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RESEARCH SUGGESTS WILLINGNESS TO TAKE ADVANTAGE OF £38 BILLION TAX RELIEF PERSONAL PENSION POT

Research from Prudential reveals that 18% of IFAs have seen an increase in clients wanting to take advantage of 'carry forward' personal pension contributions before the rules are phased out on 31 January 2002.

In addition, 11% of intermediaries claim that their carry forward business has increased by over 20% compared with this time 12 months ago.

Prudential is urging people with personal pensions to take advantage of a £38 billion¹ plus tax benefit called 'carry forward' before it disappears on 31 January 2002. In doing so, Prudential calculates a 40 year-old man with a personal pension could receive up to £4,088² in unused tax relief.

Consumers with personal pensions may be able to make extra contributions to their funds under the 'carry forward, carry back' system which allows you to put more than your annual limit into your pension by capitalising on past unused allowances. Carry back allows customers to make contributions in this tax year but have them treated as if they were made last year. Using this alongside carry forward, personal pension customers can capitalise on allowances not used during the past seven tax years.

Gary Hitchens, Director of Personal Pensions at Prudential said: "On average, by our early thirties, we should be putting around 15% of our annual earnings into a pension fund to secure a retirement income of two thirds of our salary. Carry forward is an excellent tax break, which providing you can afford to make additional contributions to your personal pension plan, should be capitalised on."

Pension contributions receive initial tax relief of 22% and higher rate taxpayers are entitled up to a further 18%. This means that someone paying £780 in to a personal pension would receive an extra £220 from the Government. A higher rate taxpayer would enjoy an additional £180, offset against their next tax bill.

Customers who want more information on carry forward or carry back can call Prudential on 0800 0725553.

-ENDS-

Notes to Editors:

1. As at December 2001, Torquil Clark estimated £38.87 billion of tax relief is available under the carry forward of unused relief rules for personal pensions.
2. Prudential calculates a 40 year-old man on 1.5 x national average earnings, already paying 10% of annual earnings into a personal pension, will receive up to £4088 in tax relief. National average earnings is recorded on table 36 of the Labour Force Survey Historical Supplement.

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