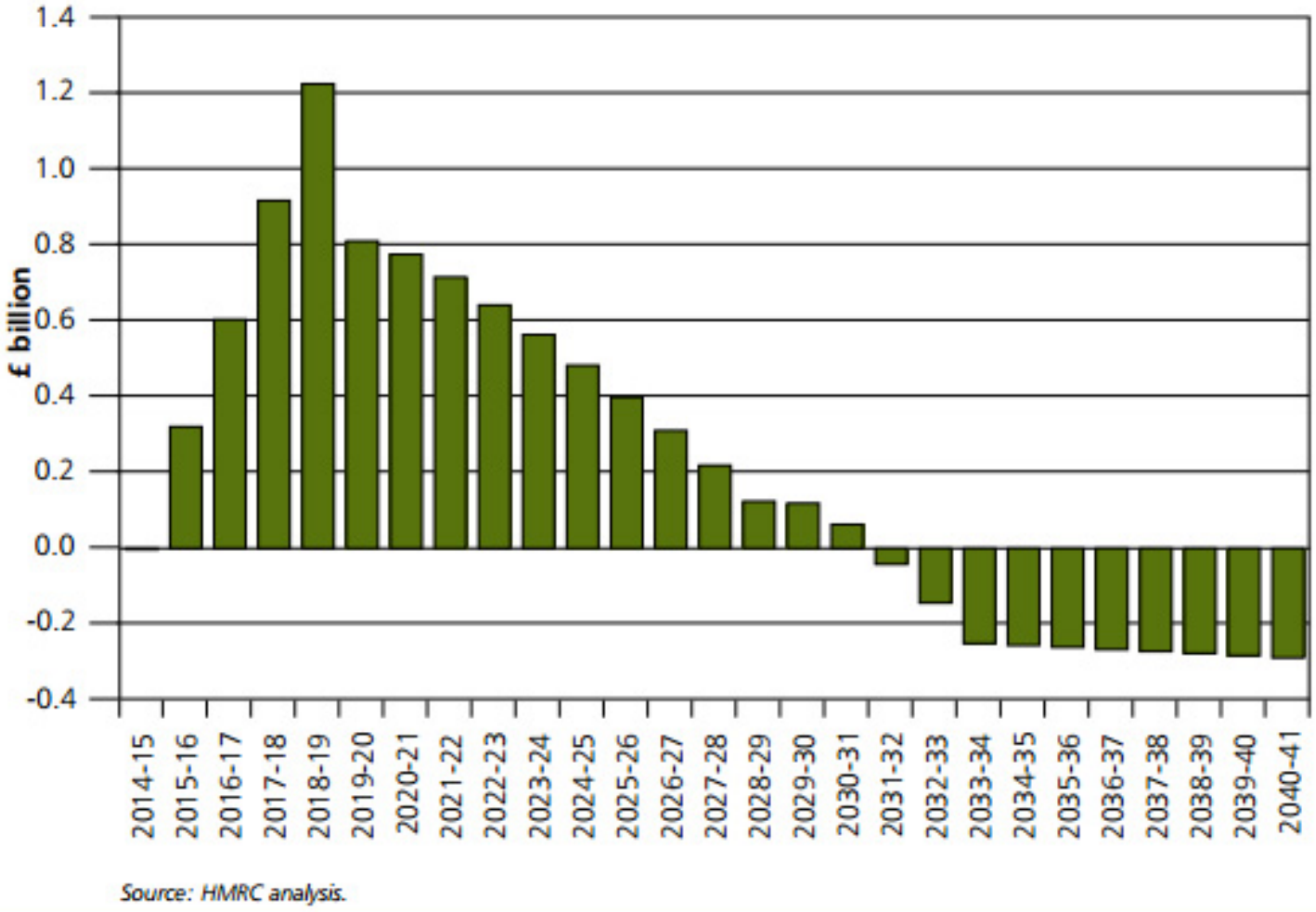
Chart 1.11: Projected tax impacts of pensions flexibility measures



Source: HMRC analysis.

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Unregulated Collective Investment Schemes
UCIS

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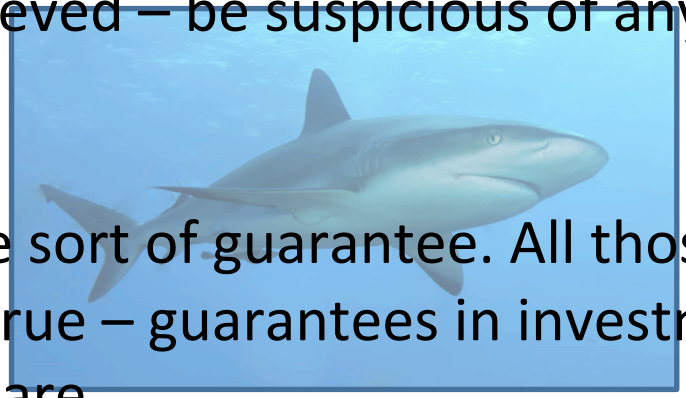
PENSION FREEDOM

- returns that are way above anything that can be achieved – be suspicious of anything over 6%.



