

Spring Budget 2023 | Reeves Responds

The Spring Budget 2023 has been announced, and as always, there are changes to pensions that we need to consider. Here at Reeves, we have taken a close look at the new budget and its impact on retirement planning. See our findings below.

Change:

Pension Contributions: Annual Allowance Increased to £60,000 from £40,000 (Coming into effect 6th April 2023).

Relevant for:

- Individuals who have savings that could be put towards pension.
- Individuals with a lifetime allowance issue (see below for lifetime allowance updates)
- Individuals who earn £40k+
- Individuals with limited Companies

Impact:

More individuals can now pay more into their pensions gaining more tax relief. This is a huge impact as it will see greater tax savings for you and your family.

Saving for retirement is key and pension is the best way to do this for most people.

Reeves Solution:

Increase pension contributions as much as possible for better retirement planning and better retirement outcomes. Book a call with us to discuss how it is best to achieve this.

Change:

Removal of the Lifetime Allowance which is currently £1,073,100.

Relevant for:

- Individuals with a pension pot of around £1million
- Individuals with lifetime allowance protection.
- Individuals who may have already used 100% of the lifetime allowance.
- Individuals where pension contributions were previously considered of little benefit due to the lifetime allowance.
- Those who we have used 99% of the lifetime allowance and have uncrystallised pension sat untouched.

Impact:

People can place more money into pension throughout their lifetime. Without concern that additional tax would be due in retirement.

Reeves Solution:

Continue to make maximum pension contributions available even with higher pension values. Tax free cash is restricted. But the tax position overall is still highly beneficial.

Change:

Money Purchase Annual Allowance (MPAA) increased to £10,000p.a. (Coming into effect 6th April 2023).

Relevant for:

- Individuals who have accessed taxable income from drawdown.

Impact:

This previously prevented those individuals who had accessed taxable benefits through their personal pension from making more than £4,000 gross pension contributions. Those individuals who have continued to work and contribute into pension up to £4,000 gross should aim to contribute more into pension up to the new £10,000 gross allowance.

Reeves Solution:

Clients who might have opted out because of the above should reconsider. The benefit of the pension contributions long term could be great for you.

Change:

Tapering Annual Allowance for pensions will also be increased from £240,000 to £260,000.

Relevant for:

- Individuals who are high earners who might have been more restricted should review their position.

Impact:

Those previously affected by tapering can now benefit in three possible ways: escaping tapering altogether, having £10,000 for tapered allowance instead of £4,000, and a wider tapering bracket.

Reeves Solution:

Pension contributions become a greater part of wealth management and financial planning, reducing reliance on other investments like ISA/GIA/VCT.

In conclusion, if you can afford to contribute more of your money to pension there is a good chance this budget allows you to do so.

The Spring Budget 2023 has brought some significant changes to pension contributions, removal of Lifetime Allowance, Money Purchase Annual Allowance, and Tapered Annual Allowance. These changes have a significant impact on pension planning and investment options, which should be assessed by clients to ensure they make the most of their pensions.

At Reeves, our team of experts is always ready to help our clients navigate any changes to pensions and investments. If you have any questions regarding the impact of the budget on your pension, do not hesitate to contact our Advice Team.