# Push it to the limits

**Duncan Ferris examines industry opinion regarding the MPAA and LTA amid worries that the complexity of regulations could lead to savers unwittingly and unnecessarily waving goodbye to a chunk of their savings**

The pensions industry has called on the government to scrap or increase the Money Purchase Annual Allowance (MPAA), while also raising concerns that regulations are becoming too complex for savers.

The calls for MPAA changes were renewed following the release of research from Canada Life, which revealed that two-fifths (40 per cent) of workers aged over 55 were unaware of MPAA restrictions, while many of those who had heard of it overestimated the actual limit of £4,000.

The provider warned that the allowance, which is the amount that can be contributed back to a scheme after flexibly accessing it, was "penalising people for doing the right thing".

Canada Life technical director, Andrew Tully, said: "Retirement journeys are changing and it is no longer the cliff-edge event it used to be.

"Many more people are choosing to retire later for a variety of reasons and continue working in older age, either by reducing their hours, setting up their own business or perhaps embarking on a less pressured career.

"Particularly after the financial stresses of the last year, it is understandable that people have chosen to access their pension savings for any number reasons, perhaps to top up their salary under furlough or to make those essential home improvements."

The MPAA is not the only allowance causing consternation in the industry, as it follows news from the Spring Budget of a freeze to the lifetime allowance (LTA) at £1,073,100 until April 2026. This revelation led to complaints that retirement savers are being sent the wrong signals.

While the current level of the LTA might seem enormous, analysis released by Quilter in May found that savers with a £500,000-£600,000 pension pot who are 15 years from retirement are likely to breach the LTA and hand over some of their savings to the taxman.

Royal London head of intermediary development and technical, Clare Moffat, stated that creating new measures to raise tax income was "understandable", but argued that it was becoming "painfully difficult" for people to construct cohesive retirement plans amid constant rule changes.

Pensions Management Institute director of policy, Tim Middleton, was similarly critical, calling the freeze "disappointing". He noted that downward adjustments of the LTA "have resulted in administrative complications and confusion for scheme members", adding that the measure might "serve as a further disincentive for workplace pension saving which can only have a negative impact for society as a whole".

Tully also weighed in on the matter, stating: "This measure simply sends the wrong signal to savers trying to do the right thing. It also penalises good investment performance.

"We already have annual limits on the amount you can save via a pension wrapper and there is a significant disparity between how defined contribution savers and those with defined benefit income are treated for lifetime allowance purposes."

However, reaction to the change was not solely negative, with Baker McKenzie partner, Jonathan Sharp, describing it as a "discrete way for HMRC to recover some extra taxes", which would not "raise too many eyebrows".

He added: "Given all the disquiet last year over the annual allowance and its impact on doctors – which resulted in those thresholds being raised – the Treasury will have decided that any reductions to that would have been off limits.

"An actual reduction in the lifetime allowance would have brought a significant number of people within its ambit, so by keeping it frozen the Treasury are balancing recovering some additional money while still keeping it out of reach of most people."

The Pensions Regulator and Financial Conduct Authority's newly launched examination of how to improve DC consumer journeys might aim to simplify things for savers, but if regulations and allowances are constantly subject to change or spontaneous freezes, retirement saving could remain impenetrable to the person on the street.

**Written by Duncan Ferris**