- some sort of guarantee. All those guarantees are untrue – guarantees in investment products always are.

- are completely unregulated – though often imply they are. Never use unregulated investments.

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STAY SAFE

- .
- .
- Are returns g **Yes**. Say no.
- Is there **es**. Say no.
- Do you understan nvest in? **No**. Say no.
- Can yo **No**. Say no.
- Does it have gloss ? **Irrelevant**. Say no.

Ain’t no barge pole long enough….

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View of Norwich from Ketts Hill. Picture: MARK BULLIMORE

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FIGURE 1

Real investment returns by asset class (% pa)

Last	2015	10 years	20 years	50 years	116 years*
Equities	-0.1	2.3	3.7	5.6	5.0
Gilts	-0.6	3.0	4.3	2.9	1.3
Corporate Bonds	-0.5	1.8			
Index-Linked	-3.4	2.5	3.8		
Cash	-0.7	-1.1	0.9	1.4	0.8
Inflation	1.2	3.0	2.8	5.9	3.9

FIGURE 2

Real investment returns (% pa)

	Equities	Gilts	Index-linked	Cash
1905-1915	-0.2	-2.2		-0.5
1915-25	3.9	-1.1		0.8
1925-35	8.7	10.8		4.7
1935-45	2.4	0.3		-2.3
1945-55	5.3	-5.4		-3.0
1955-65	7.3	-1.0		1.8
1965-75	0.1	-5.4		-1.4
1975-85	11.0	5.2		1.5
1985-95	9.9	6.8		5.2
1995-2005	5.0	5.6	5.2	2.9
2005-2015	2.3	3.0	2.5	-1.1

Source: Barclays Research

Source: *Barclays Equity Gilt Study* 2016

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Investment returns exaggerated

- charges are not included.
- INCLUDE CHARGES BY USING

ACTUAL TRACKER

Cash returns are understated

- Closed Nationwide postal account
- Pays 0.25%
- BoE average 0.46%
- Best instant access 1.45% (RCI Bank)
- **USE ACTIVE CASH**

Source: Data from Morningstar and MoneyFacts records

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Invest £10,000 1 September 2006

Five years later

ACTUAL TRACKER (HSBC FTSE 100 Index Retail Inc)
Grown 25% to reach £12,487

ACTIVE CASH (1 year bonds reinvested in best each anniversary)
Grown 28% to reach £12,757

So over five years from 1 September 2006 cash wins. Just.

Source: Paul Lewis calculations from Morningstar data and MoneyFacts records

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Invest £10,000 1 month 1995-2010

ACTUAL TRACKER (HSBC FTSE 100 Index Retail Inc)
vs
ACTIVE CASH (1 year bonds reinvested in best each anniversary)

Five year periods starting each month
1 October 1995 to 1 October 2010. Who wins?

Shares win	74	41%
Cash wins	108	59%
TOTAL PERIODS	**182**	**100%**

Actual loss – worth less at end than at beginning.

Shares	43	24%
Cash	0	0%

Source: Paul Lewis calculations from Morningstar data and MoneyFacts records

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CASH SIPP ACCOUNTS

Period	Provider	Account name	Rate	Min	Max	Compensation
Instant	Mansfield Building Society	Instant Access	0.70%	£25,000	£250,000	FSCS
30 days	Investec	SIPP Saver account	1.20%	£25,000	£2,000,000	FSCS
6 months	Punjab National Bank	6 month fixed	1.20%	£1000	Any amount	FSCS
1 year	Bank of Baroda	12 month fixed rate	1.80%	£500	£500,000	FSCS
2 years	Punjab National Bank	2 year fixed rate	2.20%	£1000	Any amount	FSCS
3 years	Punjab National Bank	3 year fixed rate	2.40%	£1000	Any amount	FSCS
5 years	State Bank of India	5 year fixed	2.90%	£25,000	£5,000,000	FSCS

Source: http://www.investmentsense.co.uk 21 April 2016

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PREMIUM BONDS

Bonds held		Number of people	Total amount held
£30,000	to £39,999	504,249	£15,915,460,225
£40,000	to £49,999	229,361	£9,471,686,362
£50,000	maximum	111,733	£5,586,825,490
	TOTAL	**845,343**	**£30,973,972,077**

1.25% overall
1.13% after big prizes which you won't win in a lifetime
Equivalent to 1.4% taxpayers; 1.9% for higher rate taxpayer
With £50,000 expect 3 prizes every two months – normally £25 prizes occasionally £50 or £100.

