

Results addendum to *Comparisons of pension outcomes under EET and TEE tax treatment: 40 year olds*

The following tables are an addendum to the PPI report *Comparisons of pension outcomes under EET and TEE tax treatment*. That report was commissioned by the ABI who asked the PPI to analyse the impact of a number of potential reforms to the tax relief system, ranging from adjustments to the current system, through to more fundamental changes in the way the pension tax relief works.

The result tables in this report should be read in the context of that report. The report sets out the assumptions and methodology used in calculating these result tables.

Individuals modelled

The results presented in this addendum are included to give illustrative examples of some of the individuals who were modelled. The complete range of individuals that were modelled include considered are combinations of age, salary level and working life patterns. The results are gender neutral. This note sets out the results tables for individuals aged 40 in 2015. There are other notes for 20 and 60 year olds.

These salary levels and working life patterns are as follows:

Salary Levels
£8,000 (low end non-tax payer)
£10,000 (high end non-tax payer)
£15,000 (low end basic rate tax payer)
£40,000 (high end basic rate tax payer)
£60,000 (higher rate tax payer)
£145,000 (high end higher rate tax payer)
£160,000 additional rate tax payer

Working life pattern
Work from current age to SPA (default working life pattern)
Carer for children (takes career-break between ages 30 and 40)
Carer for elder relative (takes career-break between ages 50 and 60)
High flyer (earns an additional 1% p.a. on top of general earnings inflation which, for earners in the higher end of their tax bracket, may lift them into the next tax bracket for part of their working life.)

The career break to look after children is from age 30 to 40. It therefore has no impact on future savings of a 40 year old and is excluded.

Results

The results are presented in terms of the 'taxed fund value'. The 'taxed pension value' is constructed by calculating a fund at retirement under a given scenario for a given individual. The resulting pension cashflows and lump sum taken for the individual are calculated. The amount of tax due on their pension payments is also calculated as appropriate under a given scenario, allowing for their personal allowance and state pension entitlement. The tax is then subtracted from the pension and lump sum payments to give the net income in each year. In order to turn this into a single figure to aid comparisons, each future cashflow is discounted back to 2015 earnings terms which can then be added together to give the total 'taxed income value'.

Table 1: Taxed pension value for 40 year olds earning £8,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£37,766	£35,146	£37,766	£40,027	£42,576	£44,285
Career-break to care	£31,082	£28,958	£31,082	£33,035	£35,220	£36,663
High flyer	£43,706	£40,622	£43,706	£46,326	£49,321	£51,333

Table 2: Taxed pension value for 40 year olds earning £8,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£37,766	£30,785	£33,864	£36,942	£40,021	£43,099	£46,178
Career-break to care	£31,082	£24,956	£27,452	£29,947	£32,443	£34,938	£37,434
High flyer	£43,706	£36,224	£39,847	£43,469	£47,091	£50,714	£54,336

Table 3: Taxed pension value for 40 year olds earning £10,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£46,155	£42,879	£46,155	£48,939	£52,120	£54,257
Career-break to care	£38,220	£35,565	£38,220	£40,505	£43,084	£44,816
High flyer	£48,553	£45,089	£48,553	£51,496	£54,861	£57,120

Table 4: Taxed pension value for 40 year olds earning £10,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£46,155	£38,481	£42,329	£46,178	£50,026	£53,874	£57,722
Career-break to care	£38,220	£31,195	£34,314	£37,434	£40,553	£43,673	£46,792
High flyer	£48,553	£40,691	£44,760	£48,829	£52,898	£56,967	£61,036

Table 5: Taxed pension value for 40 year olds earning £15,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£54,506	£50,576	£54,506	£57,847	£61,665	£64,229
Career-break to care	£45,018	£41,832	£45,018	£47,726	£50,821	£52,900
High flyer	£67,140	£62,218	£67,140	£71,323	£76,103	£79,314

Table 6: Taxed pension value for 40 year olds earning £15,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£54,506	£46,178	£50,795	£55,413	£60,031	£64,649	£69,266
Career-break to care	£45,018	£37,434	£41,177	£44,921	£48,664	£52,408	£56,151
High flyer	£67,140	£57,820	£63,602	£69,384	£75,166	£80,948	£86,730

Table 7: Taxed pension value for 40 year olds earning £40,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£138,020	£121,992	£138,020	£146,928	£157,109	£163,947
Career-break to care	£112,719	£100,988	£112,719	£119,940	£128,193	£133,736
High flyer	£176,573	£153,998	£139,159	£148,143	£158,411	£165,307

Table 8: Taxed pension value for 40 year olds earning £40,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£138,020	£123,140	£135,454	£147,768	£160,082	£172,396	£184,710
Career-break to care	£112,719	£99,824	£109,806	£119,789	£129,771	£139,753	£149,736
High flyer	£176,573	£124,190	£136,609	£149,028	£161,447	£173,866	£186,285

Table 9: Taxed pension value for 40 year olds earning £60,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£204,831	£176,995	£154,723	£164,745	£176,198	£183,890
Career-break to care	£166,879	£145,950	£126,259	£134,383	£143,668	£149,904
High flyer	£255,365	£215,168	£192,623	£205,171	£219,512	£229,144

Table 10: Taxed pension value for 40 year olds earning £60,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£204,831	£138,533	£152,386	£166,239	£180,093	£193,946	£207,799
Career-break to care	£166,879	£112,302	£123,532	£134,762	£145,992	£157,223	£168,453
High flyer	£255,365	£173,460	£190,806	£208,152	£225,498	£242,844	£260,190

Table 11: Taxed pension value for 40 year olds earning £145,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£493,156	£408,476	£365,275	£389,333	£416,828	£435,295
Career-break to care	£401,439	£334,431	£296,487	£315,960	£338,214	£353,161
High flyer	£611,180	£504,417	£427,256	£455,446	£487,664	£509,303

Table 12: Taxed pension value for 40 year olds earning £145,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£493,156	£332,568	£365,825	£399,082	£432,339	£465,596	£498,852
Career-break to care	£401,439	£269,177	£296,094	£323,012	£349,930	£376,847	£403,765
High flyer	£611,180	£389,687	£428,656	£467,625	£506,594	£545,562	£584,531

Table 13: Taxed pension value for 40 year olds earning £160,000 in 2015 who work throughout their future working life under an EET system

	Current system	Abolish TFLS	Flat rate 20% relief	Flat rate 25% relief	Flat rate 30% relief	Flat rate 33% relief
Full working life	£550,980	£455,472	£383,558	£408,836	£437,724	£457,127
Career-break to care	£447,611	£371,707	£312,126	£332,641	£356,087	£371,835
High flyer	£667,807	£550,165	£466,014	£496,789	£531,796	£554,946

Table 14: Taxed pension value for 40 year olds earning £160,000 in 2015 who work throughout their future working life under a TEE system

	Current system	TEE	TEE 10% match	TEE 20% match	TEE 30% match	TEE 40% match	TEE 50% match
Full working life	£550,980	£349,418	£384,359	£419,301	£454,243	£489,185	£524,126
Career-break to care	£447,611	£283,589	£311,948	£340,307	£368,666	£397,025	£425,383
High flyer	£667,807	£425,405	£467,946	£510,487	£553,027	£595,568	£638,108