LIONTRUST
COURAGE · POWER · PRIDE

Key benefits from the Autumn Statement

Before the much-anticipated Autumn Statement last week, expectations were high for measures to be announced on pensions, ISAs and the Advice Guidance Boundary review while earlier rumblings suggested IHT may be scrapped altogether. Two of these issues emerged with concrete proposals, with news on the Advice Guidance Boundary review is still expected before Christmas.

While the statement means more change and potential complexity from an investment perspective, it brings with it opportunities for advisers to help their clients navigate their way through the constantly evolving pensions and savings landscape.

Pensions dominated the Autumn Statement from a personal finance perspective, after, of course, the cut to the standard rate of employee National Insurance from 12% to 10%. What is significant here is the timings and the fact that the cut is being implemented in January rather that at the start of the tax year. This certainly helps set the tone as a pre-election announcement with the Government wanting to appeal to as many camps as possible; not forgetting the self-employed with Class 4 NI also falling from 9% to 8% with compulsory Class 2 contributions abolished. With this in mind, it is expected there will be more rabbits to be pulled out of the hat in the spring Budget.

If we return to pensions, the announcement seemed co-ordinated, with the Department for Work and Pensions, the Treasury and The Pensions Regulaor collaborating and talking to each other. The headline themes follow on from the Mansion House Speech made last summer. The first is the consolidation of the pension sector into fewer and bigger pension schemes delivering better outcomes for savers. And the other is a drive by the Government to use pension schemes as a vehicle to invest more in the growth of the British economy. This would be in unlisted equities in illiquid assets and using pension fund capital to stimulate growth and provide investment for firms.

Sitting beneath these broader themes are a whole host of specific proposals and initiatives. The Government confirmed the end of the lifetime allowance (LTA), with the revised Finance Bill expected to set out what will replace it. The thinking behind the change is to encourage more people to work, and in turn save, for longer, in particular higher paid NHS doctors. And we had confirmation that the state pension would increase by 8.5% from April next year as well as honouring the commitment to retain the pensions triple lock.

The issue more widely trailed was the move towards employees having a single 'lifetime provider' for their workplace pension pots. This stems from recognition of the problem of the proliferation of small and dormant pots through people having to join a new employer scheme every time they change jobs. The Chancellor announced a consultation on giving people the right to have their auto enrolment pension contributions paid into a scheme of their choice, instead of the scheme chosen by the employer.

Moving to ISAs, there were high hopes for simplification. What materialized, however, may have increased complexity. There were several changes; most notably, from April 2024, investors will have the option to hold more than one of a particular type of ISA in a given tax year. This is helpful and will make it easier for people to save.

ISAs will be able to hold fractional shares, which is a welcome move that may encourage younger savers to invest especially in more expensive stocks with brands that resonate, such as Apple and

Amazon. The investment opportunities available will also be expanded to include long-term asset funds and open-ended property funds with 'extended notice periods'.

It is possible to look at all of these initiatives and the opportunities they might deliver through two lenses. First, they all encourage a greater accumulation of wealth and look to make saving easier: expanding ISA options, abolishing the LTA and the shift towards retirees having a single pension pot for life. All of these point to helping individuals boost their wealth, with many likely to need support from advisers with where to invest this, particularly if we move towards a lifetime provider model.

Second, these changes bring about new prospects for advisers to engage with their clients and help them plan more holistically for the future. This includes exploring wealth creation opportunities for those at earlier life stages and then supporting them as they edge towards retirement so they can maximize their savings and make them work harder for longer.

The fact that pensions are so high on the political agenda right now is also raising general awareness. This is slowly turning the dial on the need to save given the ongoing shift we are seeing in responsibility from employers in the past onto the need for everyone to make their own provision for their savings in later life.

Now the Autumn Statement has been issued, there has been a flurry of policy papers and details of consultations that need to be worked through. All of this will have huge implications for financial planners, employers and clients. Looking forward, an overhaul of an overly complex pension system is long overdue and should pave the way for a much less fragmented landscape with more people engaged with their retirement savings.

Key Risks

Past performance does not predict future returns. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

Investment in the Fund involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The Fund may invest in emerging markets/soft currencies or in financial derivative instruments, both of which may have the effect of increasing volatility.

Disclaimer