

Pension planning and the “A-Day” effect: advice for part-time GPs

Department of Health figures indicate that 27% of all GPs work part-time, and 49% of female GPs prefer reduced hours. So it may be worth considering the implications for pension planning. Graeme Urwin summarises some of the factors to take into account, including the recent pensions reforms introduced in April



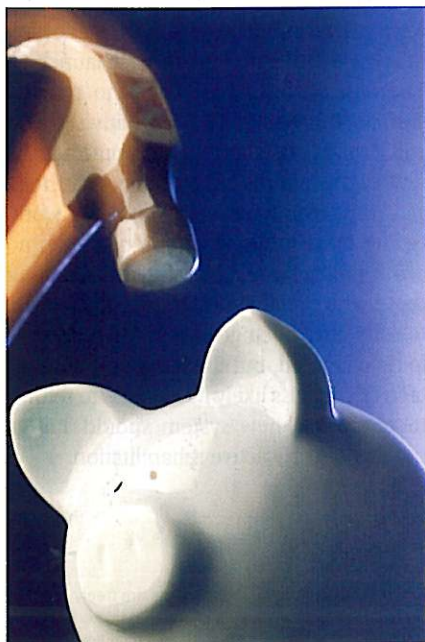
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A free, comprehensive guide to pensions is available by emailing Graeme



PENSIONS-WISE, THIS is a great time to be a part-time GP! The NHS recognises the importance of the work-life balance through various initiatives, such as “Improving Working Lives”. General practices also need to encourage doctors to work for them, and will usually bend over backwards to accommodate the right person.

So, whether you already work part-time, are planning to for family reasons, or are simply deciding to slow down a bit in your 50s, a lot of factors are in your favour.

But what about the impact on your pension planning in general and your NHS Pension in particular? A few facts:

- ❖ A GP’s NHS Pension is based on lifetime earnings, not simply the superannuable income the year before retirement.
- ❖ Broadly speaking, if you work three-quarter time it will take four calendar years for three years’ reckonable service to count towards your pension.
- ❖ Years worked in a hospital can be counted as years worked as a GP.
- ❖ There have been significant increases to the types of income that count as superannuable.
- ❖ Uplifts in pension calculations for 2003–2006 are substantial.
- ❖ The NHS is discussing changing the normal retirement age from 60 to 65.

Pension A-Day

Changes to the general rules on pensions took effect from 6 April 2006, known as Pension A-Day. These changes are large and fundamental:

- ❖ There will be a fund-size limit of £1.5m, regardless of the type of pension plan you have.
- ❖ If you are projected to exceed this limit you may need to take action to protect your fund from a tax penalty.

One of the first steps is to calculate whether you will have an A-Day problem. If your NHS Pension is likely to be £65,000 pa or more and you are retiring this year, you may exceed the £1.5m limit (it’s possible to exceed the limit even if your pension is below that amount).

The whole picture

When it comes to planning for your retirement, you should make sure you take a look at your whole situation, including wills and estate planning, and assess how much money you’ll need after retiring.

When calculating how much pension you’ll have, you should remember to take account of: proceeds of practice sale or downsizing; lump sums and investments; inheritances; and state pensions.

Measurement

Retirement planning is not just about pension policies. Often, a new client will learn that they will pay 40% tax in retirement. This may be because they have had no real *measurement* to plan effectively, and have simply amassed a number of policies.

What action should a part-time GP take to plan ahead?

- ❖ Obtain your NHS Pension projection from the NHS Pension Agency.
- ❖ Obtain your State Pension projection from the post office (BR19).
- ❖ Request private pension arrangements’ projections.
- ❖ Assess your investment wealth from ISAs and PEPs, etc.
- ❖ Use a detailed expenditure template to work out what you *really* need (ie, will you spend less after the age of 75?).
- ❖ Create a strategy you can revisit every year; use it to measure where you are compared with where you want to be. ❖