No more compulsory annuities in U.K.

By Editor Test *Wed, Dec 15, 2010*

People with defined contribution pension accounts will no longer have to buy annuities by age 75, and may take out up to a years' worth of funds before retirement.

Investors in the United Kingdom will be able to spend part their tax-deferred retirement savings—known as "pension pots" in Britain—before they retire, under new pension rules.

Employees with defined contribution pension schemes will no longer have to buy annuities by age 75, and may take out up to a years' worth of funds before retirement.

For those who can demonstrate that they have a secure pension income of at least £20,000 (about $31,500) a year, there will be no limit on the amount that they can withdraw early.

"The majority of people have quite small pension pots on retirement and this safety net will mean that in practice they are still likely to buy an annuity to make sure they have an income through retirement," said the Association of British Insurers in a release.

The British Treasury estimates that 12,000 people a year will be eligible to use the flexible pension draw-down rules. Tax on pension funds left unspent at death has also been cut to 55% from 82%. The rules will go through Parliament as part of the 2011 budget, and are set to come into force from April 2011.