

# Bank of England Stimulus more bad news for pensioners!

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If you're retired and have savings or investments which you rely on to provide you with an income, the current economic crisis has hit you harder than any other sector of the economy. Not only is it very likely that your investments will have fallen, but the income you receive in the form of interest from the money you keep in the bank or building society will be substantially reduced.

For those of you who have pension funds where you have not purchased an annuity but have taken the "Drawdown" or "Income Withdrawal" option (now known as "Unsecured Pension") you will suffer as a direct result of the Bank of England's policy of 'Quantitative Easing'.

Not only is it likely that if your pension fund was fully invested, you will have suffered a fall in the capital value of your pension which at the next five year review would probably have meant a reduction in the income you are allowed to draw if you were drawing the maximum. Quantitative Easing will further compound matters.

The Bank of England buying up £150bn of gilts as part of its Quantitative Easing stimulus in an attempt to encourage the banks to start lending again has pushed up the price of gilts. This means that returns have been pushed down, resulting in the Government Actuary's Department (GAD) reducing the GAD rate to a critical low. It is this GAD rate that dictates the level of income you are allowed to draw from your pension fund if you are using the "Unsecured Pension" option (formally known as "Drawdown" or "Income Withdrawal").

Depending on your age the GAD rate determines the level of income that you are allowed to draw from your pension fund and this has to be reviewed every five years. Before the age of 75 you are allowed to take up to 125 per cent of the GAD rates as income from your pension fund.

After age 75, the Government can take between 55 and 90 per cent of GAD rates.

This is clearly a problem for everyone that is in or nearing retirement. My advice is that time is running out and as GAD rates are likely to fall further in the short term, taking some advice and reviewing your position now is vital.

This attempt to help stabilise the economy will have a downward trend on annuity rates, so if you are retiring soon you need to make sure you use the 'Open Market Option' with your pension pot to secure the best annuity rate if you plan to purchase an annuity with your pension fund.

Research recently carried out by a major financial institution suggested that UK retirees are missing out on £56.6m of retirement income each year by not purchasing an enhanced annuity.

Enhanced Annuities can provide additional income when compared to a standard annuity for people with certain medical conditions or lifestyle conditions. For example, people with high blood pressure, people who smoke or people who are overweight.

For further information on how Armstrong Watson can help you call freephone 0800 195 2161 or email [moneymatters@armstrongwatson.co.uk](mailto:moneymatters@armstrongwatson.co.uk)