
Almost half of people angry with government for imposing 0.6% levy on pensions – and making it even harder to save for retirement

Standard Life cautions against reducing tax relief as pension appeal collapses

7 July, 2011

Standard Life's recent survey of over 1,000 people reveals that almost half (48%) are angry with the government for imposing a 0.6% levy on pensions, 3% are angry with pension companies and 23% are angry with pension companies and the government.

"Saving to fund a pension is already hard, without making it any harder," said Brendan Barr, head of marketing, Standard Life. "People are understandably angry about raids on their hard earned savings to finance their golden years," he said.

How do you feel about the government's recent 0.6% levy (i.e. tax increase) on pensions?

Angry with the government	48%
Angry with pension companies	3%
Angry with both pension companies and the government	23%

(See notes for full results)

If the government's well publicised plans to reduce income tax relief on pension contributions (from 41% to 20%) are implemented, the cost of funding for hard-pressed private savers will increase by a staggering 57%* compared to a year earlier.

"The 0.6% levy on pensions is very unpopular," said Barr. "We can only guess at how negative public reaction to a proposed 57% increase in cost for private pension savers would be," he said.

Pension appeal collapses

Standard Life's recent survey shows that just 28% of people think it's "a good time to buy a pension", down from the highest approval rating of 80% reached in May 2007.

"The results are worrying but probably not surprising given the series of disincentives** imposed in recent Budgets," said Barr.

"To avoid further exacerbating the pensions time bomb and heaping pressure on the government to increase state pensions in the future, income tax relief at 41% must be maintained," he said.

Ends.

Notes for Editors

How do you feel about the government's recent 0.6% levy (i.e. tax increase) on pensions?

Angry with the government	48%
Angry with pension companies	3%
Angry with both pension companies and the government	23%
Ambivalent towards pension companies and the government	6%
Accepting of the levy – it has to fund the job's initiative	13%
None of these	6%

- These results are based on an independent online survey conducted by Research Plus Ltd on behalf of Standard Life Ireland. 1,011 adults aged 18 and over, in the Republic of Ireland, were surveyed between 23 June and 1 July, 2011.
- *49% includes income tax relief of 41% + PRSI + health levy of up to 8%. (PRSI + health levy eliminated in 2011 Budget last December)

49% to 20% to fund €100 of pension saving:

49% relief costs €51
20% relief costs €80

Increase cost is €29, $29/51 = 56.9\%$

****Disincentives to pensions' savings**

- 0.6% pensions levy
- PRSI and levy reliefs removed in 2011 - tax relief cut from up to 49% to 41% for middle income pension savers. (16% more expensive)
- The annual pensions earning limit has more than halved from €275,000 in 2008 to €115,000 for this year and last.
- Reduction of tax-free lumpsum to €200,000
- Standard Fund Threshold reduced from €5.4 million to €2.3 million

Good or Very Good time to invest in:

Investments	June 2011	Mar / Apr 2011	3mth Change	June 2010	12mth Change
Regular Savings Investment account	46%	47%	-1%	51%	-5%
Deposit account	36%	35%	1%	36%	0%
Pension plan	28%	31%	-3%	33%	-5%
A holiday home	27%	30%	-3%	32%	-5%
AVCs or pension top-ups	24%	30%	-6%	32%	-8%

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