

## Results addendum to *Comparisons of pension outcomes under EET and TEE tax treatment: 60 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 60 in 2015. There are other notes for 20 and 40 year olds.

These salary levels and working life patterns are as follows:

<b>Salary Levels</b>
£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

<b>Working life pattern</b>
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 and the career break to look after elder relatives have no impact on future savings of a 60 year old. They are therefore 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 60 year olds earning £8,000 in 2015 who work throughout their future working life under an EET system**

	<b>Current system</b>	<b>Abolish TFLS</b>	<b>Flat rate 20% relief</b>	<b>Flat rate 25% relief</b>	<b>Flat rate 30% relief</b>	<b>Flat rate 33% relief</b>
<b>Full working life</b>	£4,384	£4,384	£4,384	£4,676	£5,010	£5,234
<b>High flyer</b>	£4,489	£4,489	£4,489	£4,788	£5,130	£5,360

**Table 2: Taxed pension value for 60 year olds earning £8,000 in 2015 who work throughout their future working life under a TEE system**

	<b>Current system</b>	<b>TEE</b>	<b>TEE 10% match</b>	<b>TEE 20% match</b>	<b>TEE 30% match</b>	<b>TEE 40% match</b>	<b>TEE 50% match</b>
<b>Full working life</b>	£4,384	£3,507	£3,858	£4,208	£4,559	£4,910	£5,260
<b>High flyer</b>	£4,489	£3,591	£3,950	£4,309	£4,669	£5,028	£5,387

**Table 3: Taxed pension value for 60 year olds earning £10,000 in 2015 who work throughout their future working life under an EET system**

	<b>Current system</b>	<b>Abolish TFLS</b>	<b>Flat rate 20% relief</b>	<b>Flat rate 25% relief</b>	<b>Flat rate 30% relief</b>	<b>Flat rate 33% relief</b>
<b>Full working life</b>	£5,480	£5,480	£5,480	£5,845	£6,262	£6,543
<b>High flyer</b>	£5,611	£5,611	£5,611	£5,985	£6,413	£6,700

**Table 4: Taxed pension value for 60 year olds earning £10,000 in 2015 who work throughout their future working life under a TEE system**

	<b>Current system</b>	<b>TEE</b>	<b>TEE 10% match</b>	<b>TEE 20% match</b>	<b>TEE 30% match</b>	<b>TEE 40% match</b>	<b>TEE 50% match</b>
<b>Full working life</b>	£5,480	£4,384	£4,822	£5,260	£5,699	£6,137	£6,575
<b>High flyer</b>	£5,611	£4,489	£4,938	£5,387	£5,836	£6,285	£6,734

**Table 5: Taxed pension value for 60 year olds earning £15,000 in 2015 who work throughout their future working life under an EET system**

	<b>Current system</b>	<b>Abolish TFLS</b>	<b>Flat rate 20% relief</b>	<b>Flat rate 25% relief</b>	<b>Flat rate 30% relief</b>	<b>Flat rate 33% relief</b>
<b>Full working life</b>	£6,575	£6,575	£6,575	£7,014	£7,515	£7,851
<b>High flyer</b>	£6,734	£6,724	£6,734	£7,182	£7,695	£8,040

**Table 6: Taxed pension value for 60 year olds earning £15,000 in 2015 who work throughout their future working life under a TEE system**

	<b>Current system</b>	<b>TEE</b>	<b>TEE 10% match</b>	<b>TEE 20% match</b>	<b>TEE 30% match</b>	<b>TEE 40% match</b>	<b>TEE 50% match</b>
<b>Full working life</b>	£6,575	£5,260	£5,786	£6,312	£6,838	£7,364	£7,891
<b>High flyer</b>	£6,734	£5,387	£5,925	£6,464	£7,003	£7,542	£8,080

**Table 7: Taxed pension value for 60 year olds earning £40,000 in 2015 who work throughout their future working life under an EET system**

	<b>Current system</b>	<b>Abolish TFLS</b>	<b>Flat rate 20% relief</b>	<b>Flat rate 25% relief</b>	<b>Flat rate 30% relief</b>	<b>Flat rate 33% relief</b>
<b>Full working life</b>	£17,535	£16,731	£17,535	£18,703	£20,039	£20,937
<b>High flyer</b>	£17,956	£17,122	£17,956	£19,153	£20,521	£21,440

**Table 8: Taxed pension value for 60 year olds earning £40,000 in 2015 who work throughout their future working life under a TEE system**

	<b>Current system</b>	<b>TEE</b>	<b>TEE 10% match</b>	<b>TEE 20% match</b>	<b>TEE 30% match</b>	<b>TEE 40% match</b>	<b>TEE 50% match</b>
<b>Full working life</b>	£17,535	£14,028	£15,430	£16,833	£18,236	£19,639	£21,041
<b>High flyer</b>	£17,956	£14,365	£15,801	£17,238	£18,674	£20,111	£21,547

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

	<b>Current system</b>	<b>Abolish TFLS</b>	<b>Flat rate 20% relief</b>	<b>Flat rate 25% relief</b>	<b>Flat rate 30% relief</b>	<b>Flat rate 33% relief</b>
<b>Full working life</b>	£26,302	£24,854	£19,726	£21,041	£22,544	£23,554
<b>High flyer</b>	£26,934	£25,440	£20,201	£21,547	£23,086	£24,120

**Table 10: Taxed pension value for 60 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
<b>Full working life</b>	£26,302	£15,781	£17,359	£18,937	£20,515	£22,093	£23,672
<b>High flyer</b>	£26,934	£16,160	£17,776	£19,393	£21,009	£22,625	£24,241

**Table 11: Taxed pension value for 60 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
<b>Full working life</b>	£63,919	£59,831	£46,548	£49,606	£53,038	£55,311
<b>High flyer</b>	£65,058	£60,891	£47,453	£50,555	£54,038	£56,342

**Table 12: Taxed pension value for 60 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
<b>Full working life</b>	£63,919	£37,239	£40,963	£44,686	£48,410	£52,134	£55,858
<b>High flyer</b>	£65,058	£37,970	£41,767	£45,564	£49,361	£53,158	£56,955

**Table 13: Taxed pension value for 60 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
<b>Full working life</b>	£69,037	£64,593	£49,838	£53,054	£56,667	£59,062
<b>High flyer</b>	£71,057	£66,471	£50,672	£53,930	£57,590	£60,014

**Table 14: Taxed pension value for 60 year olds earning £160,000 in 2015 who work throughout their future working life under a TEE system**

	<b>Current system</b>	<b>TEE</b>	<b>TEE 10% match</b>	<b>TEE 20% match</b>	<b>TEE 30% match</b>	<b>TEE 40% match</b>	<b>TEE 50% match</b>
<b>Full working life</b>	£69,037	£39,911	£43,902	£47,893	£51,884	£55,875	£59,866
<b>High flyer</b>	£71,057	£40,597	£44,656	£48,716	£52,776	£56,835	£60,895