Brexit: What will happen to pensions when Britain leaves the EU?

BREXIT campaigners have rubbished the Government's apocalyptic claims that millions of pensioners would be worse off when Britain leaves the EU. But what does Brexit mean for your pension?

What could happen to YOUR pension if Britain leaves the EU?

The Treasury's doom-laden analysis claims that Brexit would push up inflation, which would erode the value of state pension increases for pensioners across Britain.

It warned that pensioners on the full basic state pension would be worse off (http://www.express.co.uk/news/politics/674247/Project-Fears-hits-pensions-Treasury-Brexit-pensions) by £142 a year by 2017-18 if Brexit prompted a "severe shock" to the economy.

In this worst-case scenario, total assets held by over-65s could drop by up to £300billion over two years - a claim rejected by Brexit campaigners.

Eurosceptic former Pensions Secretary Iain Duncan Smith said: "This is an utterly outrageous attempt by the Government to do down people's pensions and is little more than a cynical attempt to distract from the Government's broken promises on immigration."

Mr Duncan Smith said the European Commission's plans to undermine occupational pensions were the "biggest threat" to British pensions while tax proposals from Eurozone countries could also harm them.

He said: "These are measures that Britain is powerless to stop in the EU. Remember we have been outvoted again and again and lost each battle."

In the wake of the warning over pensions, Tom McPhail, head of retirement policy at investment broker Hargreaves Lansdown, has taken a look at what Brexit would mean for Britain's pensioners.

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EU referendum 2016: Pensions are a key concern for the older generation

What are the pensions forecasts based on?

Mr McPhail said: “The Treasury paints a fairly apocalyptic picture of widespread reductions in retirement incomes.

“The key assumptions they make are of higher inflation and lower economic growth; both of these assumptions may be open to challenge by the Leave campaign.

“Change the underlying assumptions and you change the outcomes.”

If Treasury forecasts on rising inflation and less growth prove inaccurate, he said that future pension incomes would be no lower than if Britain remains in the EU.

Brexit: Iain Duncan Smith

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What would happen to pensions if Britain leaves the EU?

Mr McPhail said: “Given the very high levels of uncertainty around the long term economic consequences of a Leave vote, it is probably ambitious to attempt a forecast of eventual outcomes.

“However, we do anticipate a period of market instability and volatility in the event of a Leave vote, which could have a short term impact on UK pensions."

He added: “From a regulatory and legislative perspective, we do not anticipate any significant immediate effects of a Leave vote.”

The pros and cons of Brexit

Fri, February 26, 2016

The pros and cons of Brexit.

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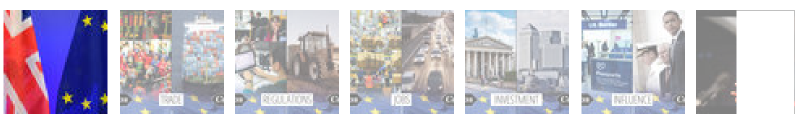

What would happen to pensioners who retired abroad?

The UK currently has arrangements that mean that UK pensioners who have retired abroad in Europe benefit from inflation proofing to their state pension incomes.

Hargreaves Lansdown said that in theory these arrangements with EU countries could "come under pressure" wheb Britain quits the EU.

But it said: "Given the intricate levels of economic and social interdependence between the UK and EU member states, it may not be in anyone’s interests to unwind current arrangements in the short term.”

Leave AND Remain supporters do not believe Osborne's Brexit projections

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What could happen to annuities?

Hargreaves Lansdown said Brexit is likely to lead to short-term market turbulence including a fall in Sterling and a rise in Gilt yields.

It said: “Rising Gilt and bond yields, especially if accompanied by higher short term interest rates would feed through into higher annuity rates.

“This is because the insurance companies selling annuities would be able to generate a higher income from the underlying investments into which they invest annuitants’ capital.”

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EU referendum 2016: Could Brexit affect your retirement?

What could happen to pension fund assets?

Hargreaves Lansdown said a fall in asset prices would "certainly not come as a surprise" due to likely short-term market volatility.

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