

Helping savers understand their pension choices

Personal tax

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LITRG and CIOT have responded to a Department for Work and Pensions call for evidence on how people can be supported in making pension choices.

LITRG's response makes a brief but important point: that all pension schemes must provide members with information on the wider financial impacts of pension choices so that individuals understand their net income position.

Failure to understand tax and benefits consequences can leave people worse off in retirement than they otherwise might have been. It is therefore imperative that guidance on these aspects of pension decisions is provided by schemes whenever members are accessing, or thinking about accessing, their savings.

Members should also be signposted to how they can get further guidance or individual advice, including non-digital channels for those who struggle to engage online. Such guidance could perhaps be provided by pension schemes via a simple standard factsheet sent alongside other 'wake up' communications. This might signal where further information on tax and welfare benefits consequences of pensions decisions can be found online. For the digitally excluded, alternatives must also be provided, such as a telephone number for Pension Wise.

The CIOT's response is also brief and makes the point that when a member decides how to use their pension savings, the member should be aware of the tax consequences of their options. In addition, the CIOT recommends that information is provided as clearly and simply as possible to help individuals make informed decisions.

The full LITRG response can be found here: www.litrg.org.uk/ref2659

The full CIOT response can be found here: www.tax.org.uk/ref986

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