

Limiting Lump-Sum Pension Withdrawals

It seems logical and consistent to set a target pension total fund amount by age and gender.

The target fund amount is the point at which, given anticipated growth, no government aged pension would be received by the individual (thus alleviating the treasury pension burden). In setting the threshold allowance may be made for the non-cash benefits of the pension.

Unlimited withdrawals down to this amount are allowed. Contributions, by pensioners, to funds over the amount are restricted or taxable.

Contributions to funds under the threshold are encouraged.

The tax-free income allowance for pension paying funds should be set such that tax applies once the threshold amount has been reached.

This replaces the current minimum and has no need of the “work test”. It is simple, flexible and equitable.