

Psst....Would Ya Like A Second Hand Pension Guv'nor? Easy Access...Cash in 'And!!!

So the special red Budget Despatch Box has been put away for another year and we can all get down to actually trying to dissect the detail in the paperwork. Unlike 2014 when the 'pension freedom' bombshell was first dropped, there was not much in the 2015 Budget as it affected pensions that hadn't already been well trailed. The biggest story was probably the Consultation on the Sale of Annuities – the Chancellor's big idea to try to level the playing field for those who had already bought their annuities with those who will hit 55 after April 2015 and will 'benefit' directly from the new freedoms.

At the same time, the Pension Regulator restarted its Scorpion campaign to remind people of the dangers of Pension Liberation alongside the publication of a Code of Good Practice by the Pension Liberation Industry Group headed up by Margaret Snowden OBE to assist trustees of schemes in trying to identify potential scam arrangements. How timely and how wise. While tPR and the Code is mainly looking at iffy transfers out of occupational pension schemes, the theme of these warnings applies equally to those who may be tempted by the offer of some easy cash or better returns by selling their annuities .

The scammers are out there and the new pension freedoms will only see an increase in those anxious to part the ingenuous and the innocent from their hard earned pension pots. Within a week of the PensionWise Guidance scheme being announced, there were fake websites circulating which thankfully and due to the quick intervention of some sharp eyed industry journalists were soon shut down. I am sure there will be more.

There is already evidence of telephone scammers cold calling (most of them having moved on from the PPI scam calls or even worse, 'your computer has a virus and we can fix it for you...go on, admit it, we've all had them haven't we). They will prey on their victims with the voraciousness of a swarm of locusts with the usual 'Act fast...there's a loophole in the law which we can exploit...' Of course there IS no loophole and the 'guaranteed investment returns' which they will promise are as illusory as their qualifications or skills.

But people will fall for them as they have fallen for con artists since time immemorial. Trite but true...a fool (or more accurately the financially unastute) and their money are soon parted.

The so called pension freedoms will prove to be a disaster for many who may be encouraged to leave their safe monthly income of an annuity for more exotic 'investment opportunities'. Research has shown that in Australia, which adopted a similar policy a few years ago, regrets are beginning to set in. The fact that people underestimate life expectancy and the amounts they will need to save to meet their needs in retirement should be a lesson we need to learn before it's too late.

Annuities are not perfect and they should certainly be tweaked and improved. Consumers may not have got a great deal going in – they will certainly get a duff deal getting out and if, as appears to be the case, people are expecting 90% of their value to be realised, they will in all likelihood be disappointed. And with disappointment will come the opportunity to be exploited that will have every con artist rubbing their hands with glee.



Jennie Kreser is a partner at Silverman Sherliker