Source: NS&I communication 15 September 2015; 29 March 2016; my calculations.

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IN A
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SPEND IT

CONCLUSION

- Never invest in something you don't fully understand.
- Risk goes both ways and does not guarantee reward. It can mean lo
- If you do invest keep charges low and don't waste money paying for active management.
- Consider cash.

Get well qualified professional regulated, independent advice before taking any major decision.

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“Well normally risk provides reward, so over the longer period of time you would expect the stock market, which obviously is the highest risk, to provide you the highest returns.”

Well known IFA on Money Box some years ago.

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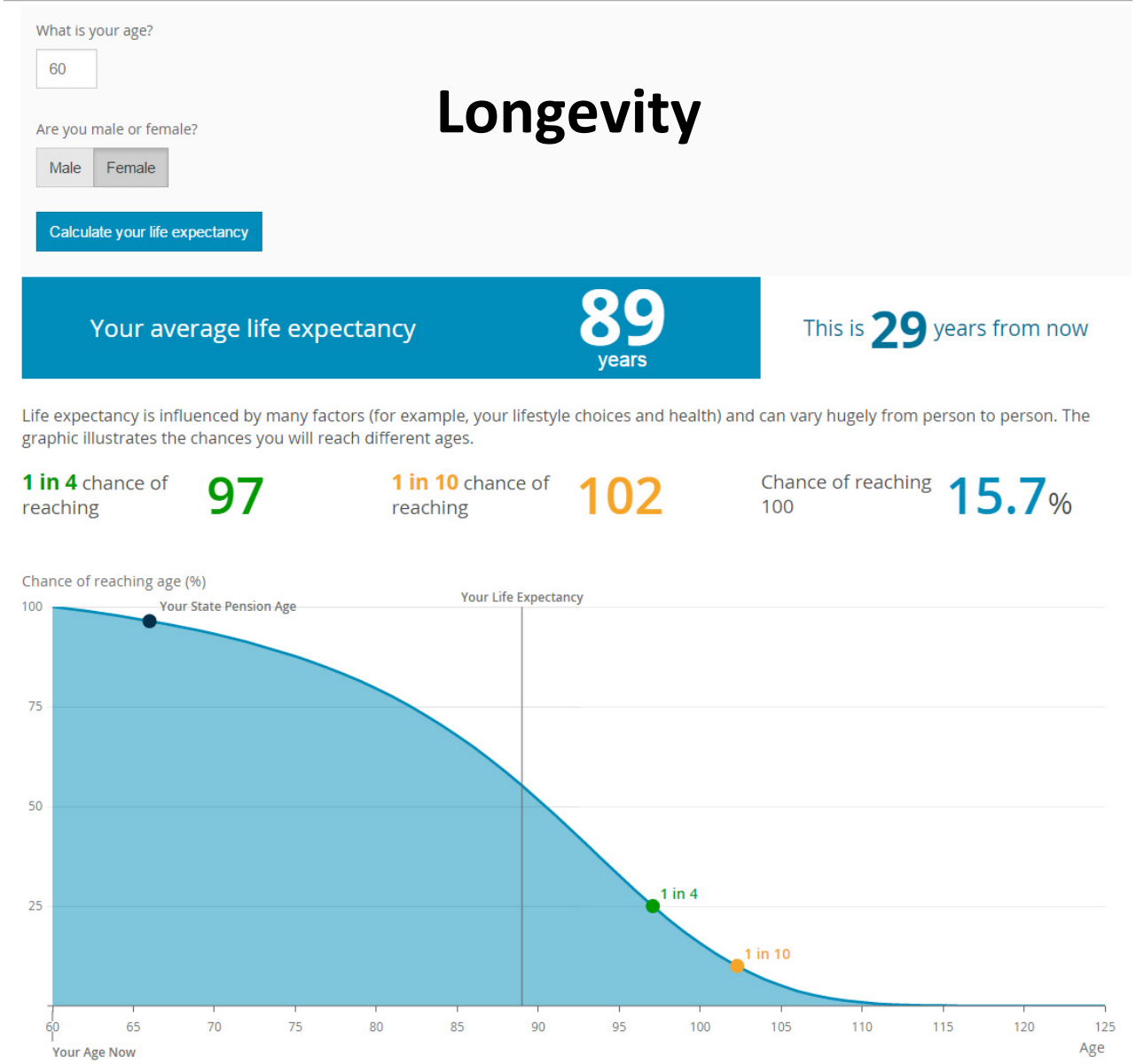
Longevity



Source: http://visual.ons.gov.uk/how-long-will-my-pension-need-to-last

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