Simplified statements for workplace pensions

General Features **Personal tax**

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The Low Incomes Tax Reform Group (LITRG) outlines comments it submitted in response to the Department for Work and Pensions consultation on simplifying annual pension statements.

Auto-enrolment into pensions has been a great success in terms of harnessing people's inertia to get them to save for their retirement. However, there is still much to be done to get people to take greater interest in how much they are saving and whether it will provide for them adequately.

LITRG therefore supports the aim of a recent Department for Work and Pensions consultation (https://tinyurl.com/qrcfw7v) which is trying to achieve greater consistency in, and simplification of, individuals' pension benefits statements. The ambition is to help people quickly see:

- how much they have in their pension pot;
- how much they could get from their pot when they retire; and zzwhat they can do to give themselves more money in retirement.

LITRG's response (www.litrg.org.uk/ref370) concentrated on one specific part of the pensions story – but one that is vital to the individual's understanding of his or her true financial position – tax. The key to our recommendations is that pensions planning cannot be undertaken without understanding the tax implications – both during accumulation of savings and at decumulation (drawing a pension).

The response therefore recommended that any project to simplify annual pension benefit statements takes tax into account, and specifically:

- If there is to be a pension 'statement season', tying this in with the tax year end could help people to cross check pension contributions in the past year for tax compliance purposes.
- Paper statements should be preserved for those who want them, safeguarding the digitally excluded or those struggling with digital engagement.
- Clear links to the proposed pensions dashboards should be made from annual statements. However, we reiterated that such messaging would be simpler if there were to be just a single, government-sponsored dashboard rather than a multiplicity of them.
- Statements need to flag that pension income on retirement will be taxable (except for pension commencement lump sums) and prompt people to consider their state pension (which is of course taxable, but many people do not realise it) in the round with private pension savings.
- Statements should clearly show the net-of-tax-relief cost of pension contributions, making them seem more attractive and therefore prompting people to save more.

The scope of the consultation was confined to money purchase schemes which have been used to meet employers' automatic enrolment duties. Defined benefit and public sector schemes were not in scope. LITRG was pleased to note, however, that the document said this was an 'opportunity to learn lessons about the potential applicability to [other schemes] in future'. Consistency, where possible, across all schemes would be helpful – for example, in terms of language used, and in adopting a 'statement season' (so that those with both defined contribution and defined benefit pensions can review their full provision altogether).

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